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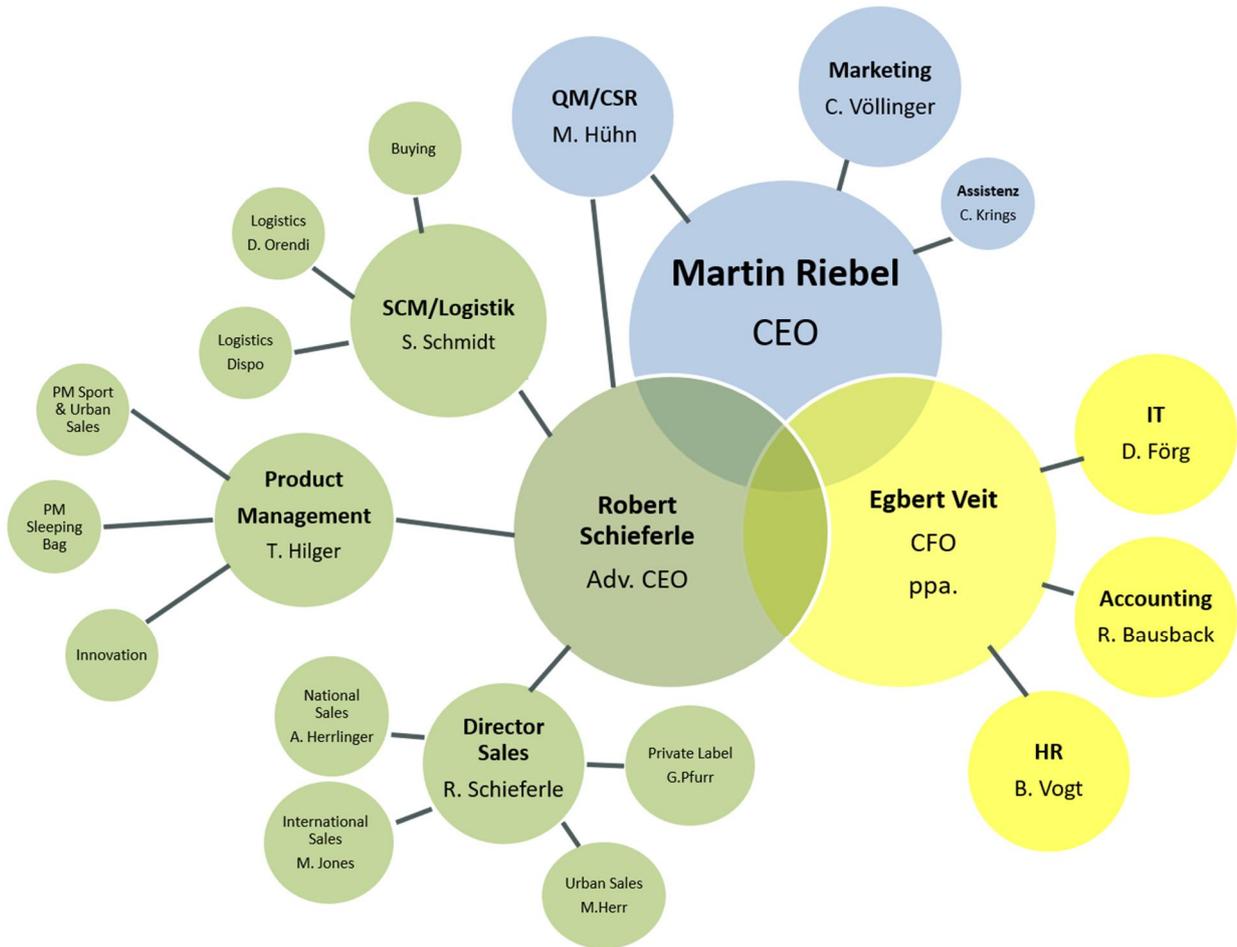
**Membership start date:**

August 2011

**Reporting period (financial year)**

July 2017- June 2018

### Organisational chart





## Contents

Foreword.....	4
1. Key Events 2017/2018 .....	5
2. Targets for the 2017/18 financial year .....	6
3. Sourcing strategy.....	7
3.1. Sourcing strategy & pricing .....	7
3.2. Sourcing administration .....	8
3.3. Production cycle .....	8
3.4. Supplier relations & sourcing decisions .....	9
3.5. Integration of monitoring activities and sourcing decisions .....	10
4. Coherent system for monitoring and remediation .....	10
4.1. Vietnam.....	11
4.2. China .....	16
4.3. Myanmar.....	19
4.4. External production.....	22
5. Complaints handling .....	22
6. Training and capacity building .....	23
6.1. Activities to inform staff members .....	23
6.2. Activities to inform manufacturers and workers .....	23
7. Stakeholder Engagement .....	23

## Foreword

### **Dear Deuter family, customers, and business partners,**

our annual Social Report is always an opportunity to reflect on the past year and set new goals. We are happy to confirm that our efforts to improve working conditions at the production sites of our long-standing partners have led to positive change for more than 4000 workers that make Deuter products. In addition to our ongoing work with our direct supplier base, we are increasingly focusing on the lower end of the supply chain to implement monitoring and grievance systems. Duke has been our production partner since 1994 and manufactures our entire line of backpacks and accessories. We have worked with Bellmart, who manufacture our sleeping bags, for more than 12 years now. Long-term, committed partnerships are important to us at Deuter, because it allows us to positively influence working conditions and also results in smooth production flow. The better you know your partners over time, the more solid the collaboration becomes.

At Deuter improving working conditions and minimising our impact on the environment is part and parcel of creating functional, high-quality products. We are making steady progress and invite you to join us on this journey. I hope you enjoy reading our Social Report.

Yours,

Martin Riebel

## 1. Key Events 2017/2018

### **“LEADER STATUS”**

in FWF's Brand Performance Check 2017

### **PARTICIPATION AT THE ROUNDTABLE OF EOG AND SOMO IN MYANMAR**

Discussing labour conditions in Myanmar (OutDoor Trade Show 2017) and knowledge exchange with other member brands

### **PARTICIPATION IN THE FWF MULTI-STAKEHOLDER MEETING and the ANNUAL FWF CONFERENCE**

Stakeholder engagement and knowledge exchange with other member brands

### **PARTICIPATION IN NUMEROUS WORKSHOPS AND MEETINGS OF THE PARTNERSHIP FOR SUSTAINABLE TEXTILES**

Development of basic and advanced training schemes for chemical management and environmental protection in the lower supply chain

Participation in workshop for implementing living wages

### **BLUESIGN SYSTEM PARTNER MEETING**

Improvements in the lower supply chain, knowledge exchange with other system partners, increased availability of bluesign® certified materials

### **PRESENTATION OF DEUTER'S PRE-PRODUCTION SCHEDULE AND SYSTEM AT THE GERMAN TEXTILE PARTNERSHIP PROGRAMME**

Providing input for the due diligence process and scalable measures to improve working conditions throughout the supply chain

### **PROJECTS TO IMPROVE EFFICIENCY AND PRODUCTION FLOW**

Research project with our partner Duke on how to avoid bottlenecks and overtime by improving efficiency and planning

### **CREATION OF MORE TRANSPARENCY IN THE LOWER SUPPLY CHAIN, SUPPLY CHAIN VISITS**

Lower supply chain supported with info and expertise on improving chemical management and environmental performance

## TRAINING ON AGE VERIFICATION AND REMEDIATION IN MYANMAR

Implementation of age verification mechanisms to avoid hiring of young workers due to falsified information provided by applicants

### 2. Targets for the 2017/18 financial year

Recommendations by FWF for Deuter in their Brand Performance Check 2016 led to setting ambitious goals for the financial year 2017/18. Similar to the 2016/17 financial year, Myanmar remained a focus country and required a lot of attention.

- **Goal 1:** Deuter to limit the number of subcontractors in order to allow effective monitoring and improvement of working conditions.
  - The number of subcontractors for Duke Vietnam increased during this financial year with 10 new subcontractors being added to their supplier base. The onboarding requirements (explained later in this report) were however fulfilled, so these new suppliers were able to supply our Duke. In 2018, visits and spot checks to some of the subcontractors will be made by FWF and the Deuter CSR team with a view to improved monitoring. The management team will discuss ways in which the number of subcontractors can be kept to a minimum.
- **Goal 2:** Deuter to find a way to verify labour cost estimates from its sleeping bag supplier.
  - The Bellmart sleeping bag factory in China will be audited in the 2018/19 financial year, which will then give a clear picture of actual wage levels. However, ongoing discussions with Bellmart as well as other FWF members indicate that wage levels are above the legal minimum.
  - Wages in Myanmar are frequently raised because the government is increasing the legal minimum wage. Furthermore, negotiations are taking place between the Bellmart labour union and factory management team to agree on wage increases.
- **Goal 3:** Deuter to implement a strategy to raise wages based on the research conducted by FWF in 2016.
  - Wage increases are always taken into account during pricing discussions and in meetings between senior Deuter management and the management of Duke or Bellmart. The product price increases in 2018 reflect increased material costs as well as legal minimum wage increases in the production countries. Vietnam: 6.5% increase, Myanmar: 33 %

increase, China: 13.3% increase. The minimum wages reflect the basic salary from which piece rates and productivity bonuses are calculated.

- **Goal 4:** Deuter to continue its efforts to remediate more complex issues like a lack of constructive worker-management dialogue and to continue supporting the factory in implementing constructive worker-management dialogue and ensuring freedom of association.
  - This has been a main focus in Myanmar for this financial year. The audit clearly showed that communication between union and factory management needed to be improved. By scheduling regular meetings between the union and factory management, with the FWF as mediators, we have made good progress this year.
- **Goal 5:** Deuter to include the printing subcontractor of its Myanmar production site in its monitoring scheme.
  - The printing supplier is regularly visited (at the same time as visiting the main factory). This factory is located on the premises of the main factory but is managed by an independent textile printing specialist. They completed and signed the FWF agreement and have displayed the Code of Labour Practice (CoLP) on-site to ensure that workers are informed about their rights and the FWF complaints hotline.
- **Goal 6:** Deuter to follow up on its subcontractor audit in Vietnam.
  - In April, a printing subcontractor for Duke in Vietnam was inspected by the FWF audit team. The report showed several issues that required attention as well as a follow-up by the Deuter CSR team (for further details check point 2.1.2)

### 3. Sourcing strategy

#### 3.1. Sourcing strategy & pricing

Deuter believes in long-term partnerships based on trust and mutual respect. This helps us foster high levels of motivation, creativity, quality and reliability – from our head office in Gersthofen through to our retailers and, of course, our manufacturing partners.

We have been working with our backpack manufacturer, Duke, since 1991. Duke has produced our entire backpack collection since 1994 and almost exclusively produces for Deuter. We have been working with our sleeping bag manufacturer, Bellmart, in China for 15 years, and in Myanmar since 2015.

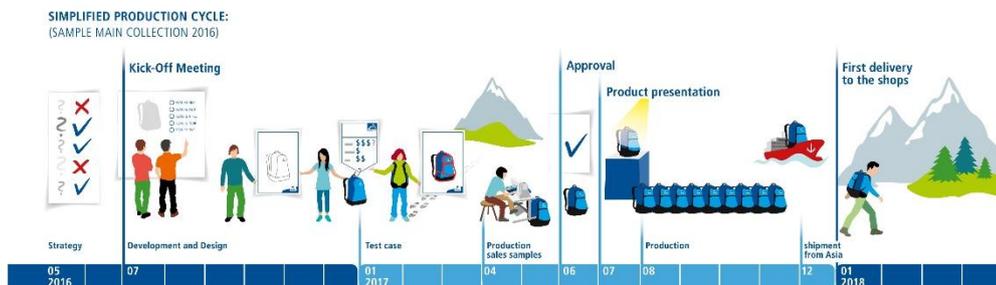
Based on Deuter’s design and material requirements, our manufacturers calculate the price for products that are in development. Prices are adapted during the prototype phase to match targets. We work together on the product itself to achieve a competitive price point. During this process Deuter does not apply pressure, nor does it beat down prices. Purchasing practices like benchmarking the price of different suppliers in order to find the cheapest offer is not the way Deuter conducts business with its long-term partners. The cost of materials as well as local wages are taken into consideration during these pricing discussions. We know that our partners offer fair prices, because both sides strongly believe that trust is the best foundation and always pays off. Since we rely on our suppliers in terms of know-how and quality and are – to a certain extent - dependent on them, we need to know that their business is running smoothly and is in good shape.

### 3.2. Sourcing administration

Deuter does not have a designated sourcing department because we do not swap and change suppliers. It is the Supply Chain Manager and the Director of Products, Production and Logistics that are responsible for production planning, working closely with our suppliers. We have a strategy in place should the situation arise where we require a new supplier. In such cases, close collaboration with the CSR Department is necessary.

In terms of material purchasing, Deuter is not involved in purchasing materials from the lower supply chain, but nominates suitable suppliers taking into consideration quality, sustainability and lead times. Changes in material must be made with suitable lead times to allow timely purchasing, well before production begins, and in order to eliminate any negative effects on production schedules and working hours.

### 3.3. Production cycle



Deuter produces one main collection a year, plus a reduced winter range. The main collection is showcased in the summer at the OutDoor international sports trade show in Friedrichshafen, Germany. The winter

range is showcased in February at the ISPO trade show in Munich, Germany. In effect, we only change a third of our collection each year. Most of the products remain in the range for several years with only minor modifications. For instance, one of our classics, the Trans Alpine pack, has been in our collection for over 15 years.

### **3.4. Supplier relations & sourcing decisions**

During the financial year in question, Deuter did not select any new direct suppliers nor did it terminate any relationships with current direct suppliers. Our backpack supplier Duke selected ten new CMT subcontractors and terminated or had inactive relationships with 10 subcontractors in 2017/18.

The process of selecting new subcontractors is the responsibility of Deuter's partner Duke because Deuter is not in direct business with these smaller factories. Deuter and Duke have developed a system over the years that helps evaluate any new subcontractors and ensures the workers in these factories have access to the FWF complaints hotline.

#### **The system is as follows:**

- Duke CSR staff visit the supplier and assess conditions on site, filling in an assessment form
- The FWF agreement must be filled in and signed by the subcontractor's management team
- The FWF Code of Labour Practices (CoLP) must be on display in the local language including the FWF complaint hotline. A documentation needs to be assured by the Duke CSR Team
- Deuter to check the documentation and improve the process if necessary on an annual basis
- All of the above must be confirmed before any orders are placed

Bellmart does not subcontract any CMT (Cut, Make & Trim) work in China or Myanmar. Printing and embroidery suppliers are informed about FWF, requirements and display the CoLP/ worker info sheet with details of the complaints hotline.

### 3.5. Integration of monitoring activities and sourcing decisions

**Deuter's sourcing strategy is to focus on two suppliers for all their products:** One supplier for backpacks, packs and accessories, and one supplier for sleeping bags. These partnerships have been in place for several decades and have resulted in a close bond and mutual dependency between Deuter, Duke and Bellmart – in particular with Duke, our backpack supplier, that produces most of Deuter's products.

The commitment to these partnerships has direct consequences on Deuter's sourcing decisions. For example, when sleeping bag supplier Bellmart decided to relocate its production of synthetic sleeping bags to Myanmar, because of difficulties with the factory in China, Deuter supported Bellmart but also carefully evaluated the risks of using Myanmar as a sourcing country. These risks were minimized by implementing enhanced monitoring and training – especially on age verification.

Another example from Vietnam: Deuter counts for almost all of Duke's production capacity. We guarantee enough orders throughout the year to keep all of its production lines busy and adjust our planning to suit the factory requirements as best we can, and vice versa. In order to meet our needs as well as the demands of its factories, Duke subcontracts small sections of its production (e.g. backpack components such as shoulder straps) if necessary, to avoid production bottlenecks and to speed up production processes. Subcontracting inevitably entails an enhanced risk of non-compliance with the FWF CoLP, which Deuter tackles with monitoring measures. → see 1.4.

In the case of the termination a business relationship with a direct partner for whatever reason, Deuter will implement the responsible exit strategy requirements issued by the FWF.

## 4. Coherent system for monitoring and remediation

To allow effective monitoring of Deuter's production locations, the CSR team plans its audits in accordance with FWF regulations. Audits are scheduled at 3-yearly intervals at most, to get a precise overview of the status of each factory. In order to achieve the highest quality standards, Deuter exclusively uses local FWF audit teams. This is particularly important for us, since off-site worker interviews are a key element of these audits. We consider this to be best practice, as this procedure allows a better insight into the current situation and might highlight issues that were not spotted during the audit in the factory.

Corrective action plans resulting from these audits are followed up by the Deuter CSR team with e-mails or skype conferences, and on-site visits from Deuter staff. In the case of Bellmart, we share follow-ups and audits with other FWF members to minimize communication and workload on all sides. Combined leverage is also likely to elicit compliance faster and more sustainably. During the remediation

process, Deuter takes into account FWF country studies as well as legal regulations relevant for the production location. Recommendations and requirements that are listed in the FWF audit report also form part of the improvement process.

Audit reports form part of the regular meetings (min. twice per year) between senior management teams from our suppliers and Deuter. This practice adds weight to audit results and follows up on corrective action plans.

In Vietnam, where subcontracting takes place, Duke is responsible for monitoring working conditions at its subcontractors' factories as described in point 1.4. Duke has a designated CSR team at its headquarters and at its production sites. Duke's CSR staff rank highly within the management hierarchy and are therefore able to address issues effectively with senior management.

#### 4.1. Vietnam

Vietnam is in south-west Asia and covers an area of approximately 331,210 km<sup>2</sup>. It has one of the highest population densities in the world but most of its 95,261,021 inhabitants live along the coast of the Chinese Sea and the Gulf of Tonkin. The government officially recognises 54 ethnic groups, with the Viet being the largest group at 85.7%. The official language is Vietnamese, but English is gaining in significance, especially in larger cities like the capital Hanoi, or in Ho Chi Minh city. In some areas French, Chinese or Khmer are spoken.

With a GDP of 240.8 billion US Dollars in 2017, it is considered a middle-income country (MIC) with a GDP of \$2546 per capita. Vietnam's top export goods are phones and components (45.7 billion USD), textiles and clothing (31.8 billion USD), computers and components (25.9 billion USD) and footwear (14.6 billion USD)<sup>1</sup>.

Info box/ country profile:

Flag (<https://www.cia.gov/library/publications/the-world-factbook/geos/vm.html>)

Languages: Vietnamese, English, French, Chinese, Khmer

Religion: 81.8% none, 7.9% Buddhist, 6.6% Catholic, 1.7% Hoa Hao, 0.9% Cao Dai, 0.9% Protestant, 0.1% Muslim

Capital: Hanoi

Form of government: socialist republic

Area: 331,210 km<sup>2</sup>

Population: 95,261,021

Currency: Vietnamese Dong

Literacy rate: 93%

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[http://www.auswaertigesamt.de/sid\\_5AADAD62617EF7DD9ACEEFEA01689ADA/DE/Aussenpolitik/Laender/Laenderinfos/Vietnam/Wirtschaft\\_node.html](http://www.auswaertigesamt.de/sid_5AADAD62617EF7DD9ACEEFEA01689ADA/DE/Aussenpolitik/Laender/Laenderinfos/Vietnam/Wirtschaft_node.html)

<https://www.cia.gov/library/publications/the-world-factbook/geos/vm.html>

#### 4.1.1. Duke Corp. factories in Vietnam

**Overview:**

FWF No.	Factory Name	Process	City	Last Audit	Last WEP Training	Last Complaint	Visited 17/18
2442	Count Vina Co. Ltd.	CMT	Tien Giang	10.09.2015	26.08.2015	01.07.2017 <i>resolved</i>	yes
2421	Cu Chi Co. Ltd.	CMT	Ho Chi Minh	19.10.2018	27.08.2015	n/a	yes
2405	Vina Duke (Hoc Mon) Co. Ltd.	CMT	Ho Chi Minh	16.09.2015	28.08.2015	12.12.2014 <i>resolved</i>	yes

Duke Corp. is Deuter's largest and most important partner. Today, approximately 4,000 employees (3,018 women and 982 men - as of August 2017) at three sites near Ho Chi Minh work to ensure consistently high Deuter quality.

Duke is also a bluesign® system partner and therefore regularly checked by bluesign® advisors to ensure good OHS (Occupational Health & Safety) conditions and environmental performance.

#### 4.1.2. Monitoring and Remediation 2017/18

In the 2017/18 fiscal year, Deuter mainly focused on the Bellmart Myanmar production facility since all three Duke factories had already been audited in the 2015/16 financial year. CAPs (Correction Action Plans) had been followed up. FWF WEP (Worker Education Program) training on workplace safety also took place during that year. Regular meetings between senior management at Deuter and Duke were held in Germany (at trade shows and Deuter headquarters) in addition to the annual meeting held in November in Vietnam.

A key issue still remains: the use of subcontractors for the two production facilities, Cu Chi and Hoc Mon. This was discussed extensively during the above meetings in order to either find ways of enhancing monitoring or forming a stable, limited base of subcontractors with longer-lasting relationships.

Another important point was the follow-up of the audit at the printing subcontractor conducted in April 2017. After receiving the report, the focus was on:

- Payment of a living wage
- Wage documentation
- Health and safety at the factory

In the beginning, the supplier was reluctant to implement improvements. Further discussions between the printer and Duke lead to the decision to give the printer a low-interest loan to build a new factory that takes into consideration the findings of the audit. The new factory was established in March 2018 and workers were able to move to a safer working environment.

Low wages were increased to meet the CAP requirements. The CAP is still not fully implemented, but a verification visit by the Deuter CSR team is scheduled for next financial year.

In conclusion, we can report that the general satisfaction of workers in the Duke factories in Vietnam seems relatively high. The return quota of 99.1% after the lunar new year's celebrations of 2018 is a good sign of a happy workforce and competitive wages. In Vietnam, the Chinese New Year is traditionally at time to look for better job opportunities.

#### **4.1.3. FWF Complaints System**

On 1 July 2017, FWF received a complaint from a former employee of the Count Vina factory via its local complaints handler. The plaintiff claimed that his and his co-worker's contracts were illegally terminated by the factory. The plaintiff wanted the factory to compensate him (and his co-worker) in accordance with Article 42 of the Labour Code.

FWF decided that the case was admissible. Deuter informed the supplier and received a reply immediately. According to the factory management, the plaintiff (and his co-worker) misbehaved, shouting and threatening workers and disobeying the factory manager's commands. On July 13<sup>th</sup>, the plaintiff sent FWF the minutes of the unsuccessful mediation dated July 10, 2017. The minutes noted that the plaintiff did not agree with the two months of compensation that the factory proposed, whereas the co-worker did. The parties were entitled to request the matter to be settled in court in accordance with the law.

Following the court ruling, the factory transferred the compensation fee (41,700,000 VND which is equivalent to 4 months' salary for this worker) to the local government, on enforcement of civil judgement, on November 6, 2017. Then



## Social Report [July 2017 – June 2018]

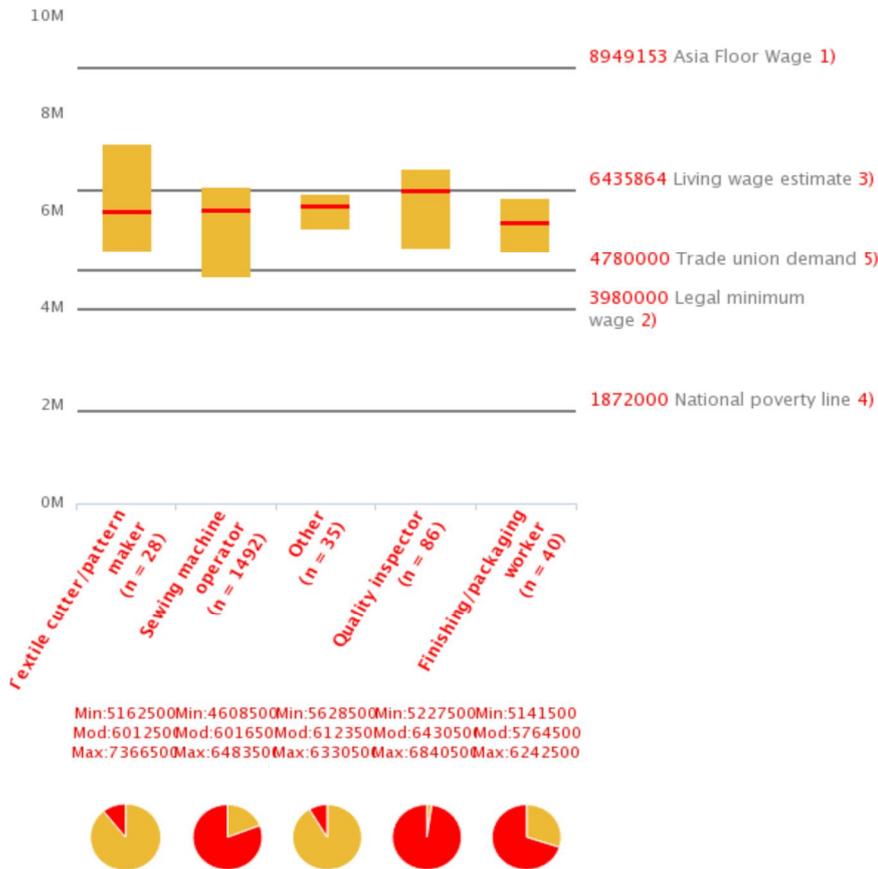
the local government, on enforcement of civil judgement, paid this compensation to the plaintiff on November 14, 2017. The plaintiff confirmed that he received the compensation, had no further complaints and thanked FWF for helping him. The HR manager and the plaintiff also sent scanned payment records for confirmation.

What the factory was able to learn from this situation was that it must improve its documentation of official warnings. The workers in question had already been given several verbal warnings, which is why they decided to dismiss them, but since there was no written record of the warnings, the dismissals were deemed to be in breach of the terms of their contract and therefore illegal.

#### 4.1.4. Vietnam wage ladder

##### factory: vina duke cu chi, vietnam

regular wage and benefits  
currency: vnd



1) Asia Floor Wage as of 2015.

2) Legal Minimum Wage region 1, national government, as of Jan 2018. Refers to monthly salary paid to untrained employees doing the simplest tasks in normal working conditions, ensuring full working days as standard days in the month and completing the assigned work.

3) Living wage estimate using the Anker methodology. Based on a family of 4 (2 adults, 2 children) 1.78 average worker per family, 48 hours per week, 26 working days per month for u Ho Chi Minh City area.

4) World Bank poverty line wage for 2015

5) Minimum earnings needed to cover food, non-food and childcare VGCL national trade union - region 1 - 2016

#### legend

Male  
Female

The latest wage ladder for the Cu Chi factory shows that average wages almost meet estimates for a living wage as defined by the Anker methodology. It also shows, that over the past few years wages have consistently increased (compare Social Report 2016).

## 4.2. China

The Chinese mainland is about as big as the United States at 9.5 million km<sup>2</sup>, making it the fourth-largest country in the world. Its border is 22,133km long, the longest of any country in the world. Although China has the highest population count, its population density is lower than that of most other Asian countries.

The majority of the population lives in the eastern part of the country. The Chinese government officially recognises 56 ethnic groups, with Han being the largest group (92%).

The official languages are Chinese and Mandarin. China is the largest economic power at the moment with a GDP of 12.8 trillion US dollars (\$ 8,643 per capita)<sup>2</sup>. Its top export goods are computers (173 billion USD), broadcasting equipment (165 billion USD), phones (109 billion USD), integrated circuits (65,7 billion USD) parts for office machines (42,8 billion USD) and Textile and apparel (109,9 billion USD)<sup>3</sup>.

### 4.2.1. Bellmart factories – China

FWF No.	Factory Name	Process	City	Last Audit	Last WEP Training	Last Complaint	Visited 17/18
2448	Xiamen Kingtai Industrial Co. Ltd.	CMT	Xiamen	15.06.2017	05.07.2018	n/a	yes

15 years ago, Deuter teamed up with Bellmart to jointly develop down and synthetic sleeping bags in its factory in Xiamen. In the beginning, this is where Deuter's entire sleeping bag range was produced. In 2015, its synthetic insulation sleeping bags were shifted to Bellmart's production site in Myanmar, leaving only down sleeping bags in Xiamen.

Bellmart is a bluesign® system partner and is therefore regularly checked by bluesign® advisors to ensure good OHS (Occupational Health and Safety)

<sup>2</sup> <https://www.auswaertiges-amt.de/de/aussenpolitik/laender/china-node/-/200468>

<sup>3</sup> <https://shenglufashion.com/2018/08/16/wto-reports-world-textile-and-apparel-trade-in-2017/>

conditions and environmental performance. The factory is also RDS certified (Responsible Down Standard).

#### **4.2.2. Monitoring and remediation 2017/18**

By opening a new factory in Myanmar, our partner Bellmart was able to take pressure off its production site in Xiamen. In the past, excessive overtime was always a major issue at the Kingtai production site in Xiamen. Now, all our synthetic sleeping bags are manufactured in Myanmar. Bellmart employs 212 workers (170 female/ 42 male) in Xiamen (as at August 2017). They produce all our down sleeping bags including our bluesign® certified bags. Currently Deuter only takes up a very small share of the production capacity at Kingtai.

Deuter and another FWF member carry out joint auditing, training and remediation procedures at the Kingtai factory.

In June 2017, the FWF conducted a second audit at Xiamen. Deuter arranged the audit in cooperation with its other FWF partner. The implementation of the resulting corrective action plan was also be conducted in coordination with this FWF member. Since Deuter followed up the 2014 CAP, both parties decided that the other FWF member would take the lead in this follow-up. There were several Skype calls to coordinate CAP decisions throughout 2017/18.

Overall it was asserted that several improvements had been made in terms of workplace safety in this factory. One critical factor remaining is the fact that workers are still not able to select their own workers' council. Since some workers were not aware of FWF and the Code of Labour practice, WEP Training has been scheduled for 2018 to improve this matter and further train workers on communication and the advantages of a workers' council. A complaints system, which was not in place in 2014, had been established by management.

The fact that the Living Wage (Asian Floor Wage) has not yet been reached is also critical. However average wages for a 40-hour workweek with special benefits are considerably above the average textile industry wages in this part of China. An increase in the legal minimum wage by 13% in 2017 was executed. This also has a positive impact on production benefits and bonuses.

Overtime is however still an issue. Working hours of up to 69 hours in a 6-day working week were identified during the peak season. Deuter, however, has little influence here since the main capacity is occupied by a non-FWF brand that is not willing to cooperate on this matter.

#### **4.2.3. FWF Complaints System**

No complaint was filed in the relevant reporting period.

#### 4.2.4. Wage ladder China

factory: kingtai industrial (xiamen) co., ltd (bellmart), china  
 regular wage plus benefits  
 currency: cny



- 1) Asia Floor Wage as of 2015.
- 2) National average for 8 hour working day for migrant workers (National Bureau of Statistics of China)
- 3) As of 1 Jul 2015, as defined by the local government

#### legend

Male  
 Female

### 4.3. Myanmar

#### Country profile Myanmar

Myanmar is a country in Southeast Asia. It shares borders with Thailand, Laos, China, India, Bangladesh and the Gulf of Bengal. It is about the size of Texas, covering an area of 676,578 km<sup>2</sup>. The majority of the population lives near the coast and along the Irrawaddy River. The Myanmar government recognises 135 indigenous groups. The Burman represent the largest group with 68%. The official language is Burmese. The GDP of Myanmar was 67.3 billion USD in 2017. The most important export goods are natural gas as well as agricultural products (esp. beans, legumes, rice, timber, gemstones, clothing, and fishery products).

#### Info box<sup>4</sup>

Flag: <https://www.cia.gov/library/publications/the-world-factbook/geos/bm.html>

Language: Burmese

Religions: 87.9% Buddhist, 6.2% Christian, 4.3% Muslim, 0.8% Animist, 0.5% Hindu

Capital: Naypyidaw

Form of government: Republic

Area: 676,578 km<sup>2</sup>

Population: 53,370,609

Currency: Kyat

Literacy rate: 93%

#### 4.3.1. Bellmart factories – Myanmar

FWF No.	Factory Name	Process	City	Country	Last Audit	Last WEP Training	Complaint	Visited 17/18
8561	Bellmart (Myanmar) Co. Ltd	CMT	Bago	Myanmar	09.05.2016	19.12.2016	n/a	yes

A total of 362 workers (288 female and 86 male) are currently employed in the factory of our supplier Bellmart in Myanmar (as at August 2017). Deuter sources a high share of its sleeping bags from the new location near the city of Bago, approx. 1 hour's drive from Yangon, the former capital. Deuter currently occupies a substantial part of this factory's capacity and therefore has a considerable influence. Despite the risks associated with a production site in Myanmar, Deuter decided to support Bellmart in their decision to set up a new factory there. Both partners agreed to closely monitor labour conditions and to make improvements wherever necessary, using FWF's risk evaluation paper for guidance.

<sup>4</sup> <https://www.cia.gov/library/publications/the-world-factbook/geos/bm.html>[http://www.auswaertiges-amt.de/DE/Aussenpolitik/Laender/Laenderinfos/Myanmar/Wirtschaft\\_node.html](http://www.auswaertiges-amt.de/DE/Aussenpolitik/Laender/Laenderinfos/Myanmar/Wirtschaft_node.html)

Bellmart Myanmar has a sister factory called 'Greatmen' on the same premises. This factory produces apparel and so they do not directly supply Deuter. Two other FWF members have products made by Greatmen and senior management for Greatmen is the same as that of Bellmart Myanmar. As a consequence, all FWF members have agreed to cooperate on auditing, training and following up at this site. Following the child labour issue at the Greatmen factory, which was picked up in a report by the NGO SOMO in the previous financial year, Deuter decided to take the lead in the remedial process<sup>5</sup>.

#### 4.3.2. Monitoring and remediation 2017/18

It was an eventful year for our production site in Myanmar. The factory was audited in May 2016 for the first time. Towards the end of 2016 a WEP (Worker Education Program) run by the FWF was held there. The following topics were focused on during management and worker training:

- Raising awareness of workers' rights among production workers, supervisors / middle management and senior management
- Strengthening the capabilities of the factory to improve working conditions through a dialogue between employees and management and/or an effective internal grievance system
- Building confidence among production workers within the framework of the FWF grievance system

Even though the WEP training was held in the factory, there is still a large gap of understanding and communication between the factory management and the worker committee in the factory. This is partly due to huge cultural differences between the management and workforce, language barriers and resistance by the supplier in recognising the labour union which was established in 2017 as a result of the WEP training. To overcome these barriers, Deuter asked FWF to support a mediation process in order to establish regular meetings with worker representatives. Local FWF complaints handlers took part in the process, translating, explaining and supporting mutual understanding. Three of these meetings were held over 2017/18 and showed good results. Initial improvements were implemented, such as the installation of first aid rooms, the implementation of a collective wage bargaining procedure, no work on Sundays and establishing a grievance procedure. The wage situation continues to be closely monitored. During the 2017/18 financial year the legal minimum wage increased by 33%. The union is also in discussions about increasing performance bonuses and attendance bonuses.

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<sup>5</sup> <https://www.fairwear.org/resource/myanmar-complaint-mammut-osc-deuter-dec-2016-final-report/>

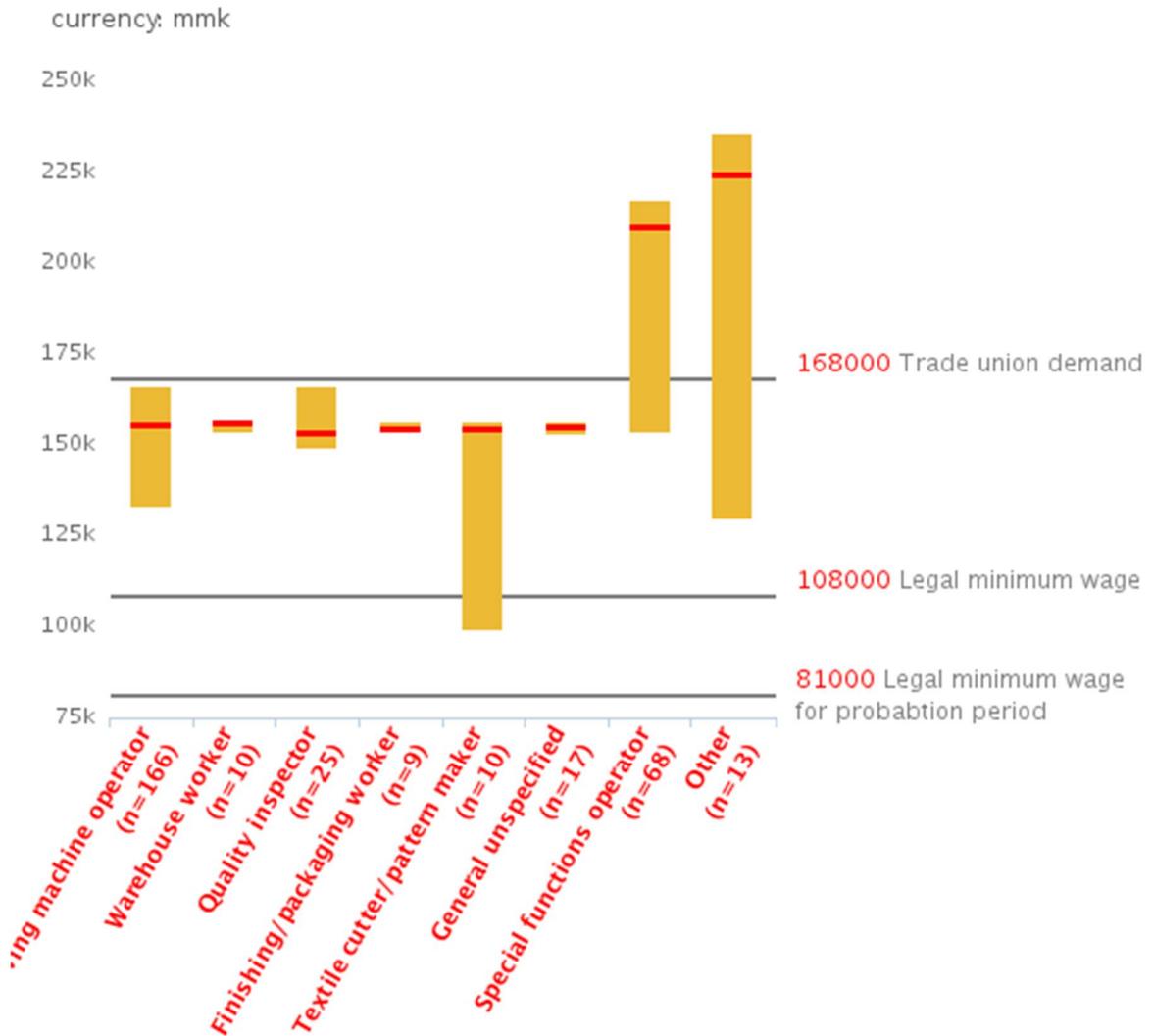


### 4.3.3. FWF Complaints System

No complaint was filed in the relevant reporting period.

### 4.3.4. Wage ladder Myanmar

#### bellmart (myanmar) co., ltd 7-01



The wage ladder for Myanmar still contains figures that were verified during the last audit in 2016 and does not cover the latest increases of 33% in 2018. These figures will be collected during the next audit, which is planned for 2019.

#### 4.4. External production

Deuter is not a retailer. There is only one shop at the company’s headquarters (open twice a week) where samples, refurbished products or post-event products are sold to the public. There is no advertising for this shop.

Since ORTOVOX belongs to the same parent company as Deuter, very select ORTOVOX products (mainly surplus stock) are sold there. ORTOVOX has been a member of the Fair Wear Foundation since 2015, fulfils the FWF requirements and was awarded ‘leader status’ in their last Brand Performance Check.

### 5. Complaints handling

For complaints handling and follow-ups on complaints in each country, please refer to the country sections in part 2.

In general, all production facilities as well as their subcontractors are required to post the worker information sheet (CoLP) in a public and easily accessible area of the factory. This info sheet contains the contact details for the local complaints handler and is of course written in the language of that country.

The correct display of the worker’s info sheet is verified during regular visits by Deuter staff.

The following diagram shows the FWF complaints system procedure:



## 6. Training and capacity building

### 6.1. Activities to inform staff members

- Annual training of international staff and distributors (FWF and other sustainability measures) by presentation and / or workshop
- Twice-yearly training of Deuter sales team (Germany)
- Annual training for new Deuter staff on FWF, as well as applicable established staff

### 6.2. Activities to inform manufacturers and workers

As outlined above, Deuter meets with its partners regularly. Since we do not change suppliers, there is no need for training about FWF systems, but instead it is the monitoring and implementation of CAPs that are important.

Deuter schedules regular FWF WEP training for each factory to encourage dialogue between the workforce and management. These training sessions are an important way of informing workers about complaints procedures and empowering them to have their rights implemented in practice.

Duke has introduced a system of regular training for its workforce on CSR/ OHS issues. The CoLP always forms part of these training sessions.

## 7. Stakeholder Engagement

Deuter believes external input from different stakeholders is very valuable and helpful in implementing good practice throughout their supply chain.

The Deuter CSR team regularly attends stakeholder meetings arranged by FWF, the German Textile Partnership Program or bluesign®. During these meetings, stakeholders from the public sector, NGOs, trade unions or industry discuss their work or give presentations on issues in production countries such as wages, environmental concerns, etc.

Deuter is a member of the BSI and EOG, both of which are industry associations that schedule training and meetings on CSR-related issues. Deuter is also part of several working groups that aim to develop solutions on CSR-related issues such as the development of chemical training for the supply chain, microfibre prevention, recycling, the development of a sustainable down standard etc.

Deuter also regularly consults websites such as [www.mvorisicochecker.nl/en](http://www.mvorisicochecker.nl/en) or [www.wageindicator.org](http://www.wageindicator.org) to keep track of CSR risks that might influence the situation of workers or production facilities in the relevant countries.