



FAIR LABOR
ASSOCIATION®

Improving Workers' Lives Worldwide



FENIX OUTDOOR INTERNATIONAL AG
ASSESSMENT FOR ACCREDITATION

FLA BOARD OF DIRECTORS MEETING
FEBRUARY 2018

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The production floor of the Hanwag facility in Vierkirchen, Germany that specializes in hiking boots.

INTRODUCTION



This report provides an assessment of the labor compliance program of FENIX Outdoor International AG and concludes with a recommendation to the FLA Board of Directors regarding the accreditation of the company's program. When joining the FLA, Participating Companies and Participating Suppliers commit to implementing the [FLA Workplace Code of Conduct](#), which ensures "respectful and ethical treatment of workers" and "promotes sustainable conditions through which workers earn fair wages in safe and healthy workplaces." The [Principles of Fair Labor and Responsible Sourcing / Production](#) ("Principles") serve as the bedrock upon which Participating Companies and Participating Suppliers are assessed towards an accreditation of their labor compliance program. Participating Companies and Participating Suppliers with accredited compliance programs have demonstrated that they have the systems and procedures in place needed to successfully uphold fair labor standards throughout their supply chains.

The FLA accreditation process involves staff conducting due diligence on the performance of a Participating Company or Participating Supplier during the implementation period. The FLA will assess the implementation of all Principles to ensure a social compliance program has been implemented to accommodate the supply chain expansion. This assessment involved testing a selection of data points or information sources in order to verify actions by the company. Sources of information may include:

- 1) Affiliate Headquarter Assessment: Assessments at headquarters and field offices to interview staff involved in compliance and in other functions, and to review documentation, processes, and database capabilities. In some cases, the offices of agents are visited as well. In countries where the FLA is not able to conduct in-person assessments, interviews are conducted by phone with company staff involved in compliance and in other functions.
- 2) FLA Factory-Level Assessments: Independent External Monitoring (IEM), Independent External Verification (IEV), and Sustainable Compliance Initiative (SCI) assessments are all sources of information on compliance issues and remediation efforts.
- 3) Annual Reports: Affiliate reports for each year of implementation provide data on the evolution of an affiliate's compliance program in line with FLA Principles.
- 4) FLA Third-Party Complaints: Where relevant, an affiliate's involvement in, and responsiveness to, FLA Third-Party Complaints provide additional insight into compliance programs and remediation strategies.
- 5) FLA Strategic Projects: Where relevant, an affiliate's participation in FLA Strategic Projects provides opportunities to learn about the affiliate's compliance strategies for detecting and remediating complex issues.
- 6) Observation: Wherever possible, FLA staff accompanied affiliate compliance staff on internal audits, training sessions or remediation visits.
- 7) Routine Interactions: Information on the affiliate's compliance program has also been collected through discussions and interactions with affiliate compliance staff in the course of each year's program. Exchanges with civil society organizations and other stakeholders interacting with the affiliate provide additional perspective.

SECTION 1: FENIX OUTDOOR INTERNATIONAL AG COMPANY AFFILIATE OVERVIEW

Name of Company	FENIX Outdoor International AG	Category	Participating Company
Locations¹	Solna, Sweden Hamburg, Germany Vierkirchen, Germany Riverton, Wyoming, U.S.A.	Products	Apparel, Footwear, Accessories, Hardware
		Current Number of Applicable Facilities	128
FLA Affiliation Month/Year	February 2013	End of Implementation Period	February 2018
FLA Accreditation Co-Leads	Leads: Alpay Celikel (Regional Manager, EMEA & South Asia); Tiffany Rogers (Program Manager, Business Accountability)		
Unique Company Characteristics	<ol style="list-style-type: none"> Under FENIX’s affiliation are six applicable brands: Fjallraven, Tierra, Frilufts, Hanwag, Primus, and Brunton. FENIX also owns four retailers, Globetrotter (Germany), Friluftsland (Denmark), Naturkompaniet (Sweden), and Partioatta (Finland). FENIX also owns an auditing company, Leadertek, based in China and Vietnam. Leadertek is responsible for the social compliance and quality audits for FENIX Tier 1 suppliers in Asia. FENIX’s first brand, Fjallraven, came out with its iconic “Kånken” backpack in 1978, to provide an alternative to Swedish students from a shoulder bags to carry their books. 		
Summary of Key Strengths	<ol style="list-style-type: none"> Top management commitment and reporting structure to ensure all FENIX brands are implementing the workplace standards; Investment in comprehensive training for all applicable FENIX staff from all brands, including workplace standards training for retail staff; Comprehensive audit program implemented by Leadertek in Asia and ELEVATE in Europe; Data collection and analysis to report the working condition trends in FENIX’s annual CSR Report; and Implementation of responsible purchasing and production practices, including participation with Better Buying, within all FENIX brands. 		
Summary of Key Suggestions for Strengthening	<ol style="list-style-type: none"> Improvement in ensuring workplace standards training is effective for workers; Improvement in ensuring all workers have access to functioning grievance mechanisms; Continue to streamline brand factory lists to maintain an accurate factory list with the FLA; Continue to work with suppliers to address and remediate labor violations identified through FENIX and FLA assessments; and Continue to implement the NGO Policy Guidelines and engage with civil society organizations in high-risk and high-production countries. 		

¹ The FENIX Outdoor International AG headquarters is based in Zug, Switzerland. For the purposes of FLA accreditation, FLA focused its HQ Assessment at the brand headquarter offices.

FENIX Outdoor International AG (FENIX)'s first brand, Fjallraven, was first established in 1960, specializing in the backpacks and outdoor gear. Fjallraven came out with its iconic "Kånken" backpack in 1978, to provide an alternative to Swedish students from a shoulder bags to carry their books. Fjallraven Holding became a public company on the Sweden stock exchange in 1983, and then acquired Tierra in 2001 and PRIMUS in 2002. In 2002 Fjallraven Holding changed the name to Fenix Outdoor AB and bought its hiking boot brand, Hanwag, in 2004. 2014 Fenix Outdoor AB was renamed Fenix Outdoor International AG and relocated the headquarters to Zug, Switzerland. FENIX also owns five production facilities, located in China, Estonia, Germany, Hungary, and the U.S.A. Below is a description of all the current brands of FENIX²:

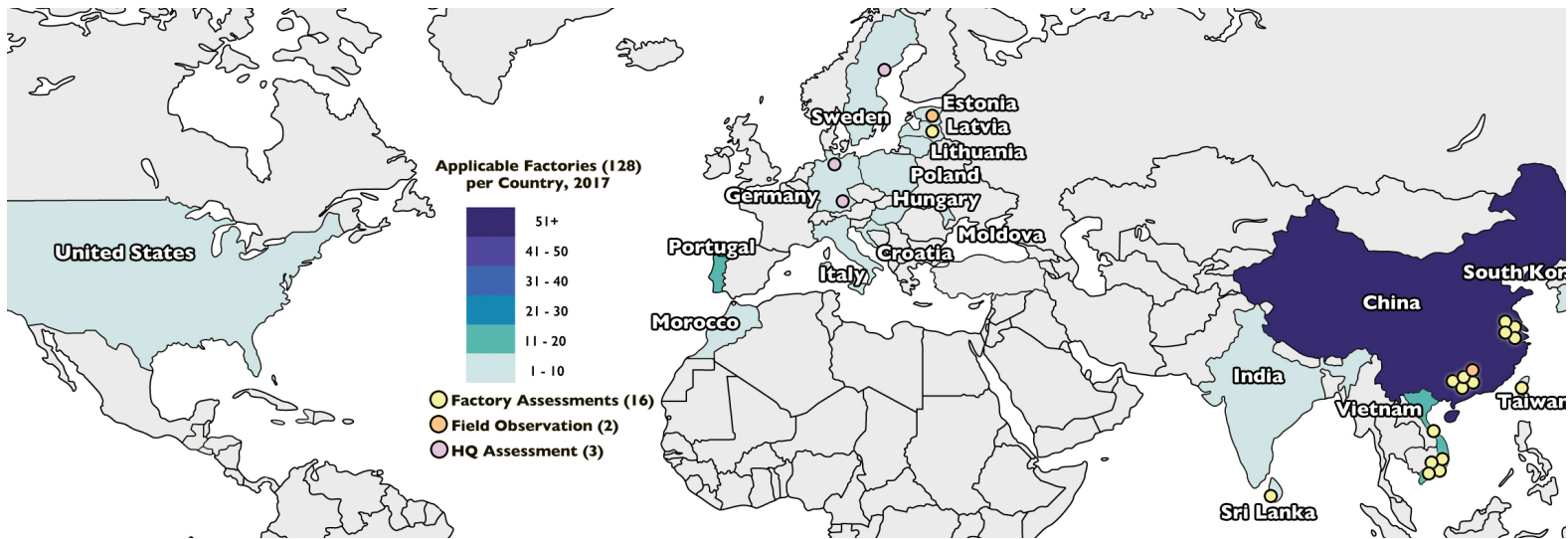
- **Fjallraven:** FENIX's major brand that specializes in casual backpacks and men's outdoor pants. Fjallraven also produces apparel for men, women, and children, and high-end hunting gear, tents and packs. Fjallraven is the brand at a middle price point for FENIX. Fjallraven products are produced by contract suppliers and accounts for 70% of the contract facilities within FLA scope.
- **Tierra:** FENIX's high-end apparel brand for men and women, specializing in sustainable and organic materials. Tierra is the smallest of FENIX's apparel brands and is at the highest price point of the FENIX brands. Tierra products are produced by contract suppliers.
- **Frilufts:** FENIX's private label apparel and hardware brand at their German retailer, Globetrotter. This brand is only sold at Globetrotter and Partioaitta retail locations and is the lowest price for FENIX apparel brands. Frilufts products are produced by contract suppliers.
- **Hanwag:** FENIX's only footwear brand, specializing in high-end hiking boots. FENIX owns the facilities that manufactures the hiking boot uppers and complete the assembly of the boots in China, Hungary, and Germany.
- **Primus:** FENIX's outdoor stove and cooking equipment brand. FENIX owns the facility that manufactures the stoves in Estonia. PRIMUS pans are manufactured by contract suppliers in China.
- **Brunton:** FENIX's high-end compass brand. Compasses are manufactured in FENIX's owned facility in Wyoming, U.S.A.

In February 2013, FENIX was approved by the FLA Board of Directors as a Participating Company, selecting a five-year implementation period³. The Chief Sustainability Officer has overseen the implementation and centralization of FENIX's Corporate Social Responsibility (CSR) program; each brand has a full-time or part-time CSR Manager who is responsible for ensuring the CSR program is implemented. The CSR Managers work closely with Leadertek, FENIX's auditing company, who conduct the quality and social compliance audits in Asia. Leadertek is based in Yangzhou, Jiangsu, China and has staff based in Ho Chi Minh City, Vietnam. FENIX has a licensing partnership with ELEVATE to conduct FENIX's Europe audits; ELEVATE and Leadertek conducted cross training to synchronize the auditing methodologies so that FENIX could utilize ELEVATE's audit data. FENIX aligned its code of conduct with FLA's in 2016, and each brand has adopted the aligned code of conduct. FENIX is also a member of the United Nations (UN) Global Compact, formally committing to uphold the Sustainable Development Goals (SDGs). On a bi-annual basis, FENIX holds a Stakeholder Dialogue Roundtable to discuss issues regarding supply chain transparency, social compliance, animal welfare, and environmental sustainability.

² FENIX also owns four retailers, Globetrotter (Germany), Friluftsland (Denmark), Naturkompaniet (Sweden), and Partioaitta (Finland). These retailers are not within the FLA scope of affiliation.

³ In February 2007, the FLA Board of Directors established a Working Group to analyze and make recommendations regarding the accreditation of small or low-revenue PC (low-revenue PCs were defined as those with consolidated revenue under \$300 million). The rationale for the establishment of the Working Group was that small or low-revenue PC faced challenges in meeting all of the FLA company obligations in the same manner that larger PC were able to do. In October 2007, the Board of Directors approved a series of proposals developed by the Working Group that modified the accreditation process for low-revenue PC by: (1) allowing low-revenue PC a longer implementation period, which could be as long as 5 years provided satisfactory progress in implementing a labor compliance program was being made; (2) maintaining the same company obligations for all participants but recognizing that low-revenue PC could meet some of the company obligations primarily through collaborative activities organized by the FLA rather than through individual activities; and (3) taking into account this latter consideration in the evaluation of compliance programs for accreditation purposes. This assessment for accreditation of DCM's labor compliance program follows the guidelines for low-revenue PC approved by the Board in October 2007.

SECTION 2: FENIX'S SUPPLY CHAIN & FLA DUE DILIGENCE ACTIVITIES FROM 2014-PRESENT



The above map shows FENIX's sourcing and production countries in 2017 and the range of the number factories in each highlighted country. FENIX sources and produces in 20 countries, with the largest sourcing countries being China (65 factories), Vietnam (16 factories), and Portugal (12 factories). FENIX sources from 89 factories in Asia, 35 in Europe, and 1 in Africa. FENIX also has an owned production facility in each of the following countries: China, Estonia, Germany, Hungary, and the U.S.A.

From 2014-2017, FENIX received 16 SCI Assessments throughout China, Latvia, Sri Lanka, and Vietnam, including an SCI Assessment at FENIX's owned facility in China. FENIX received two Audit Field Observations in China and Estonia, and three Headquarter (HQ) Assessments for accreditation in Vierkirchen, Germany, Hamburg, Germany, and Solna, Sweden. The multiple HQ Assessments were conducted to verify the implementation of the FLA Principles within the different brands of FENIX.

SECTION 3: ANALYSIS OF FENIX LABOR COMPLIANCE PROGRAM FOR ACCREDITATION

Information used in this assessment originates from reports submitted by FENIX and verified by the FLA through:

- 1) Assessments at the FENIX headquarters conducted by FLA staff in October and November 2017;
- 2) Information gathered in person, via phone interviews, and through email correspondence with FENIX staff;
- 3) Documentation review of supporting evidence submitted by FENIX;
- 4) Field observations of factory-level assessments in China and Estonia;
- 5) Results of FLA Independent External Assessments at FENIX applicable facilities conducted by FLA assessors and accredited service providers; and
- 6) Communication with stakeholders.

PRINCIPLE 1: WORKPLACE STANDARDS⁴

Workplace Standards & Top Management Commitment

Prior to FLA affiliation, FENIX brands maintained their own codes of conduct for its supply chain. In 2016, through the code alignment process, FENIX aligned its code of conduct with the FLA Workplace Code of Conduct. All brands were responsible in updating their codes of conduct with the FENIX code of conduct. In 2018, FENIX is providing one code of conduct to all suppliers with all FENIX brands logos. FENIX has also adopted compliance benchmarks similar to the FLA Compliance Benchmarks, that are utilized by ELEVATE during the audit process.

FENIX has established the “FENIX Way” which articulates their commitment to sustainability and workplace standards; each brand has also adopted their own “way,” but follow the same structure based on the directions of a compass: N = Nature, S = Society, E = Economy, and W = Wellbeing. The social compliance program falls under “S = Society.” FLA reviewed the FENIX, PRIMUS, and Friluffs Way to verify the consistent commitment to the FENIX Code of Conduct across brands. FENIX publishes an annual [CSR Report](#) that re-emphasizes its commitment to uphold workplace standards, reports on findings from internal and FLA assessments, and highlights special partnerships with some suppliers. FENIX is a member of the [United Nations \(UN\) Global Compact](#) and formally commits to upholding the Sustainable Development Goals (SDGs). Additionally, in 2017, FENIX published its factory list on its [website](#) and published a [statement](#) to address the California Transparency in Supply Chains Act and United Kingdom Slavery and Human Trafficking Act.

In addition to the public reporting, the Chief Sustainability Officer responds to inquiries from customers on FENIX's commitment to workplace standards and conditions, specifically when customers inquire about FENIX's FLA affiliation. The Chief Sustainability Officer will take the time to respond and educate the consumer on why the FLA was the appropriate membership organization for FENIX. FLA reviewed some of the inquiries from customers and the comprehensive responses provided to customers by the Chief Sustainability Officer on FENIX's sustainability work and FLA affiliation.

PRINCIPLE 2: RESPONSIBILITY & HEAD OFFICE TRAINING⁵

⁴ Principle 1: Company affiliate establishes and commits to clear standards.

Staff Responsibility for Implementing the CSR Program

FENIX's Chief Sustainability Officer is responsible for the implementation of the FENIX Sustainability program, which includes the implementation of workplace standards in the FENIX supply chain. The Chief Sustainability Officer reports directly to the CEO and owner of FENIX; and works with the CEOs from each brand to develop and implement the social compliance program for each brand. Each FENIX brand has either a part-time or full-time CSR Manager that is responsible for facilitating or implementing the social compliance program with the suppliers of that brand. For Fjallraven and Friluftst, there is a full-time CSR/Quality Assurance Manager, responsible for the social compliance program; for all other brands, a production manager manages the implementation of the CSR program.



FLA's Regional Manager, EMEA & South Asia, FENIX's Chief Sustainability Officer, and Friluftst staff during the HQ Assessment in Hamburg, Germany.

For the monitoring program, Leadertek is responsible for conducting FENIX audits in Asia. For EMEA, the Chief Sustainability Officer coordinates with ELEVATE to schedule the audits. For social compliance assessments, Leadertek's Lead Auditor and Deputy Lead Auditor conduct the audits for China and Vietnam, and report to the Managing Director of Leadertek. Leadertek also provides support to suppliers in Asia in developing the corrective action plans (CAP).

Training for the CSR Staff

For general CSR training, the Chief Sustainability Officer developed a video, located on the FENIX intranet, on the FENIX

Way, which reviews the Code of Conduct, FLA Principles, and other sustainability-related topics. In 2017, all applicable CSR and business staff received training from ELEVATE on the workplace standards, FLA Principles, and basic audit methodology. The training included an in-factory component, where FENIX staff observed how ELEVATE auditors conduct an audit at one of FENIX's owned facilities in Europe. The training broadly reviewed freedom of association, union engagement, and effective worker-management communication channels. FLA reviewed the training materials and content, and interviewed the staff from all brands who confirmed attending the training. The CSR staff explained that the training by ELEVATE was effective, since they were responsible for implementing some components of their training into their job responsibilities, such as following up on remediation with suppliers, understanding root causes, and conducting basic audit checks during factory visits. Additionally, staff completed a survey following the training.

For Leadertek staff, the lead auditors received the ELEVATE Training, along with specific training on the ELEVATE audit methodology. Additionally, the Leadertek auditors participate in SA8000 training, for their certification. For Vietnam Audits, a quality auditor supports the social compliance auditors in conducting the assessments. The Vietnam auditor received formal training on the assessment process, FENIX Code, root cause analysis, FLA Compliance Benchmarks, Local Laws, and report writing. Leadertek also received training on Vietnam's Labor Code of Socialist Republic of Vietnam, specific to the collective bargaining agreements in 2017. FLA recognizes the comprehensive training

⁵ Principle 2: Company affiliate identifies and trains specific staff responsible for implementing workplace standards and provides training to all head office and regional staff.

programs FENIX has implemented for its CSR staff, and encourages FENIX to continue to provide training on progressive CSR-related topics and issues.

Training All FENIX Staff

All FENIX employees are required to review the FENIX Way video training, as discussed earlier in this Principle. All FENIX employees, including Globetrotter (retail) employees and production associates, receive training on the FENIX Way and Code of Conduct. Records of training attendance are maintained by the Chief Sustainability Officer. FENIX will develop a mechanism to ensure that training for all staff on the FENIX Way and code of conduct is effective and implement this mechanism in 2018. FLA recommends FENIX ensure that training for all staff on the FENIX Way and Code of Conduct is effective.

PRINCIPLE 3: SUPPLIER TRAINING⁶

Supplier Commitment

FENIX requires its contract suppliers for all brands to sign its code of conduct. The code of conduct also includes the commitment to uphold the standards and remediate found noncompliances. The code also includes suppliers' agreement to facilitate assessments, including FLA assessments and activities. The brands' CSR Managers ensure that all suppliers sign the agreement through the pre-sourcing process; the managers also manage and maintain the records of the supplier agreements. While all brands have ensured that all Tier 1 suppliers have signed this agreement, some FENIX brands also ensured that its Tier 2 material suppliers are upholding a code of conduct. FENIX's Hanwag hiking boot brand collects the codes of conduct that their material suppliers have in place or formally obtains material suppliers' commitment to FENIX's code of conduct.

Conditioning Future Business on Suppliers' Improvement of Working Conditions

Within FENIX's code of conduct includes a policy if it is found that supplier is not upholding the code of conduct or legal obligations. FENIX reserves the right to terminate the business relationship or apply financial penalties if suppliers do not remediate or make progress towards remediation of identified noncompliances. FLA reviewed this policy and interviewed the Chief Sustainability Officer and CSR managers on how this policy has been applied. From the interviews at the HQ Assessment, FENIX has yet to fully utilize this policy; however, has exited suppliers that have not committed to uphold FENIX's standards.

FENIX also has a supplier scorecard that includes the score from the most recent audit and the remediation actions that are to take place. For suppliers that receive a "D" or "F" rating, a risk analysis is conducted and the supplier is required to provide in writing how they will remediate the noncompliances. FENIX's Leadertek staff will work with the supplier to verify remediation and benchmark progress. New suppliers that receive an "F" rating are not approved for FENIX production.

⁶ Principle 3: Company affiliate obtains commitment and trains relevant supplier management on workplace standards and tracks effectiveness of supplier workforce training.

Workplace Standards Accessibility for Workers & Training

The FENIX Code of Conduct is translated in to the following local languages: English, Mandarin, Vietnamese, Swedish, Estonian, Romanian, Korean, German, Turkish, Dutch, Portuguese, Lithuanian, and Polish. FENIX's supplier audits review the training of workplace standards for workers, supervisors, and managers through document review and the interview process. FLA noted improvement from the first audit field observation to the second audit field observation in the assessment of worker training, in which the second audit field observation included further document review and worker interviews on workplace standards training. FENIX is also working with ELEVATE to ensure that the auditors review the effectiveness of the workplace standards training during the audit process. For owned facilities, throughout 2016 and 2017, FENIX's Chief Sustainability Officer provided training to facility management on FENIX's code of conduct, workplace standards, the audit process and remediation responsibilities, and the FLA standards.



An employee at the Hanwag production facility in Vierkirchen, Germany lacing the hiking boots.

From FENIX's SCI Assessments, FLA found areas for improvement in workplace standards training related to the employment and management functions. In some cases, the factories developed an annual training plan and improved the new-worker orientation training to ensure all workplace standards are included. FLA recommends FENIX continue to work with its factories to ensure workers are receiving workplace standards training.

PRINCIPLE 4: FUNCTIONING GRIEVANCE MECHANISMS⁷

Assessing for Functioning Grievance Mechanisms

As part of the Social Compliance Guidelines, suppliers are responsible for implementing the FENIX Code of Conduct and establish functioning grievance mechanisms. FENIX includes the assessment of functioning grievance mechanisms within their audit tool and methodology for all suppliers. In both Audit Field Observations, FLA verified that grievance mechanisms were included in the audit methodology; however, FLA had recommendations from the first Audit Field Observation in China to improve the assessment of functioning grievance mechanisms.

Since the first Audit Field Observation, FENIX has included further questions during the management and worker interview process to better assess the functionality of grievance mechanisms. FENIX also reviews the factory's tracking system and how the factory maintains and follows up on grievances and complaints. Additionally, the auditors will interview workers who have submitted complaints to the HR department. FENIX improved its general worker interview questions to include more questions about: the channels workers use to submit grievances; if they understand the union's responsibility to raise grievances; and if they have experienced any intimidation tactics from management when utilizing the grievance channels. FLA notes the improvement to the audit process to ensure functioning grievance mechanisms and recommends FENIX continue to improve grievance mechanisms with its suppliers.

⁷ Principle 4: Company affiliate ensures workers have access to functioning grievance mechanisms, which include multiple reporting channels of which at least one is confidential.

Functioning Grievance Mechanisms at Owned Facilities

Owned facilities manage their own grievance processes through internal HR managers. All owned facilities have a grievance policy in place. For example, the Brunton facility in Wyoming has a grievance process that includes informal resolution, employee relations assistance (HR), or employee representation. The process includes a policy on non-retaliation and the different steps that a grievance will go through and contact information. Through worker interviews at owned facilities in Estonia and Germany, FLA found that workers feel comfortable utilizing the Open Door policy to address grievances or issues. Employees can also submit grievances to the Chief Sustainability Officer as confidential reporting channel. FLA also verified that there are grievance tracking systems to ensure grievances are resolved.

From the 2014 SCI Assessment at the owned China facility, FLA assessors found that there were two grievance channels in place, but could not verify the tracking system. Since the 2014 SCI Assessment, FENIX implemented a more formal grievance tracking system and have submitted evidence to the FLA that they have remediated this SCI noncompliance.

Confidential Reporting Channel to FENIX Headquarters

In 2016, FENIX established a confidential reporting channel, applicable to contract and owned facilities. Grievances could be submitted to the Chief Sustainability Officer, via phone, mail, or email. FENIX included the confidential reporting channel email in the translated code of conducts that suppliers are required to post. Additionally, during the audit process, ELEVATE also provides a hotline number to workers during the worker interview process. The Ethics Hotline is accessible 24/7, and workers have access to local ELEVATE staff to disclose after the audit. During the second Audit Field Observation in Estonia, FLA verified that workers received contact information of the Lead Auditor in case they needed to submit further grievances. At the time of this accreditation, FENIX had yet to receive complaints through the confidential reporting channels.

Ensuring Training on Grievance Mechanisms for Workers & FENIX Production Employees

FENIX's audit methodology includes the review of training on grievance mechanisms to workers during the document review and interview process. During the first Audit Field Observation in China, FLA verified that training on grievance mechanisms was verified and provided further recommendations to ensure that the training was effective. FENIX has added further questions about grievance mechanisms training that include asking the worker if they remember the content of the training and can recall how to use the grievance mechanisms or contact their worker representative.

For owned facilities, during the second Audit Field Observation in Estonia, it was found that manufacturing employees had not received training on grievance mechanisms. However, since the audit, the Chief Sustainability Officer conducted training on workplace standards, grievance mechanisms, and the FENIX Way at this facility as part of the remediation from the audit.

PRINCIPLE 5: MONITORING⁸

Pre-Sourcing Factory Assessments

All FENIX brands have a pre-sourcing assessment process; due to having the largest number of suppliers, Fjallraven's pre-sourcing assessment process is the most comprehensive⁹. For Fjallraven, suppliers are required to submit a factory profile and Fjallraven's CSR Manager reviews if there is a

⁸ Principle 5: Company affiliate conducts workplace standards compliance monitoring.

⁹ The other FENIX brands have a similar pre-sourcing assessment process to Fjallraven, but on a smaller scale due to lower numbers of new suppliers.

need for a New Country Risk Assessment. New suppliers are required to sign the Code of Conduct and Restrictive Substances List, then a supplier visit is scheduled to evaluate the supplier and communicate requirements. Fjallraven staff utilize a simplified audit checklist to conduct a factory walk-through and review health and safety conditions. In 2017, applicable FENIX staff received training from ELEVATE on how to conduct a preliminary factory walkthrough and received a checklist on things to look for during the walkthrough. The Checklist includes areas on Fire Safety, Health & Safety, and Environment. Based on the walkthrough and if Fjallraven is proceeding with the supplier, the CSR Manager will schedule a full audit by either Leadertek (Asia) or ELEVATE (Europe).

Based on the audit scores, the factory is approved for Fjallraven production. According to the Social Compliance Guidelines, the supplier must receive at least a “D” grade for the supplier to be approved for Temporary status. After the first production trial, Fjallraven will evaluate if the supplier will be considered for “Active” status. Fjallraven’s New Supplier Procedures include a decision point chart and a flow chart to show the process. FLA reviewed and verified the procedures and interviewed Fjallraven’s CSR Manager on the supplier on-boarding process.

For Frilufts, Tierra, and PRIMUS pots and pans, these brands will accept a recent audit and corrective action plan, provided by the factory, in lieu of conducting a full audit. Once the supplier completes its trial season, a full audit will be conducted by ELEVATE or Leadertek. FLA interviewed and reviewed documentation from Frilufts’ CSR manager to verify the pre-sourcing assessment process. For Hanwag, Brunton, and PRIMUS stoves only, final assembly of products are done at the owned facilities of FENIX. New suppliers would only include material suppliers. Additionally, for the apparel brands (Fjallraven, Frilufts, and Tierra), these brands will try to look at the current apparel suppliers that another FENIX brand is sourcing from, when looking for new suppliers. FLA encourages FENIX to continue to identify potential suppliers that can produce for more than one FENIX brand, to build leverage in remediation and responsible production practices.

Assessing Factory Conditions

FENIX audits include workers interviews, consultation with unions and/or worker representative structures, management interviews, documentation review, visual inspection, and occupational safety and health review. Leadertek and ELEVATE are responsible for carrying out the audit schedule. Depending on the brand’s needs, the brand CSR manager will make a request to Leadertek or the Chief Sustainability Officer (for ELEVATE audits) for an audit to be conducted. If an audit has already been conducted at the factory on the behalf of another FENIX brand, Leadertek or the Chief Sustainability Officer will provide the audit and CAP to the social compliance manager. The Social Compliance Guidelines include further information on the audit process, such as a worker interview matrix, person-day matrix, and various workflows for different types of audits. In 2017, FENIX completed full audits for all owned facilities, which were led by ELEVATE and observed by the Chief Sustainability Officer. FENIX and ELEVATE also reached a licensing agreement to use the ELEVATE audit tool for all audits. This agreement also includes having access to ELEVATE’s audit data analysis. ELEVATE and Leadertek conducted cross training in Asia to align the audit methodologies.



Leadertek staff conducting the document review during a factory social compliance audit.

Fjallraven has the largest of the FENIX brand’s audit programs, since it accounts for about 70% of FENIX’s Tier 1 contract facilities. For Fjallraven’s contract suppliers, the frequency of the audit depends on the classification of the supplier, either “New,” “Stable,” “Important,” or “Partner.” Most suppliers fall in the Stable or Important classification. Fjallraven has identified some suppliers in the Partner classification; these suppliers will have the highest production volumes and are working towards compliance remediation ownership, which would make these suppliers eligible for a reduction of audits. Following the audit, the applicable CSR Manager reviews the results and communicates the results, score, and CAP to the factory. FENIX has a list of zero tolerance issues that impact the scoring and status of each supplier.

FLA Observations of FENIX Audits & Recommendations

FLA conducted two Audit Field Observations; FLA observed an audit by Leadertek in China at a contract facility and one by ELEVATE in Estonia at an owned facility. FLA verified all elements are included in the audit and made further recommendations in improving the audit methodology, which FENIX has started to implement in collaboration with ELEVATE. The two areas of improvement during the first audit field observation were FENIX’s assessment of workplace standards training and grievance mechanisms, as discussed in Principles 3 and 4. Through interviews with Leadertek, FLA verified Leadertek’s improvement in assessing effective workplace standards training and functioning grievance mechanisms. FLA observed in the second Audit Field Observation that FENIX had worked with ELEVATE to identify a qualified auditor to lead FENIX’s owned facility audits in Europe. FLA encourages FENIX to continue to work with Leadertek and ELEVATE to ensure that factory conditions are assessed to identify labor violations in the supply chain.

PRINCIPLE 6: COLLECTION & MANAGEMENT OF COMPLIANCE INFORMATION¹⁰

FENIX Data Management

At FENIX, each brand is responsible for maintaining their factory database. Fjallraven’s factory list is the largest, making up about 90 factories of the 128 that are in scope for FENIX’s affiliation. Fjallraven’s data collection includes the following: Factory Location; Status; Product Type; Classification; Capacity Plan; Signed Supplier Agreement; Supplier Scores in Communication, Quality, Price Handling & Finance, Services & Extras, Development Support, Techniques, and Production; Sustainability Risk Level, Last Audit Date, Audit Score and Rating, FENIX Way Score, and Overall Score. In regard to the presence of union or worker representative structures, Leadertek maintains this information for suppliers in Asia. In China, Leadertek reports that 21 suppliers have established a trade union and 35 suppliers have a worker representative committee. In Vietnam, 26 suppliers have established a trade union.

Analyzing Social Compliance & Supporting Data

FENIX currently analyzes its compliance data through Excel trackers and data sets, and includes basic trends in the [annual CSR Report](#). Since Fjallraven makes up about 70% of FENIX’s factory list, the CSR Manager manages the compliance data and trends analysis for Fjallraven and

Code area	Number of Deviations 2016	Number of Deviations 2015
Monitoring	0	0
Child Labor	1	0
Forced Labor	0	0
Compensation	95	18
Working Hours	62	21
Recruitment, Hiring (Discrimination), Personnel Records	103	25
Industrial Relations and Freedom of Association	64	54
Workplace Conduct and Discipline	16	11
Environmental Protection	90	35
Health & Safety	498	154

¹⁰ Principle 6: Company affiliate collects, manages,

the Chief Sustainability Officer works with Leadertek to add the other brands' data for the public report. For Fjallraven, Health and Safety has the largest number of findings, followed by Environment, and Compensation and Benefits. Fjallraven also looks at the frequency of type of findings and has found high frequency of fire safety and evacuation safety findings under Health & Safety. For Compensation, there is a high frequency of social insurance findings. Starting in 2018, FENIX will have access to aggregate data from the ELEVATE platform, due to the licensing agreement established in 2017. Access to ELEVATE's aggregate data will allow FENIX to compare their factory performance against industry trends. FLA encourages FENIX to continue to partner with ELEVATE to understand the social compliance trends within their supply chain, to devote resources to capacity building programs to address systemic labor violations.

PRINCIPLE 7: TIMELY & PREVENTATIVE REMEDIATION¹¹

Ensuring Remediation at the Factory-Level

Once the audits are conducted by Leadertek or ELEVATE, the brand's CSR manager is responsible for overseeing the corrective action plan and follow-up on remediation. For factories in Asia, Leadertek supports the factories in understanding the findings and developing comprehensive remediation plans and is the point of contact for the supplier in submitting remediation updates. The CSR managers maintain a CAP tracker to ensure all findings are remediated through the remediation updates from the factory. For shared audits, the brand that has the most leverage with the supplier is responsible for the communication of the audit and CAP. All applicable brand managers are copied on communication between the supplier and Leadertek. In FENIX's Social Compliance Guidelines, "major" findings are required to be remediated within 10 days; "minor" findings in 30 days; and "observations" within 12 months. Follow-up audits are conducted to ensure remediation from the previous audit was completed. FLA reviewed various CAPs and remediation trackers, and interviewed all brand CSR Managers on how they communicate and follow-up on remediation with suppliers. For owned facilities, FLA reviewed the CAPs and discussed with Chief Sustainability Officer how he follows up with the brand's top management to ensure remediation of findings is being conducted.

Root Cause Analysis

Root Cause Analysis is conducted during the audit process, during management interviews and the factory walkthrough to define the issue and establish what needs to be remediated. Leadertek utilizes the FLA guidance document on root cause analysis during the audit process. Root causes are also discussed with the supplier during the closing meeting, and through the CAP development process. Leadertek also received training on root cause analysis from ELEVATE, which included a group exercise to identify root causes of labor violations. In 2017, FENIX revised its CAP report format to provide a specific section devoted to the root causes identified during the audit process. FLA recommends FENIX continue to work with Leadertek and ELEVATE to identify appropriate root causes to support remediation of labor violations.

Effective Remediation

Due to Leadertek's staff's experience in production management, and that they are able to maintain relationships with the suppliers after the audit process, Leadertek will provide guidance and advice to suppliers to achieve sustainable remediation. For example, on excessive overtime findings, Leadertek has provided guidance to suppliers by reviewing their capacity planning and advising them that the capacity planning should not include overtime.

¹¹ Principle 7: Company affiliate works with suppliers to remediate in a timely and preventative manner.



Leadertek staff at a FENIX contract factory in China.

From the SCI Assessments, FENIX has submitted progress updates on the actions taken by the factory. For example, from a 2015 SCI Assessment in Vietnam, FENIX reported remediation of fire safety issues that included improvements to the fire alarm system, strengthened the review process for smoke detectors and fire extinguishers, and updates to the evacuation map. In another example from a 2015 SCI Assessment in China, FENIX reported progress on improvement in addressing social insurance contributions. At the time of the assessment, 85% of workers were covered by the five types of social insurance (pension, unemployment, medical, maternity, and injury). FENIX reported that the factory worked to provide more training and communication to the workers on the importance of the social insurance contributions, and has made incremental progress in providing further social insurance coverage to workers. FLA notes that while not all violations found in SCI Assessments have been remediated yet, FENIX and its

factories have made progress towards remediation. Further information on remediation actions at FENIX facilities assessed by the FLA can be found on the [FLA website](#). FLA recommends FENIX continue to address and sustainably remediate labor violations in its supply chain.

PRINCIPLE 8: RESPONSIBLE PURCHASING PRACTICES¹²

Responsible Sourcing & Production Policy and Procedures

FENIX adopted a Responsible Purchase and Sourcing Policy in 2016, which emphasized the importance to become more sustainable in sourcing from raw materials to products and packaging materials. The policy also emphasizes realistic and reliable sourcing plans from prototypes, salesman samples, order dates, and bulk production; utilizing financial punitive actions only as a last resort for concrete misconduct; refraining from requesting “experimental” samples and prototypes; providing training to purchasers and suppliers to achieve the best partnership for FENIX; and communication principles to manage expectations and provide/receive feedback for/from suppliers. Because of FENIX’s different brands and product variety, each brand is responsible for developing their own Responsible Purchasing Practices policies in the procedures. The following includes a short summary from each brand.

- **Tierra:** The smallest of the apparel brands for FENIX, and highest in price, with a large focus on sustainable textiles. Tierra started in 1983 to be the first apparel brand in Sweden to use Gore-Tex for apparel. Tierra’s product focus is on high performance outdoor apparel, utilizing sustainable technologies to achieve a closed loop sourcing model. Tierra has Winter/Fall and Summer/Spring as its two seasons and produces about 170 styles. Because of the innovative textiles used, product development takes longer than other FENIX apparel brands. Tierra makes up about 5-10 factories for FENIX, and currently shares 1 factory with Fjallraven. Tierra explores open costing negotiations with suppliers and reviews the costs of the Bill of Materials (BOM), time for sewing and taping, and overhead. The Supplier Manager has a costing engineering background and reviews the costs with suppliers to ensure the validity and transparency of the costs.
- **Fjallraven:** The mid-tier priced brand of FENIX, and the largest brand as far as supply chain and production units. For Spring/Summer and Fall/Winter, Fjallraven has set schedules on

¹² Principle 8: Company affiliate aligns planning and purchasing practices with commitment to workplace standards.

when product development, sampling, and purchase orders (POs) are to be placed. Suppliers are reviewed in March/April and August/September to ensure they will continue to receive Fjallraven business. Three POs are placed with the suppliers about a month apart for each season to stagger production capacity. POs are placed about nine months in advance of the exit factory date. Fjallraven makes up about 90-95 of the factories for FENIX. Suppliers are responsible for costing the product, Fjallraven will then review if the price matches the market and if there are price comparisons from other suppliers. For some material suppliers, Fjallraven makes a commitment to a price for a material for 5 years.

- **Frilufts:** In the beginning of 2016, FENIX launched this private label brand at its German Globetrotter locations. Frilufts is the lowest price point of the apparel FENIX brands, and produces equipment and hard goods. As a private label, Frilufts has slightly more flexibility with sampling and delivery dates than the other brands that sell to other retailers. Frilufts also has 2 seasons and Globetrotter confirms the styles before development begins. Frilufts makes up about 25-30 of the factories for FENIX; and shares about four to five factories with Fjallraven. Suppliers are provided a target cost and Frilufts only reviews costing with one supplier per style, unless it's necessary to have another reference point from another supplier. If the supplier comes with a higher product cost than the target, Frilufts will work to revise the product design to meet the target.
- **Hanwag:** FENIX's only footwear brand, specializes in high-end hiking boots with double hand-stitching in the soles of the boot. Uppers of the boot are produced at the owned facility in China; final assembly is done in the company's owned facilities in Germany and Hungary. Production techniques require a high-skill level, and Hanwag has a small workforce that specializes in the production of the hiking boots. Hanwag also has direct relationships with the material suppliers for the uppers and soles. Hanwag mainly focuses on carry-over styles, and will only add about 10-15 styles per season. Hanwag's peak season is during the Spring, and the owned facilities will close during August due to holiday and low production volumes. Hanwag has worked to improve its internal capacity planning systems to more accurately quantify capacity and deliveries to ensure balanced planning is achieved and review forecast accuracy.
- **PRIMUS:** FENIX's outdoor stove and cooking appliances brand. The stoves are manufactured in the owned facility in Estonia, while cooking appliances (pots and pans) are manufactured in contract facilities in China (about two to three factories). Product development require parts and tool production, which is time and cost intensive, so PRIMUS has limited the number of new product development it pursues. Lead times can range from one and a half to two years, depending on the product. PRIMUS provides a nine-month rolling forecast.
- **Brunton:** FENIX's high-end compass brand, whose main buyer is the U.S. military. Brunton is based in Wyoming, U.S.A. and has a small workforce of about 15-20 people specializing in compass production. Brunton also operates on a nine-month rolling forecast and requires 2 years to develop new products.



FLA interviewed staff from all of FENIX's brands to understand the purchasing and production practices for the different brands and reviewed the various procedures in place for these brands. FLA noted FENIX's commitment to purchase and produce responsibly and collaboratively as a strength of FENIX's program.

Training Relevant Business Staff on Responsible Procurement Practices

All applicable brand staff received training on Responsible Purchasing and Production Practices through the

ELEVATE training that was held in 2017. Training included reviewing the Principle 8 Benchmarks and KPIs and a group activity to discuss good practices. As discussed in Principle 2, following the ELEVATE training, staff were required to submit quiz; results were reviewed by ELEVATE and the Chief Sustainability Officer.

In 2017, FLA held a webinar on Responsible Purchasing Practices with the [Better Buying](#) Initiative, an organization collecting supplier survey data on brand purchasing practices. FENIX's Chief Sustainability Officer asked for FENIX's CSR Managers to also review this webinar so that the company could consider formal participation with Better Buying. Following this webinar, FENIX agreed to commit to participation with Better Buying and submitted its supplier list to Better Buying. FLA recommends that as FENIX receives its results from Better Buying, that FENIX use the analysis to inform future trainings on responsible purchasing or production practices.

Holding the Product Division Staff Accountable to Procure Responsibly

Each brand has a small team of about five to ten people that manage the production and purchasing planning for the brand. All brands hold regular meetings to review production planning, forecasting, work-in-progress (WIP) reports, and supplier status. Additionally, all brands have various internal systems to ensure that planning, forecasts, and purchase orders are in line with the supplier expectations and capacity.

For brands with owned facilities (Hanwag, PRIMUS, and Brunton), these brands continue to work with their facilities to improve FENIX's purchasing and production practices. As an example, Hanwag is in the process of improving its internal capacity and forecasting system to ensure that staff are entering accurate data so that the data can be reliable in showing Hanwag's production status. FLA recommends FENIX continue to improve its accountability mechanisms by reviewing staff performance in forecast accuracy and calendar adherence.

Dialogues with Relevant Business Staff & Suppliers to Implement Responsible Purchasing Practices

For each brand, there is a team that reviews the production and capacity status of suppliers. For all brands, the CSR Manager is either included in these discussions or has split responsibilities between CSR and production, planning, or supplier management. From the HQ Assessment interviews for all brands, it was verified by the FLA that sourcing/planning staff work closely with the CSR Manager.

Externally, FENIX has implemented an informal and anecdotal approach to collect supplier feedback. Suppliers are able to provide feedback to Leadertek auditors when they visit the factory for social compliance or quality auditors. Additionally, the FENIX brands follow-up via email for additional feedback from their suppliers on how purchasing practices can be improved. FENIX provided some evidence where delivery dates or costing was renegotiated based on the feedback from suppliers. In November 2017, FENIX submitted its supplier list to participate in Better Buying. Suppliers received a survey from Better Buying to complete based on FENIX's purchasing practices; Better Buying will review the results and provide FENIX with average ratings and analysis of results. All responses from the supplier are kept anonymous. Once FENIX receives the first round of ratings from suppliers, FENIX will be able to review its internal purchasing practices to improve its practices. Better Buying will then conduct a second round of surveys to benchmark improvement of FENIX's purchasing practices. FLA notes FENIX's participation with Better Buying as a strength of FENIX's commitment to responsible purchasing practices.

Evaluating & Incentivizing Suppliers to Improve Conditions for Workers

All FENIX suppliers receive an audit score from their regular audits. This score is reviewed by the CSR Managers and considered in the continuation of the business relationship. Fjallraven has developed

and implemented a comprehensive supplier scorecard, that includes Communication, Quality, Price Handling & Finance, Services & Extras, Development Support, Techniques, and Production; Sustainability Risk Level, Last Audit Date, Audit Score and Rating, and FENIX Way Score. As discussed in Principle 5, suppliers have a specific status based on the audit results and order placement with Fjallraven: New, Stable, Important, and Partner.

For Partner suppliers, these suppliers receive priority for new product development, an annual strategy newsletter, strategy meetings with Fjallraven at least twice per year, and potential to be considered for capacity building projects. For Important suppliers, they are able to receive HIGG and other capacity building training and be considered for Partner status. FLA reviewed Fjallraven's classification and scorecards for suppliers and discussed with the CSR Manager how they have applied this methodology to its suppliers.

Friluft's scorecard is in development and includes criteria on Prices & Conditions, Quality & Logistics, Product Development, Social Compliance & Sustainability, and Business Behavior & Reliability. Social Compliance and Sustainability includes the commitment to the FENIX Code of Conduct and Restricted Substance List, Social Compliance audit score, CAP remediation, Chemical knowledge, and Chemical testing. For material suppliers of owned facilities, FENIX strives to establish a long-term relationship with strategic suppliers. For Hanwag material suppliers, they are required to commit to the FENIX code of conduct or provide their own code of conduct to Hanwag. FLA recommended that FENIX continue to explore and formalize incentives for Tier 1 and 2 suppliers; FENIX is working to collect supplier feedback on incentives they would prefer and is working to formalize the incentives for Friluft's suppliers.

PRINCIPLE 9: CONSULTING WITH CIVIL SOCIETY¹³

Civil Society Engagement Strategy

In 2017, FENIX developed an Engagement with Non-Governmental Organizations (NGOs) Policy Guideline. This guideline is utilized by the CSR Managers from each brand, and overseen by the Chief Sustainability Officer. The overarching goal is for FENIX to strengthen relationships with NGOs and improve mutual understanding and have a respect for human rights, freedom in regards to social, cultural, labor, and religious practices. The guideline is not developed to seek partnerships with NGOs whose main goals are to seek funding from FENIX. Once the common goals are defined, FENIX will engage with the NGO in a transparent and pre-defined manner. These procedures have yet to be fully implemented; however, have been utilized to identify invitees to FENIX's Stakeholder Roundtable Dialogues, which is discussed later in the section. FLA recommends FENIX continue to implement the NGO Policy Guidelines and further identify organizations at the local-level to support addressing labor rights violations in FENIX's supply chain.

Engaging Civil Society on Local Labor Issues

FENIX has started to engage with local organizations in China and Vietnam through its suppliers. Leadertek has conducted consultations with its suppliers to understand the work their suppliers have already done with local organizations and to discuss how FENIX can support this work. Leadertek found in Vietnam, that some of their suppliers have engaged with local organizations that support childcare of migrant workers. In China, FENIX suppliers have engaged with the Ministry of Civil Affairs and Educational Institution of China to address issues for children of migrant workers. FENIX has also participated in the China Working Group calls organized by the FLA on a regular basis. FLA

¹³ Principle 9: Company affiliate identifies, researches and engages with relevant labor non-governmental organizations, trade unions and other civil society institutions

recommend FENIX continue to engage with its suppliers to understand the issues workers face and identify potential partners to pursue joint efforts to support addressing these issues.

Engaging Civil Society on the Design & Implementation of Workplace Standards Strategies

FENIX has held two Stakeholder Roundtable Dialogues with various NGOs ranging from environmental sustainability, animal welfare, and labor rights. FENIX maintains minutes from these meetings to consider implementation in their sustainability program's Strategic Plan. During the 2017 Roundtable Dialogue, one of the topics discussed was transparency and the publication of FENIX's supplier list. FENIX published its supplier list in 2017 following the dialogue. FLA attended the 2017 Roundtable Dialogue and noted the productive and informative discussion on the various topics. While not considered a civil society organization, the European Outdoor Group has focused on labor and social compliance issues and raised issues during the Stakeholder Roundtable Dialogue. FLA notes FENIX's proactive stakeholder dialogues and recommends FENIX to include more civil society organizations knowledgeable on local labor issues.

Unions & Worker Representative Structures

For contract facilities, as part of the audit methodology, FENIX includes union and worker representatives during the opening and closing meeting and in the worker interview process. FENIX also focuses on the interaction between the union and factory management through reviewing functioning grievance mechanisms in worker interviews. FENIX's owned facilities generally have less than 100 workers, thus there has yet to be formal employee committees; however, FLA encourages FENIX consider establishing formal employee committees at its owned facilities.

PRINCIPLE 10: VERIFICATION REQUIREMENTS¹⁴

FENIX has maintained its affiliation in good-standing with the FLA, being responsive to all requests from the FLA regarding the annual self-assessment, field observations, SCI Assessments, CAPs, remediation updates. FENIX also maintains procedures to maintain its FLA affiliation that articulate FLA processes. While FENIX has had challenges maintaining an accurate factory list, including receiving some monetary penalties for an outdated factory list when scheduling SCI Assessments, FENIX has been responsive in rectifying the inaccurate factory records with the FLA in a timely manner. Additionally, FENIX has been delayed in submitting some SCI Assessment CAPs and remediation updates; FLA recommends FENIX ensure that all CAPs and remediation updates are submitted in a timely manner.

The Chief Sustainability Officer has attended some FLA Board of Director Meetings throughout its affiliation and the Europe Meetings in 2015 and 2017. In 2017, the Chief Sustainability Officer provided support to FLA staff on a guidance document on the SDGs. FLA recommends FENIX continue to contribute to the FLA's mission to improve workers' lives by engaging with various FLA working groups, the Monitoring Committee, and Board of Directors.

¹⁴ Principle 10: Company affiliate meets FLA verification and program requirements.

SECTION 4: CONCLUSION AND RECOMMENDATION TO THE BOARD OF DIRECTORS

This review of FENIX's labor compliance program is intended to help inform the decision of the FLA Board of Directors on whether to accredit the company's program.

The FLA staff conclusion is that since affiliation as a PC, FENIX has increasingly developed a labor compliance program that, on balance, aligns with FLA standards, benchmarks, and protocols. Accreditation is a measure of the capacity of a company's labor compliance program to ensure respectful and ethical treatment of workers. The FLA recognizes that no labor compliance program is perfect; the notion of continuous improvement means that there will be instances when a specific principle or benchmark is not met, yet such occurrence does not call into question the integrity of an affiliate's entire program. FLA will continue to provide programmatic recommendations to further an affiliate's labor compliance efforts in support of FLA's mission to protect workers' rights and ensure decent working conditions. FLA staff recommends to the FLA Board of Directors the accreditation of FENIX's labor compliance program.

The assessment identified certain areas in which FENIX's labor compliance program has been strong and also areas with respect to which improvements are possible.

Strengths of FENIX's labor compliance program include:

- 1) Top management commitment and reporting structure to ensure all FENIX brands are implementing the workplace standards;
- 2) Investment in comprehensive training for all applicable FENIX staff from all brands, including workplace standards training for retail staff;
- 3) Comprehensive audit program implemented by Leadertek in Asia and ELEVATE in Europe;
- 4) Data collection and analysis to report the working condition trends in FENIX's annual CSR Report; and
- 5) Implementation of responsible purchasing and production practices, including participation with Better Buying, within all FENIX brands.

Suggestions for strengthening FENIX's labor compliance program include:

- 1) Improvement in ensuring workplace standards training is effective for workers;
- 2) Improvement in ensuring all workers have access to functioning grievance mechanisms;
- 3) Continue to streamline brand factory lists to maintain an accurate factory list with the FLA;
- 4) Continue to work with suppliers to address and remediate labor violations identified through FENIX and FLA assessments; and
- 5) Continue to implement the NGO Policy Guidelines and engage with civil society organizations in high-risk and high-production countries.

APPENDIX A: THE FENIX OUTDOOR CODE OF CONDUCT



Fenix Outdoor Code of Conduct

For *Fenix Outdoor International AG*, taking responsibility forms part of our corporate culture and philosophy. We believe that we need to build robust and lasting business and stakeholder partnerships. It is paramount important to us to be fully understood and that our suppliers and valued business partners share our vision for a prospering global society. Hence, we have set up this Code of Conduct.

The *Fenix Outdoor Code of Conduct* is a mandatory and non-negotiable requirement that all of our suppliers, including their subcontractors and business partners, must follow. We encourage our partners to adopt a similar Code for themselves and set-up clear and goal-oriented structures and accountability systems in order to be able to monitor the implementation. Throughout the Code of Conduct, the term “supplier” and “factory” is used, standing as universal terms for our suppliers, subcontractors and business partners and their premises.

The Code forms the basis for our business relationships and is therefore an integral component of our agreement with suppliers. *Fenix Outdoor* expects suppliers to make improvements when the Code of Conduct standards are not met and to develop sustainable mechanisms to ensure ongoing compliance. We offer support and training in how to implement the Code. *Fenix Outdoor* reserves the right to amend or modify the *Fenix Outdoor Code of Conduct* at any time.

The *Fenix Outdoor Code of Conduct* is based on the *FLA Workplace Code of Conduct* and current international reference documents and standards, including

- *The United Nations Global Compact,*
- *The Universal Declaration of Human Rights,*
- *The International Labour Organization’s (ILO) Declaration on Fundamental Principles and Rights to work,*
- *The Rio Declaration on Environment and Development,*
- *The United Nations Convention Against Corruption,*
- *The UN Convention on The Right of the Child,*
- *The European Convention for the Protection of Animals kept for Farming Purposes, and*
- *The European Convention for the Protection of Animals during International Transport and the Council Regulation on the protection of animals during transport.*

1. Legal requirements

We expect that our suppliers, in all their activities, comply with the relevant and applicable national laws in the country in which they are operating. Should any of the following requirements by *Fenix Outdoor* be in violation of the national law in any country or territory, the law in that country take precedence over the *Fenix Outdoor Code of Conduct*. In such cases immediate reporting to *Fenix Outdoor* is mandatory in order to decide on how to proceed.

It is important to understand that the requirements of *Fenix Outdoor* are not limited to the requirements set

forth by national law. When legal requirements are less strict than the Code, it is always the *Fenix Outdoor Code of Conduct* that applies to our suppliers. Suppliers shall apply the highest standards at all times.

1.1 Corruption, Extortion, Embezzlement and Bribery

We trust that excellence of our products is the key to our business success. Therefore, we will deal with all our customers, suppliers and government agencies in a straightforward manner and in compliance with international anti-bribery standards and local anti-corruption and bribery laws. This includes any transaction that might appear to be arranged for granting concessions or benefits.

Corruption or bribery, extortion, and embezzlement, including any payment or other form of benefit conferred on any government official for the purpose of influencing decision making in violation of law, are strictly prohibited. These actions may lead to the immediate termination of the business relationship with *Fenix Outdoor* and/or damage claims and legal actions.

2. Child Labour

2.1 Definition

We define, in this context, the word “child” as a person younger than 15 years of age as covered by article 2.3 in the ILO convention No.138.

2.2 Policy

Fenix Outdoor does not accept child labor. All measures to prevent child labor shall be implemented taking into account the best interests of the child. We believe that children have the right to develop and evolve, having a better and more sustainable lifestyle than us. Their exploitation for short-term gains or benefits is unacceptable.

We base our policy regarding child labor on the *ILO convention No.138* recognizing the right of the child to be protected from economic exploitation and from performing any work that is likely to be hazardous or to interfere with the child's education, or to be harmful to the child's health or physical, mental, spiritual, moral or social development. If the minimum employment age, in the country in which a supplier maintains its business is higher than 15 years, then the supplier must adhere to the national law and regulations.

We acknowledge that according to *the UN Convention on the Rights of the Child*, article 1., a person is a child until the age of 18. We therefore recommend our suppliers to make sure, that workers in the age group 15-18 years (“young workers”) are treated accordingly. Limits for working hours and overtime for this age group should be set with special consideration to the workers age.

2.3 Enforcement

If a supplier does not accept our policy on child labor, we will not engage in a relationship or discontinue our co-operation with this supplier.

3. Workers Rights

Every worker shall be treated with respect and dignity. *Fenix Outdoor* expects the suppliers to respect the personal dignity, privacy and rights of each individual and to prohibit any kind of violence and assault at the workplace, including threatening and intimidating behavior and performance of the worker. The workers shall be free to lodge complaints with their superiors. They have the right to directly approach us, should they feel more comfortable in doing so. The management of each factory is obliged to inform their workers about this code and to display our contact details including the Email-Hotline compliance@fenixoutdoor.se.

Under no circumstances does *Fenix Outdoor* accept that our suppliers use humiliation or corporal punishment or other forms of mental or physical disciplinary actions. No worker shall be subject to physical, sexual, psychological or verbal harassment or abuse.

All workers should be entitled to his or her basic rights.

3.1. Forced Labor

- 3.1.1 We do not tolerate forced, compulsory or any other type of labor that is deemed to be illegal in the production of goods for *Fenix Outdoor*.
- 3.1.2 *Fenix Outdoor* does not accept that bonded workers or prisoners are used in the production of *Fenix Outdoor* goods.
- 3.1.3 There shall be no restrictions on the worker's right to leave the workplace.
- 3.1.4 Workers shall not be required to lodge "deposits" or their identity papers with their employer.
- 3.1.5 Any commissions and other fees to recruitment agencies in connection with employment of foreign, migrant or temporary workers should be covered by the employer. Never should these workers be required to remain employed for an extended period of time against their own will.

3.2. Non-Discrimination

No worker should be discriminated on the basis of race, national origin, ethnicity, political opinion, social group, religion, age, sexual orientation, gender, marital status, health, disability or other classes protected by law or universal principles of the United Nations.

- 3.2.1 All workers possessing the same experience and qualifications should receive equal conditions during employment, including hiring, compensation, advancement, discipline, termination or retirement. We expect our suppliers to promote equal opportunities for and treatment of its workers irrespective of the above mentioned reasons.
- 3.2.2 Dismissal of pregnant workers, or workers during parental leave, or following their return to work, is not acceptable. Workers taking parental leave (male or female) shall be entitled to return to their employment on the same terms and conditions that applied to them prior to taking leave and they shall not be subject to any discrimination, loss of seniority or deduction of wages.

3.3 Freedom of Association and the Right to Collective Bargaining

Fenix Outdoor respects the workers' right to freedom of association and collective bargaining. All workers should be free to join associations of their own choosing, and they should have the right to bargain collectively.

We do not accept any disciplinary or discriminatory actions from the factory against workers who organize or join an association. We expect our suppliers to recognize and respect, as far as covered by the national laws or international standards, the workers' right to freedom of association and to neither favor nor discriminate against members of employee organizations or trade unions. We encourage the interaction with workers representatives, civil society groups as well as trade unions.

3.4 Labor Contract

All workers shall be entitled to a written employment contract that contains an accurate, complete and understandable summary of the terms and conditions of employment, including wages, benefits and working conditions. This also counts for foreign, migrant, temporary or home workers, who in any case are not to be treated less favorably. *Fenix Outdoor* expects our suppliers to ensure that all employees are aware of their legal rights and obligations.

3.5 Working Hours

- 3.5.1 We expect our suppliers to comply with the maximum number of regular working hours laid down in the applicable laws of the country in which a supplier maintains its business premises. This limit shall not exceed 48 hours a week as stated in the *ILO convention* No.1. In exceptional circumstances as covered by article 2 to 5 in the *ILO convention* No.1. the limit of 48 hours a week can be extended.
- 3.5.2 Workers are entitled to at least one day (24 consecutive hours) of rest in every seven-day period.
- 3.5.3 Overtime work must always be voluntary and compensated in accordance with applicable law and at premium rates (at least 1,25 times the regular rate). Overtime shall not be requested on a regular basis. The hours shall not exceed the numbers allowed by the law of the country. The sum of regular and overtime working hours shall never exceed 60 hours a week. Exceptional circumstances need to be flagged to the respective *Fenix Outdoor* entity well in advance.
- 3.5.3 The workers should be granted their stipulated annual leave and sick leave without any form of repercussions.
- 3.5.4 Workers should be given their stipulated maternity and/or parental leave in case of pregnancy (*see* 3.2.2).

In developing countries, we recommend that our suppliers provide the workers with at least one free meal a day.

3.6 Compensation/Wages

Every worker in a regular work week has the right to an income that meets his or hers basic needs and provides some discretionary income. The legal minimum wages should be a minimum requirement, but not a recommended level. We expect our suppliers to provide fair remuneration and to guarantee the applicable national statutory minimum wage, the prevailing industry wage or the wage negotiated in collective agreements, whichever is higher, and provide any fringe benefits required by law or contract. Where compensation does not meet worker's basic needs and provide some discretionary income, each employer shall take appropriate actions that seek to progressively realize a level of compensation that does.

Wages must be paid regularly, on time and be fair in respect of the worker's experience, qualification and work performance. *Fenix Outdoor* does not accept deductions as a disciplinary measure.

4. Safety & Health at Workplace

All workers shall be provided a safe and healthy workplace setting to prevent accidents and injury to health arising out of, linked with, or occurring in the course of work or as a result of the operation of suppliers' facilities. *Fenix Outdoor* expects its supplier to take responsibility for the health and safety of their workers and to control hazards and take the best reasonably possible precautionary measures against accidents and occupational diseases.

Fenix Outdoor requires from its suppliers that the safety and health of the workers should be a priority at all times. No hazardous equipment or unsafe buildings are accepted. Suppliers shall adopt responsible measures to mitigate negative impacts that the workplace has on the environment.

The factory shall at all times be in possession of all applicable certificates and permits related to health and safety issues.

4.1 Building and Fire Safety

- 4.1.1 The factory should have clearly marked exits, and preferably emergency exits on all floors. All exit doors should open outwards. Exits should not be blocked by any items such as cartons, fabric rolls or debris, and should be well lit. If emergency exits are locked, the keys should be placed behind breakable glass next to the doors, and thus be available to staff at all times.
- 4.1.2 All workers should be aware of the safety arrangements in the factory, such as emergency exits, fire

extinguisher, first aid equipment, etc.

- 4.1.3 An evacuation plan should be displayed in the factory and the fire alarm should be tested regularly. Evacuation drills should be performed at least once a year.
- 4.1.4 All buildings shall be safe, maintained and checked regularly.

4.2 First Aid

- 4.2.1 First aid equipment must be available in each factory and at least one person in each department should have training in basic first aid.
- 4.2.2 The employer should pay any costs (not covered by the social security) which a worker may incur for medical care, following an injury during work in the factory.
- 4.2.3 It is recommended that a doctor or nurse is available at short notice, in case of an accident in the factory.

4.3 Factory conditions

- 4.3.1 A safe and healthy working environment shall be provided to prevent accidents and injury to health arising out of, linked with or occurring in the course of work or as a result of the operation of the supplier's facility.
- 4.3.2 It is important for the workers' well-being that the factory environment is clean and free from pollution.
- 4.3.3 The temperature in the factory should be tolerable as a working environment, and the ventilation should be adequate. Heaters or fans should be provided when needed.
- 4.3.4 The lighting at each workstation should be sufficient for the work that is being performed, at all times of day.
- 4.3.5 Sanitary facilities should be clean, in an operational condition and the workers shall have access without restrictions. Necessary sanitary equipment shall be provided on the expenses of the employer (toilet paper, soap, disinfectant and alike). The number of facilities should be adequate for the number of workers in the factory. Sanitary facilities shall preferably be separated for men and women.

4.4 Pregnant Workers and New Mothers

Fenix Outdoor's suppliers shall abide protective provisions benefiting pregnant workers and new mothers, including temporary reassignments away from work stations and work environments that may pose a risk to the health of pregnant woman and their unborn children. If such protective provisions are not existent by national law, suppliers shall take reasonable measures to ensure the safety and health of pregnant woman and their unborn children.

- 4.4.1 We recommend our suppliers to make temporary adjustments of working hours during and after pregnancy.
- 4.4.2 Factories shall provide new mothers with breast-feeding breaks and facilities.
- 4.4.3 We recommend that factories with female workers arrange day care for children below school age.

5. Housing conditions

If a factory provides housing facilities for its staff, the requirements regarding safety and health conditions, under point 4 "*Safety & Health at Workplace*", should also be applicable to the workers' housing area.

- 5.1 All workers must be provided with his or her own bed, and the living space per worker must meet the minimum legal requirements. It is expected that minimum standards regarding privacy and personal sphere are kept and that an employer considers the housing in a way as if he himself ought to live in the space provided.
- 5.2 Separate dormitories as well as toilets and showers shall be provided for men and women.
- 5.3 There should be no restrictions on the workers' rights to leave the dormitory.
- 5.4 In particular, *Fenix Outdoor* wants to stress the importance of fire alarms, fire extinguishers, unobstructed

emergency exits, evacuation drills (at least once a year or according to law) and safe buildings in dormitory areas (see point 4 “*Safety & Health at Workplace*”).

6. Environment

Fenix Outdoor's companies depend on people enjoying a clean, diverse and healthy nature. We therefore take particular interest in the reduction of environmental damages and the protection and enhancement of natural habitats and biodiversity. Therefore, our suppliers must comply with all applicable environmental laws and regulations in the country of operation and show efforts going beyond legal compliance. We expect our suppliers to make every effort to reduce the environmental impact of their business by adopting the best practice principles and continuously seeking improved methods to minimize any adverse environmental impact of their operations, including emissions, resource use and waste. We strongly recommend to join us in implementing the Higg Index (higg.org) of the Sustainable Apparel Coalition (SAC). We expect all suppliers to give a comprehensive account of their environmental activities by the end of each year.

- 6.1 According to *Fenix Outdoor's* chemical guideline and restricted substances list, we do not allow the use of certain hazardous chemicals in the production of our articles or any precursors. All of our suppliers must sign the *Fenix Outdoor Chemical Guideline*, confirming that no prohibited chemical substances will be used in the production and ensure that their suppliers and partners adhere to it as well.
- 6.2 When the suppliers have a choice between two chemicals that serve the same purpose, they should choose the chemical that is the least harmful to the environment.
- 6.3 Hazardous waste shall be monitored and minimized. Disposal has to be undertaken in a safe way.
- 6.4 We recommend that our suppliers minimize production waste and spill.
- 6.5 Water usage shall be monitored and we recommend to reduce the total volume of usage by looking at recycling of water or innovative alternative processes.
- 6.6 Effluent treatment plants (ETPs) shall be properly operated, used and maintained as well as be appropriate for the types of effluents generated from the operations.
- 6.7 Energy usage shall be monitored and we recommend using renewable energy whenever possible.