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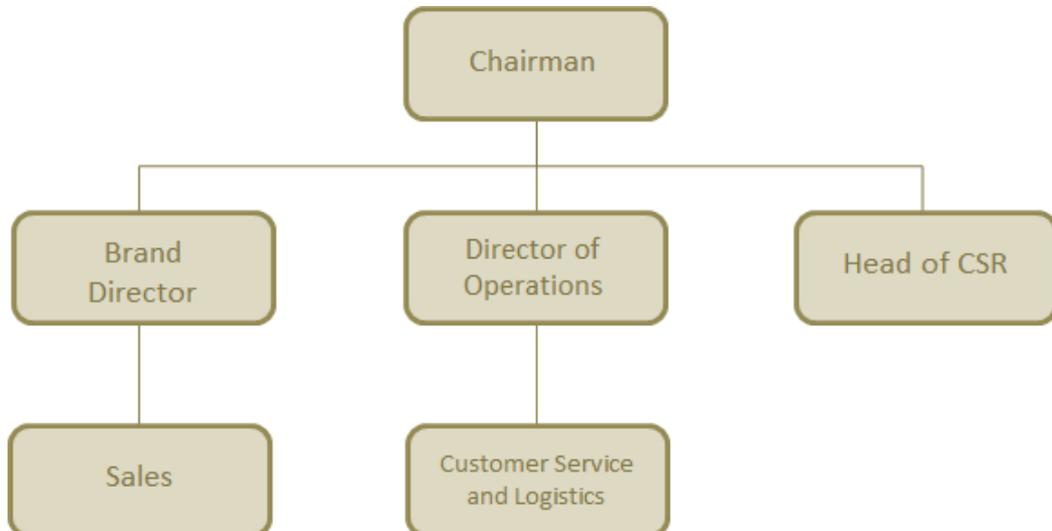
**Start date membership**

August 2011

**Reporting period (financial year)**

May 2018 – April 2019

**Organizational chart**



## Contents

Summary: goals & achievements 2018.....	3
1. Sourcing strategy.....	3
1.1. Sourcing strategy & pricing .....	3
1.2. Organization of the sourcing department .....	4
1.3. Production cycle.....	4
1.4. Supplier relations .....	4
1.5. Integration monitoring activities and sourcing decisions .....	5
2. Coherent system for monitoring and remediation .....	5
2.1. Heshan Rondor Garments Limited (KTC Limited) in China .....	5
2.2. Walter Stohr GmbH in Germany .....	6
2.3. External production .....	6
3. Complaints handling.....	6
4. Training and capacity building .....	6
4.1. Activities to inform staff members .....	6
4.2. Activities to inform agents .....	6
4.3. Activities to inform manufacturers and workers.....	7
5. Information management.....	7
6. Transparency & communication .....	7
7. Stakeholder Engagement .....	7
8. Corporate Social Responsibility.....	7

## Summary: goals & achievements 2018

The KTC Unlimited AG feels confident that our sourcing strategy to work with one well-reputed long-term supplier for all core items, plus one supplier in Germany for accessories, is a good approach to ensure the sustainable implementation of the Code of Labor Practices. We believe committing to a strong partnership over many years, combined with the now even closer connection between the KTC Unlimited AG and the main supplier KTC Limited, allows us to have extended leverage, transparency, and impact on working conditions and implementation of the Code. We have established a direct connection between our brand KTC Unlimited and the main supplier KTC Limited. The positions of Chairman of KTC Unlimited and Managing Director of KTC Limited, as well as Head of CSR for both companies are shared by the same person respectively. This setup creates a direct link between buyer and manufacturer and enables full transparency, control and a natural interest of improving conditions along the supply chain.

In addition to the focus on people and worker-related aspects of doing sustainable business, the KTC Unlimited AG is starting to become more engaged in sustainable materials and product in general. Our extended self-understanding of sustainable operation is not only touching the conscious choice of more sustainable materials leading to a smaller ecological footprint. Product design, as well as general decisions around styles and collections, are started to be evaluated to make the individual product more long-lasting in terms of workmanship, quality, and timeless aesthetics, thus encouraging the consumer to live a more sustainable consumption behavior of purchasing less product in total. While this is in contrast to the present development of the European outdoor industry, in which more volume is purchased for less value, KTC Unlimited strongly believes in the need to work against this trend and not follow the race for more and cheaper product contributing to the excessive use of resources.

The social sustainability approach of the KTC Unlimited AG is initiated and impelled by our chairman Mr. Gerhard Flatz:

*Our goal is to create product that excels in terms of performance and aesthetics and at the same time defines new standards in regard to doing social business. We envision a product that from the cradle of its supply chain down to the final consumer contributes to improving people's lives while leaving the smallest ecological footprint possible. Improving labor conditions and empowering workers is an essential foundation to this approach. At the same time, our philosophy enables the employees who are creating our product to be fully committed to the craft and quality that make for the longevity we are striving for.*

## 1. Sourcing strategy

### 1.1. Sourcing strategy & pricing

We strive to consolidate our supply chain to one core partner to the greatest extent possible. All main products, 99% of KTC Unlimited AG's total FOB volume, are sourced from one supplier, KTC Limited. Accessories which are not within the manufacturing scope of KTC Limited are sourced from one other supplier, the Walter Stohr GmbH in Germany. This approach allows for a mutually trustful partnership in which our suppliers are empowered by holding all or the majority of the product volume. This setup eliminates the, in our eyes and values, greatly flawed situation in which all power is on the buyer's side, effectively turning the business interaction into a dictatorship with little room for the factory to push back on unreasonable demands – a situation that can easily jeopardize working conditions of the factory's employees.

The selection of the specific supplying factories has consciously been made with their strong commitment and strict legal environment to and for fair and sustainable working conditions. Together with our suppliers, we work through and around challenges rather than looking for alternatives that are more willing to compromise their and their employees' situation to keep or attract even unsustainable business.

As a center value of our business, KTC Unlimited does not negotiate prices or lead times. We trust that our suppliers provide us with the best reasonable prices possible that allow for a good and fair earning throughout their part of the supply chain. With insight into the detailed price and cost breakdown of our products as well as working minutes required and labor cost paid for all products manufactured at our main supplier KTC Limited, we have full transparency in ensuring that prices paid by KTC Unlimited are sufficient to support a good wage level. By the same means, moving our development process and style signoff dates to the earliest time possible we strive to enable our partners to plan and arrange production without the need for additional overtime or long working hours.

A new focus point of KTC Unlimited AG's sourcing strategy is the beginning of a more consequent re-evaluation of material sourcing. Since the upstream supply chain in the making and processing of materials can have a significant impact on a vast amount of people as well as the environment and our planet. For these reasons, we are presently working on strengthening internal awareness of the topic and exploring alternatives and options for a stronger sustainable material background of our products.

### ***1.2. Organization of the sourcing department***

Being a small company and team, the sourcing department of the KTC Unlimited AG consists of one person, the Director of Operations. The Director of Operations works directly with the suppliers and reports to the Chairman. This allows for a clear and direct working relationship between supplier, brand and brand management. Additionally, with the Chairman of KTC Unlimited AG being the Managing Director of the main supplier KTC Limited, implementation and evaluation of the sourcing strategy as well as the impact of sourcing practices on the situation and conditions in the supplying factory is under direct and constant evaluation and control.

### ***1.3. Production cycle***

The development and production process and cycle of the KTC Unlimited AG are fully adjusted to meet the requirements of the supplier, including order placement dates and lead times. While this takes away the flexibility to consider the latest possible market indications and sales predictions as commonly requested and expected by brands, it allows for a more balanced production planning on the factory's side. We believe that this is a small price to pay for granting better framework conditions to the factory for operating social responsibly. The general strategy of designing towards timeless aesthetics and useful functions rather than trends and fashion supports the feasibility of not relying on as late as possible market information.

Presently all product of KTC Unlimited evolves around winter sports, leading to seasonal winter production only.

### ***1.4. Supplier relations***

The KTC Unlimited AG did not add or change any suppliers. As one of our core values is the commitment to stable, long-term relationships with our manufacturer and working through challenges together with our suppliers rather than exploring new supply sources, we do not plan for any additional sources for the time being. By the same means, KTC Unlimited AG has not terminated any supplier relationship.

### **1.5. Integration monitoring activities and sourcing decisions**

Due to the sourcing strategy of focusing on one main supplier and working through challenges together, empowering the factory to an equal degree, changing, adding or terminating suppliers is not part of KTC Unlimited AG's usual sourcing practice. Since this means that generally the pressure tool of adding or removing business according to the factory's performance becomes almost non-practical, it is essential to commit to a supply-base with sufficient mutual trust into the performance and willingness to cooperate on all essential matters, including compliance and best social practices.

Whenever tensions, disagreements or challenges arise, we believe the only sustainable and best approach is to communicate and discuss to address the issue and find the best mutually working solution. This usually will mean to work with goodwill and compromises on both sides.

## **2. Coherent system for monitoring and remediation**

At the KTC Unlimited AG, we believe that transparency is the best sustainable way of improving and ensuring good working conditions as well as trustful and fair business relationships.

We consider audits and external monitoring to be an essential part and important contribution to this process, providing insights from a third party perspective as well as supporting with competencies on details that may not be available in-house. In addition to third-party monitoring, we believe that a close and open relationship, as well as a frequent presence on site are as important to gather consistent own impressions and at the same time to express a serious and pro-active commitment to the matter of compliance and good working conditions.

In the case of the KTC Unlimited AG and our supplier KTC Limited, with the close connection between the companies and the Chairman as well as the Head of CSR of KTC Unlimited being based on site of the supplying factory, there is a naturally high level of transparency and monitoring.

### **2.1. Heshan Rondor Garments Limited (KTC Limited) in China**

We source 99% of our total production in terms of FOB volume from Heshan Rondor Garments Limited in China. The factory is visited frequently by the Operations Director and, with KTC Unlimited and KTC Limited being closely connected, the Chairman as well as Head of CSR of KTC Unlimited are permanently based on site of the factory. With both of these positions being shared between KTC Unlimited AG and KTC Limited, the Code of Labor Practices and the implementation of the Code are amongst the daily tasks and topics.

KTC Unlimited is open to share and cooperate with other brands in terms of compliance and corrective action and we are very pleased to see that the FWF is working on improving their backend system to enable better and easier cooperation between member brands on audits and corrective actions. Presently two other FWF member brands are active in our supplying factory.

While the audit report of the recent FWF audit at the factory Heshan Rondor Garments Limited of KTC Limited is not ready and available at the time of writing this report, first feedback during the audit indicated that there are no significant findings or non-compliances, but some minor points have been identified during the audit. The findings that have preliminarily been pointed out include an old format of the FWF Code of Labor Practices being posted in the factory and some workers' feedback about food choices in the canteen not meeting their wishes.

Regarding the selection of suppliers to be audited, the factory Heshan Rondor Garments Limited of KTC Limited is generally chosen since we only work with one other supplier. This supplier is based in Germany, a low-risk country, and only supplies a very small volume to KTC Unlimited.

## **2.2. Walter Stohr GmbH in Germany**

KTC Unlimited AG's second supplier for accessories (beanies) is located in Germany. Due to the volume made by this supplier being minuscule and Germany being a low-risk country, the Walter Stohr GmbH is generally not considered for auditing. We trust that the frame conditions in Germany are strong to ensure working conditions and compliance are on a very high standard at this supplier.

## **2.3. External production**

KTC Unlimited AG does not make use of any external production or reselling of products.

# **3. Complaints handling**

The FWF complaint mechanism and channel are posted in several locations in the factory in addition to the factory's internal complaints channels.

The usual complaints procedure would be workers complaining directly to their supervisor in any form, verbal or in writing. If the complaint cannot be resolved in this way, or if the complaint is involving the supervisor, the workers can contact the factory management directly in several ways. One direct complaint channel towards the factory management is a dedicated workers' app in which employees can complain in writing, either disclosing their identity or anonymously, depending on their own choice. Additionally, workers can directly contact the HR staff or the Human Affairs department whose offices are located within the factory. Lastly, there is a dedicated email address publicly posted in the factory. Via this email address, workers can directly email the Head of CSR of the supplier and KTC Unlimited.

Typical complaints received include questions on administrative topics and wage calculation; complaints about food choices in the canteen; complaints about waiting times between or allocation of job assignments. Questions regarding wages and administrative topics are generally answered and clarified by direct replies of the accounting staff or other responsible departments. The topic of food choices is occasionally monitored and checked to ensure actual food quality remains high and safe, while individual taste complaints can only be addressed to a certain degree in a canteen serving around 1500 employees. Since the meals in the canteen are kept free of charge, there are generally only two sets of taste assortments available per meal and not all taste preference can be catered for. Regarding complaints about work allocation and waiting periods, the production setup with the wide variety of products our supplier is manufacturing, occasional waiting periods are inevitable. However, keeping these waiting periods to a minimum is in the natural interest of the factory to keep production efficient and within schedule.

# **4. Training and capacity building**

## **4.1. Activities to inform staff members**

Since the majority of KTC Unlimited AG's staff has changed recently, the present and near future focus lies on information and briefing of staff members in direct exchange such as meetings and conference calls. With the recent restructuring of KTC Unlimited, the strategy and approach towards training on and communication about the FWF membership are to be reviewed and refined during the coming year.

## **4.2. Activities to inform agents**

KTC Unlimited AG does not make use of any agents.

### **4.3. Activities to inform manufacturers and workers**

KTC Unlimited AG's suppliers are aware and pro-active in terms of the FWF membership and social compliance in general.

With a long history of working with the FWF themselves, the supplier KTC Limited and their factory are well informed and educated about standards and requirements of the FWF.

In terms of other training and efforts, the supplier KTC Limited is arranging occasional training events and related projects in cooperation with the German University of Vechta. These include training about self-awareness; soft skills and communication; group building training and the training is typically connected to a pre- and post-worker survey to measure the impact on employee satisfaction and efficiency.

The KTC Unlimited AG and its staff have not taken part in any FWF training in the past year.

## **5. Information management**

With the Chairman and the Head of CSR of the KTC Unlimited AG also staffing the positions of Managing Director and Head of CSR of the supplier KTC Limited, as well as both positions being based on-site of the factory Heshan Rondor Garments Limited, the monitoring and tracking of the implementation of the Code of Labor Practices is embedded in the daily routine.

Due to the close connection between the KTC Unlimited AG and KTC Limited and the sharing of key management positions, there is full transparency in terms of production locations and subcontractors.

## **6. Transparency & communication**

Presently, with the restructuring of the company, KTC Unlimited is reworking strategy and communication in regards of sustainability and the FWF membership in particular. While the approach has been rather passive in the past, our FWF membership should be part of a more pro-active approach and communication with details presently being work in progress.

Generally speaking, the membership shall be communicated via the company's channels in online media as well as on-garment or in-shop communication directly facing the public, consumers and employees. Activities in terms of compliance and implementation of the Code of Labor Practices will be made public as part of the social report and related communication.

Towards the employees and workers on our supplier's side, the membership and commitment to the Code of Labor Practices is communicated via the code and info sheets posted in the factory.

## **7. Stakeholder Engagement**

During the reporting period, the KTC Unlimited AG has not engaged with stakeholder organizations.

## **8. Corporate Social Responsibility**

The KTC Unlimited AG is participating in a project between the supplier KTC Limited and the University of Vechta in which a pilot example of a transparent supply chain system for the end consumer was introduced and documented by the German television. For this project, the production and product details of a Mountain Force jacket have been prepared in an online platform which is accessible via a QR code on the garment. On this platform, a range of

information like involved working steps, worker profiles including wages earned, material information, etc. can be explored.

After the display example prepared for the television, another set of styles has been selected and is presently prepared to be used on actual commercial products. For these styles, the University of Vechta is conducting customer surveys to measure the interest and impact of extended production transparency on the consumer's side.

With the conclusion of this project, the KTC Unlimited AG will consider to roll out this type of production transparency, depending on actual findings and consumer feedback. We believe that detailed and conveniently available transparency about product, production and the actual people in the supply chain can be a strong tool to connect consumers to the product, increase appreciation of the craftsmanship and production workers and thus greatly contribute towards a more sustainable purchasing behavior.