

## MANAGERIAL COMMITMENT

Spectre is a medium sized Danish company with its roots going back to 1947. Particularly since the nineties when we started outsourcing our production to Eastern Europe, we have seen an increasing international approach on a wide range of activities: our export is close to 100%, raw materials for the production are sourced and purchased all over the world – in USA, Europe and Asia.

We have four production facilities in Latvia and we just expanded with a new factory in Vietnam so we now have two.

In 2010 we decided to sign up for a membership of the UN's Global Compact to acknowledge our loyalty to the ten basic principles of the Global Compact and the areas; Human Rights, Labour, Environment and anti-corruption.

We employ 800+ employees totally. Working in a labor intensive industry like garment production with the vast majority of our employees located in Latvia and Vietnam – and with many suppliers located in Asia – it has become increasingly important for us to find a structured and professional way of working with CSR.

We have always had focus on good working conditions and tried to support the local community wherever we operate. As a company we believe in taking part in the responsibility for the local society. We believe that employees spending a large part of their life working for the company are to be treated with respect and dignity.

In 2013 we received the SA8000 certificate at our four factories in Latvia, and in 2014 the SA8000 certificate was obtained at our Vietnamese factory and we are already in the progress of obtaining SA8000 certification at our new factory in Vietnam.

The last few years we started to work more goal oriented towards the external environment with particular focus on solid waste and energy efficiency. Further steps are working with our suppliers and our customers to ensure the whole value chain eventually is covered by our CSR programs.

A part of the operational profit will be re-invested in current CSR activities and a constant upgrade of the working environment standards because we believe CSR is not only about ethics and high moral but also good business.

Jesper Klausen  
Director Production and Supply Chain



**SPECTRE A/S**

# **CSR REPORT 2015**



# CSR REPORT 2015

## BUSINESS MODEL

Spectre's business model is illustrated as seven steps. However, the model is a simplified guide to understanding our business and value chain. The seven steps serves as a tool for mapping issues of relevans in our CSR efforts.





## ENVIRONMENT

We strive to protect the environment in any relevant way.

During 2015 we were preparing to implement the environmental standard; bluesign®. This standard has a strong focus on chemicals in garments, which is a highly relevant area for the earlier steps in the value chain such as fabric and trims manufacturers.

However, Spectre is not utilizing chemicals and our influence on the chosen fabrics and trims is limited in most cases due to the fact the our customers (who are brand owners) nominate the fabric they have carefully selected for certain styles.

Considering the business model and our strategic environmental focus, we decided to merge the relevant bluesign® criterias into the ISO14001 standard and implement this instead. This work has commenced but is not finalized.

The below charts show our chosen measures for environmental issues:

### LATVIA

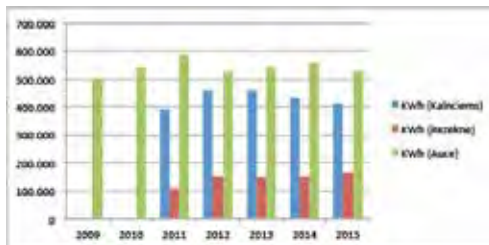


Fig. 1a: Energy consumption in KWh, Latvia

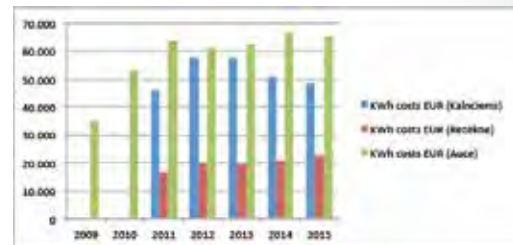


Fig. 1b: Energy costs in EUR, Latvia

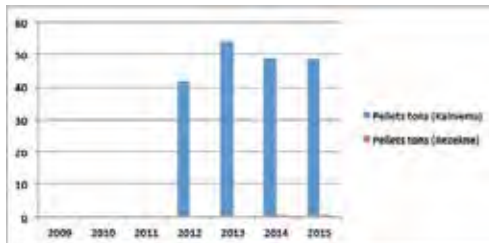


Fig. 2a: Pellets consumption in tons, Latvia

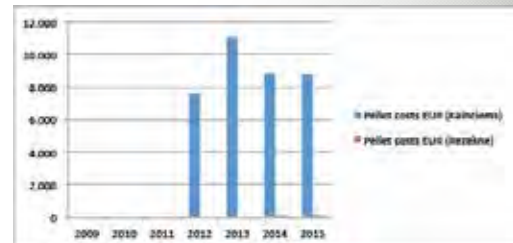


Fig. 2b: Pellets costs in EUR, Latvia



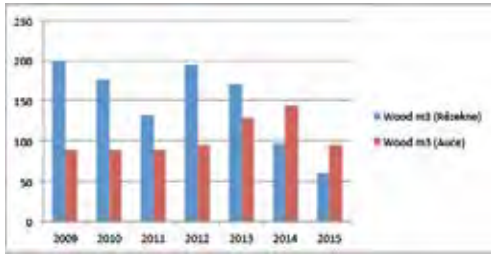


Fig 3a: Wood consumption, Latvia

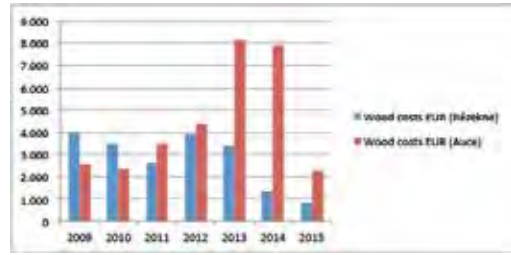


Fig. 3b: Wood costs in EUR, Latvia

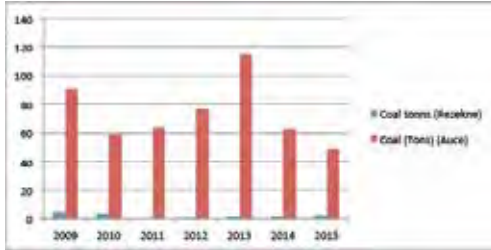


Fig. 4a: Coal consumption in tons, Latvia

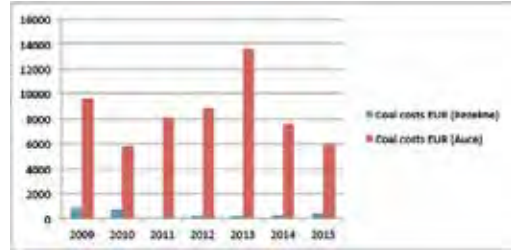


Fig. 4b: Coal costs in EUR, Latvia

## VIETNAM

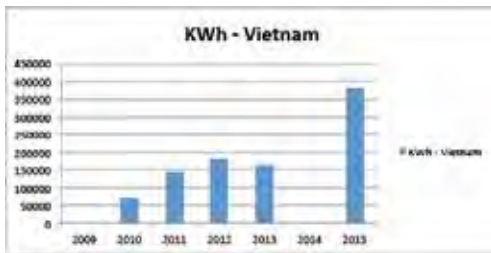


Fig 5.a: Energy consumption in Kwh, Vietnam



Fig. 5.b: Energy cost in VND, Vietnam





## 2 PEOPLE

### 2.1 SOCIAL ISSUES AND LABOUR ISSUES

The main risks in the garment industry are related to labour rights and social issues as illustrated in our business model. In 2012 we decided to implement the social standard SA8000. This standard is the highest level in its field and it covers relevant and important areas for our company such as; child labour, forced labour, freedom of association, discrimination, disciplinary practices, working hours and remuneration.

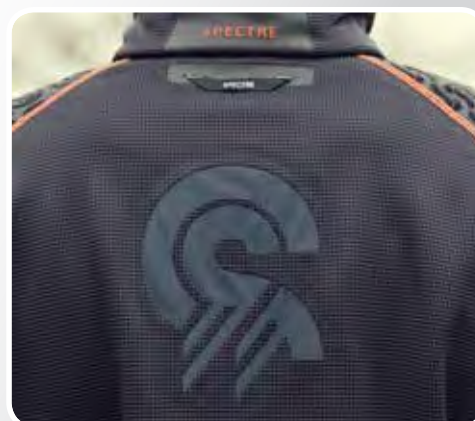
Being SA8000 certified at all our factories we are audited each 6 months by Bureau Veritas to ensure our procedures are continually adequate. The audit reports assist us in identifying areas with need for improvements and results in a number of observations or non-conformances, which must be dealt with within a given time period. It is our goal to have 0 non-conformances overall.

In 2015 we received 6 non-conformances where 2 was identified in Latvia and 4 was identified in Vietnam.

#### Gender equality

Our industry is characterized by a large number of female employees. However, we do recruit male seamstresses yet only in Vietnam we have succeeded in employment. In Latvia our male colleagues are mainly employed in other working areas such as cutting department, technical department etc.

Factory name	Employees Total	% Female Employees	% Male Employees	Managers Total	% Female Managers	% Male Managers
Spectre Latvia	290	89 %	11 %	18	83 %	17 %
EK Auce						
Spectre Vietnam	201	76 %	24 %	13	85 %	15 %
Spectre DK	21	67 %	33 %	8	25 %	75 %



## 2.2 HUMAN RIGHTS

In the garment industry there is a risk of not respecting a number of Human Rights.

We have during 2015 commenced using the UN Guiding Principles on Business and Human Rights as our framework for working with respecting Human Rights.

We have identified 7 Human Rights headings covering 12 individual Human Rights with subheadings.

2. Right to non-discrimination,
4. Right to enjoy just and favorable conditions of work, including
  - a. Right to equal pay for equal work
  - b. Right to a living wage
  - c. Right to safe and healthy working conditions
  - d. Right to equal opportunities for everyone to be promoted
  - e. Right to rest, leisure and paid holidays
5. Right to form and join trade unions and the right to strike
7. Right to family life, including
  - a. Right to protection of mothers before and after childbirth
  - b. Right to children's and young people's protection from exploitation (no child labour)
10. Right to education
14. Right not to be subjected to slavery, servitude or forced labour
24. Right to freedom of thought, conscience and religion

Having implemented the social standard SA8000 our practical work with preventing Human Rights violations is already in progress.

However, we still have a lot of work ahead of us when digging deeper into the Un Guiding Principles. The due diligence process is still novel in our organization and can elaborate more on procedures in some areas. In 2016 we will continue this work.





### 3 ANTI-CORRUPTION AND BRIBERY

In 2014 we developed an Anti-Corruption policy stressing our zero-tolerance towards bribery and corruption. During 2014 and 2015 we have trained all relevant employees in Denmark, Latvia and Vietnam in our Anti-Corruption policy and related procedures including areas of risk, employee responsibilities and protection of employees raising bribery and/or corruption concerns.

We have identified certain activities creating particular risks for our company:

- > Plant management
- > Import/export of goods including contact to customs authorities
- > Supplier contacts/Purchasing duties
- > Quality audits
- > Social audits
- > Financial audits
- > Payments of invoices
- > Payments and contacts with tax authorities
- > Salary payments (only bank transfer)

Resulting from this list 63 employees have been trained in our Anti-Corruption policy and procedures. The training contained the overall definition of corruption and bribery and our gift registration policy. The UK Bribery Act, national legislation and the implications in terms of compliance, risks and sanctions was addressed and finally the employee responsibility and procedure in terms of suspicion about or exposure to corruption or bribery.

We have had 0 cases of bribery and/or corruption. However, we operate in countries with moderate to high risk of corruption and we do not measure our success by the number of cases as much as on the number of employees being trained in our Anti-Corruption policy.



### 4 REPORTING

We aimed at publishing our first CSR report for 2015 which we succeeded in with this report. The purpose of reporting on CSR is twofold. Firstly, we consider CSR as important as our financial milestones and measures. Secondly, we believe that data collection and reporting will shed light over the corners of our company which have not been followed as closely in the past. Once we start measuring we can start relating to the numbers we find. We have only just started this journey but we will continue on that trail for adding more value to our company.





# RESULTS 2015

## CSR KPI'er

<b>SOCIAL AUDITS</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Spectre Latvia			1		3	2	2
Auce				1	1	1	2
Vietnam			1	1	2	3	3

## WASTE

### SP Vietnam estimate (excl Minh Tri)

Total waste							
Fabric					30	25	24
Plastic						0,9	0,8
Paper/card board						4,8	5
Metal							
Hazardous							
other							

### Spectre Latvia

Total							
Fabric (tons)			85	95	80	84	84,58
Plastic							-
Paper/Card board							4
Metal							-
Hazardous							-
other							-

### EK Auce

Total							51,80 tons
Fabric (tons)			78,18 m3		10,6 tons	23 tons	39,24 tons
Plastic							2,53 tons
Paper/Card board							2,71 tons
Metal							
Hazardous							7,32 tons
other							

## ENERGY CONSUMPTION (COSTS WITHOUT VAT)

### Spectre Latvia:

KWh (Kalnciems)	-	-	389.900	460.686	460.498	433.971	413.180
KWh costs EUR (Kalnciems)	-	-	46.230	57.510	57.487	50.960	48.518
Pellets tonns (Kalnciems)	-	-	-	42	54	49	48,69
Pellet costs EUR (Kalnciems)	-	-	-	7.600	11.038	8.820	8.764

KWh (Rezekne)	-	-	110.300	150.800	150.012	153.150	167.432
KWh costs EUR (Rezekne)	-	-	16.485	19.823	19.719	20.790	22.728
Pellets tonns (Rezekne)	0	0	0	0	0	0,5	0,5
Pellet costs EUR (Rezekne)	0	0	0	0	0	90	90
Wood m3 (Rezekne)	200	176,24	131,77	195	170	97,15	61,21
Wood costs EUR (Rezekne)	4.000	3.500	2.620	3.890	3.400	1.350	850
Coal tonns (Rezekne)	4,5	3,7	0	0,7	1	1,5	2,25
Coal costs EUR (Rezekne)	850	720	0	127	183	275	412

Petrol (trucks, cars etc (not private cars)), liter							300
Diesel (trucks, cars etc (not private cars)), liter							32.000

## ENERGY CONSUMPTION (COSTS WITHOUT VAT)

	2009	2010	2011	2012	2013	2014	2015
<b>Auce:</b>							
KWh	503.512	540.211	587.539	531.019	539.830	556.855	527.121,4
KWh costs EUR	34.792	53.309	63.535	61.037	62.530	66.564	65.479,88
Wood m <sup>3</sup>	90	90	90	95	130	145	95
Wood costs EUR	1.792	1.664	2.443	4.374	8.096	7.900	2.272,58
Coal (Tons)	91	59	64	77	115	63	48,6
Coal costs EUR	9.604	5.852	8.061	8.866	1.3656	7.619,5	5.906,96

Petrol (trucks, cars etc (not private cars))							5520
Diesel (trucks, cars etc (not private cars))							8090

<b>Vietnam:</b>							
KWh		70.960	144.960	180.560	164.160		381.600
KWh costs VND		63.671.520	171.912.960	226.264.000			744.120.000
Heating/cooling							
Heating/cooling costs							

Petrol (trucks, cars etc (not private cars))					47.828.911	96.337.545,46	
Diesel (trucks, cars etc (not private cars))					14.961.969,75	26.323.789,74	

<b>Number of employees:</b>							
Spectre Latvia						308	302
Auce						232	
Vietnam	30	40	82	110		191	

<b>Water Consumption</b>							
Spectre Latvia							1.884 m <sup>3</sup>
Auce							1.444 m <sup>3</sup>
Vietnam							3.755 m <sup>3</sup>

<b>Training hours/employee:</b>							
Spectre Latvia					30	363	182
Auce							140
Vietnam							



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