

FRISTADS KANSAS GROUP

SUSTAINABILITY & CORPORATE RESPONSIBILITY

2017 **Annual Report**



AT A GLANCE

FRISTADS KANSAS GROUP has a portfolio of leading brands in the European professional wear market, providing work wear for a wide variety of services and industries, from large international conglomerates to small local businesses, across Europe and beyond.

11

brands



2,000

employees



2

owned
factories



670

factories





MESSAGE FROM OUR CEO

We recognize that doing good business is good for business. And we are determined to strengthen society, influence change and drive efficiency.

For us, sustainability means being oriented towards the future and being successful over the long term. We want to create added value for every-one affected by our activities. By doing so, we contribute to sustainable development – in the spirit of the new UN Sustainable Development Goals-, and will continue to abide by the principles of the United Nations Global Compact, which we pledged to support in 2015.

While the world is going through rapid environmental and societal transformations, we, at Fristads Kansas Group and across our brands, strengthen our resolve to bring innovation and offer solutions to sustainability issues.

Anders Davidsson
CEO
FRISTADS KANSAS GROUP



<https://www.unglobalcompact.org/>

OUR COMMITMENT TO A SUSTAINABLE DEVELOPMENT

We believe that **sustainability redefines business value and drives future growth.**

We began our journey 10 years ago, convinced that our commitment to sustainability and corporate responsibility delivers added value to our customers, employees, business partners, and throughout our supply chain.

We continuously monitor that our ethical standards are shared and implemented in the countries and communities where our activities have an impact.

Our brands are empowered to integrate sustainability, through processes and products that have a positive economic, social and environmental impact, whilst respecting each brand's unique identity and values.



In our Code of Conduct, the labour standards are based on those of the International Labour Organisation (ILO) and the Universal Declaration of Human Rights.

As a member of the United Nations Global Compact's, we are committed to its guiding 10 principles on Human Rights, Labour, Environment and Anti-Corruption.

Our reference in striving to both minimize possible negative impacts and maximize positive impacts on society and planet is the **United Nations' 2030 Agenda for Sustainable Development.** Amongst its 17 Sustainable Development Goals we have identified those relevant to our business and demonstrate how we contribute to reaching them.



STRIVING FOR A SOCIAL AND ENVIRONMENTAL BETTERMENT

We recognise that our business has an impact on environmental and social aspects far beyond our own immediate operations and we expect our suppliers and each and every of their factories to share the same values.

OUR STRATEGIC PARTNERSHIP COLLABORATION

To improve social compliance and environmental production conditions in our supply chain, we are a member of the Foreign Trade Association since October 2016 and promote the implementation of:



BEPI
An initiative of the Foreign
Trade Association (FTA)
Business Environmental
Performance Initiative

The BSCI, Business Social Compliance Initiative, enabling us:

- To reduce the number of different overwhelming audits done at factories and the audit cost for factories as BSCI audit is shared among FTA members, freeing financial resources to be allocated to continuous improvement,

- To harmonize remediation at factories through BSCI participant common platform.
- To maintain a proactive onsite support to factories from our regional compliance teams and offer capacity building activities, We believe that sustainable changes are achieved through positive dialogue and continuous improvement.
- To support the implementation of sustainable environmental programs through BEPI, the Business Environmental Performance Initiative.



Last, but not least, in 2016, we launched our own chemical testing protocol to ensure the safety of our products for our customers and the environment.

Based on our Restricted Substance List, updated twice a year to reflect the latest European legislation under the chemical guidance of our partner **swerea|IVF** we continuously and randomly test garments of our brands' core ranges.

COMPLIANCE PROGRAM AND PRODUCT TRACEABILITY

The social and environmental performance of our suppliers remains our core selection and business development criteria.

Our Code of Conduct describes the ethics and behaviour that we wish to promote throughout our supply chain. By signing our Code of Conduct, suppliers agree to disclose and enroll each and every factory producing for any of our brands as a mandatory requirement to start business.

Since 2014 in Bangladesh, to be eligible in our compliance program, factories must have remediation in progress under Accord.

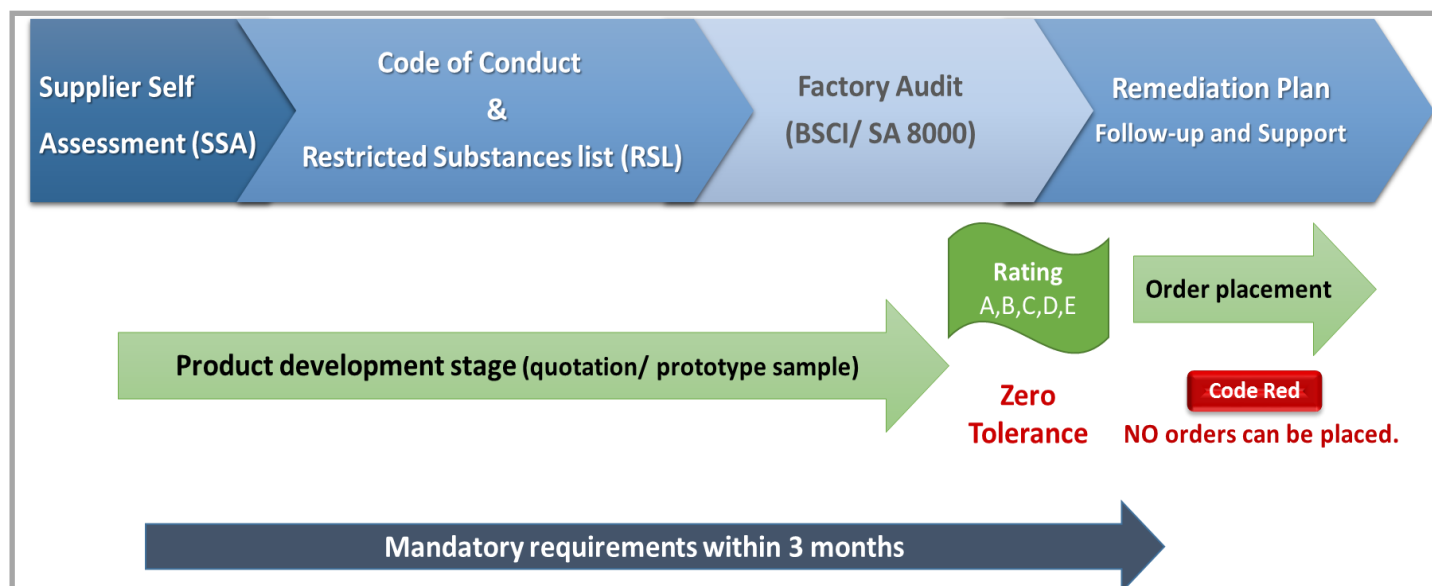
To ensure full factory transparency, our Quality controllers that inspect 100% of

our finished products, are trained to identify on site compliance deviations.

According to the BSCI standard, if a Zero tolerance issue (child labour/ bonded labour and inhumane treatment/ occupational health and safety/ unethical behavior) is spotted in a factory, our quality controller will report in real-time to the regional compliance team that will trigger the Code Red process with the designated brand.

This organisational escalation process enables each brand to engage immediately with the factory to implement remediation.

In 2017, no zero tolerance have been reported within our supplier base.



Supply chain compliance process

FRISTADS KANSAS GROUP and all its brands only cooperate with suppliers who comply with our Code of Conduct and the requirements of our Restricted Substances List.

We are present with sourcing offices in all our main production regions, where our local compliance teams together with independent third party auditors, BSCI accredited, work to support, educate and evaluate the factories we cooperate with.

Our broad goal is to achieve full supply chain transparency from nominated raw materials to strategic suppliers. The benefit of pursuing this is not only for the matter of transparency but to be able to manage our environmental impact all the way through our supply chain. In that way we are able to identify potential business opportunities or risks.

In 2017 compliance visibility has been extended to factories:

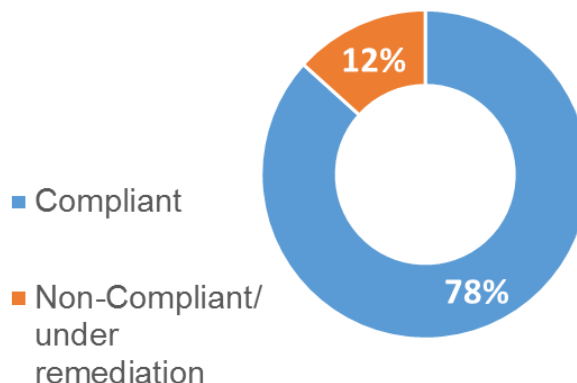
- ♦ in low risk countries for all **Tier 1** suppliers (Ready Made Garments & Cutting and Making factories), and
- ♦ worldwide for **Tier 2** suppliers (nominated raw material and accessories factories).

For each extended category, when a factory has been audited under a standard other than the BSCI or SA8000, valid audit report is reviewed, accepted, and remediation followed through by our regional compliance team.

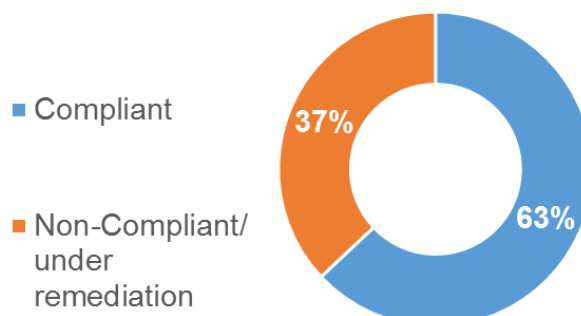
Amongst our brands, colleagues regularly visit each factory, and ensure that they are compliant and develop in the right direction.

2017 COMPLIANCE REVIEW

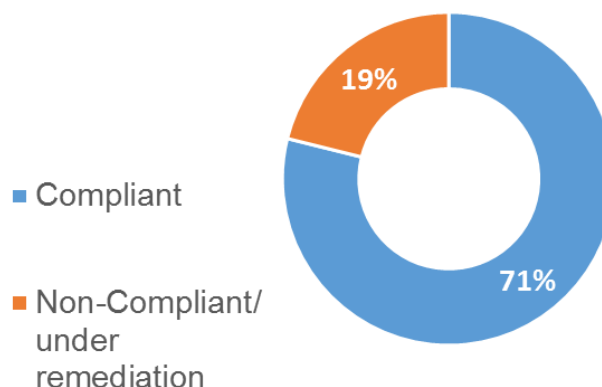
Tier 1 - High risk countries



Tier 1 - Low risk countries



Tier 2 - Worldwide



LEADING BY EXAMPLE

FAIR LIVING WAGES



We recognize that the fixed minimum wages in sourcing countries are sometimes too low for

workers to provide for their families and uphold a decent living standard. It is widely recognised that workers' ability to collectively bargain their wages is the best way to set wage levels in the context of the different sourcing countries. We support this goal by promoting social dialogue in the workplace.



We continuously enhance our responsible and ethical sourcing practices. Working with our suppliers on open costing,

long lead-time, forecast and steady repeat orders, enables us to ensure that over minimum wages and working hours are implemented. And we continue to contribute to industry specific collaborations in since most factories produce for many different companies.

ENVIRONMENTAL PERFORMANCE

To achieve a more sustainable business, we must address the way our products are designed, produced and search for more sustainable materials.

Our Chemical Compliance program is established to ensure that our products do not contain any harmful or potentially harmful chemicals. In 2017, we tested all parts, including fabrics, zippers, buttons etc. of more than 45 finished products from our brands core ranges. The tests are performed by our partner SGS. No REACH non compliance have been detected so far.

In addition, 80% of our nominated raw materials are Oeko Tex certified.

In Bangladesh, where most of our knit items are produced and as part of our compliance follow up, we regularly review our factories' ETPs (Effluent Treatment Plants) avoiding unwanted chemicals to be discharged to the environment and that treated water is reused.



By 2020, our goal is to provide our customers with a range of more sustainable products and solutions, and use our resources to influence consumers in making sustainable choices when buying, using and disposing of garments.

WORKING CONDITIONS

THE HEALTH AND SAFETY OF THE WORKERS PRODUCING OUR PRODUCTS IS CRUCIAL. WE CONTINUOUSLY WORK TO IMPROVE THE WORKING CONDITIONS AT OUR FACTORIES.



The fundamental goals of the BSCI are only achievable through a strong and sustainable commitment to implement the system from all factory stakeholders.

In February 2017, Fristads Kansas production platform in Riga passed the audit with

KANSAS

an A-Outstanding rating. And to ensure that the audit process has an actual positive impact on workers, an independent Worker Survey, conducted by a third party, is planned for May 2018, to measure social performance, identify good practice and areas of improvement.

Our factory is under ISO 9001 and ISO 14001 renewal process.



FRISTADS



WENAAS WORKWEAR buys 80% of its products from China. In 2017, 100% of all its factories have undergone audit and are in remediation process.

Their head office in Mandalen (Norway) is undergoing ISO 9001 and ISO 14001 certifications, and strong in their will to lead

by example, they have integrated sustainability goals in their management systems.



ENVIRONMENTAL COMMITMENT



They plan for the best use of materials and energy by using materials that have the least environmental impact and collaborate with suppliers that have a well-functioning environmental and CSR work in progress. The use of alternative fiber/materials with less environmental impact has increased from 0.5%

MARTINSON WORKS CONTINUOUSLY TO MINIMIZE RESOURCE CONSUMPTION AND ENVIRONMENTAL IMPACT ON LAND, WATER AND AIR.

in 2015 to more than 12% Q3 2017 of CLY/PES materials. The 2017 target of 18%, seems to be achieved.

The consumption reduction of water and energy in manufacturing/purchasing trade products is according to action plan, from 43% in 2014 to 75% in 2017.



As part of a sustainability and renewable energy sources initiative, a solar panel project, has successfully been implemented at a factory in India, that manufactures a large part of Martinson's garment.

Since May 2017, 60-70% of the total energy consumption of the factory is fueled by the solar panels.



COMMUNITY CARING



THE HEJCO BRAND IS ALL ABOUT CARE, FROM VALUES PRODUCTS, TO COMMUNITY ENGAGEMENT.

Our mission is to care about the people caring for others. This means not only to produce the best workwear to make their jobs easier but also to take actions and do activities that support sustainably in the environment and society.

In partnership with the organisation A Child's Smile, an non-profit organisation giving dental care to children in vulnerable areas, Hejco started a long term cooperation with this organisation and provides the volunteers workwear. This year the organisation treated over 2800 kids in the poor areas of Jamaica. Find more about this project here https://www.youtube.com/watch?v=21ucJ2e_wKk&feature=youtu.be

Hejco also gives away old workwear stock to a hospital in Malawi. This new cooperation is highly appreciated by the staff that did not have workwear before. The agreement with Human Bridge (recycling organisation) was renewed and old customer unique stock was able to be sent away to their health & care projects In third world countries .

Hejco also became a Plogga partner and made internal and external events. Plogga is a movement that combines health effects (running or walking) with taking care of the local environment that you are in (picking up the rubbish that you find along the way).



United Nations Global Compact Commitment

FRISTADS KANSAS GROUP embraces its 10 guiding principles for Sustainability & Corporate Responsibility on Human Rights, Labour, Environment and Anti-Corruption.

Human Rights	
<u>Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and</u>	Fristads Kansas Group Sustainability & Corporate Responsibility Policy
<u>Principle 2: make sure that they are not complicit in human rights abuses.</u>	Fristads Kansas Group Compliance Program and Union engagement Fristads Kansas Group Code of Conduct BSCI Code of Conduct
Labour	
<u>Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;</u>	Fristads Kansas Group Compliance Program and Union engagement
<u>Principle 4: the elimination of all forms of forced and compulsory labour;</u>	Fristads Kansas Group Compliance Program
<u>Principle 5: the effective abolition of child labour; and</u>	Fristads Kansas Group Compliance Program
<u>Principle 6: the elimination of discrimination in respect of employment and occupation.</u>	Fristads Kansas Group Compliance Program Fristads Kansas Group Code of Conduct BSCI Code of Conduct
Environment	
<u>Principle 7: Businesses should support a precautionary approach to environmental challenges;</u>	ISO 14001 Certification Fristads Kansas Group Chemical Compliance Program BEPI
<u>Principle 8: undertake initiatives to promote greater environmental responsibility; and</u>	ISO 14001 Certification Fristads Kansas Group Chemical Compliance Program BEPI
<u>Principle 9: encourage the development and diffusion of environmentally friendly technologies.</u>	ISO 14001 Certification Fristads Kansas Group Chemical Compliance Program BEPI
Anti-Corruption	
<u>Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.</u>	Fristads Kansas Group Anti-corruption Policy and Compliance Program

FRISTADS KANSAS GROUP

Supplier Code of Conduct

FRISTADS KANSAS GROUP has embraced and is committed to the United Nations Global Compact's guiding 10 principles for Corporate Responsibility on Human Rights, Labour, Environment and Anti-Corruption, and our Code of Labour Standards is based on those of the International Labour Organisation (ILO). We recognise that our business has an impact on environmental and social aspects far beyond our own immediate operations and we expect our suppliers and each and every of their factories to share the same values.

The Fristads Kansas Group Code of Conduct for Suppliers, lists the minimum requirements for supplier performance pertaining to human rights, labour rights, environmental management and anti-corruption. These requirements are applicable to Fristads Kansas Group and all its brands' suppliers as well as its own production facilities. It is a non-negotiable requirement from our side that all our suppliers should follow this code, communicate the obligations set out herein and ensure compliance with the code throughout their organisations, supply chain and each and every of the factories that produce Fristads Kansas Group and all its brands' products.

HUMAN RIGHTS and LABOUR STANDARDS

EMPLOYMENT IS FREELY CHOSEN

There shall be no use of forced, including bonded or prison, labour. (ILO Conventions 29 and 105). Suppliers shall not engage in human trafficking or exploitation, and shall not retain employees' government-issued identification, Passports or work permits as a condition of employment.

THERE IS NO DISCRIMINATION IN EMPLOYMENT

In recruitment, wage policy, admittance to training programs, employee promotion policy, policies of Employment termination, retirement, and any other aspect of the employment relationship shall be based on the Principle of equal opportunities, regardless of race, colour, sex, religion, political affiliation, union membership, Nationality, social origin, deficiencies, or handicaps. (ILO Conventions 100 and 111)

NO EXPLOITATION OF CHILD LABOUR

There shall be no use of child labour. The age for admission to employment shall be no less than the age of completion of compulsory schooling and, in any case, not less than 15 years. (ILO Convention 138). There shall be no forms of Slavery or practices similar to slavery, such as the sale and trafficking of children, debt bondage and serfdom and Forced or compulsory labour. [X] Children [in the age of 15 - 18] shall not perform work which, by its nature or the circumstances in which it is carried out, is likely to harm their health, safety or morals. (ILO Convention 182).

FREEDOM OF ASSOCIATION AND THE RIGHT TO COLLECTIVE BARGAINING

The right of all workers to form and join trade unions and bargain collectively shall be recognised. (ILO Convention 87 and 98) The Company shall, in those situations in which the right of freedom of association and collective bargaining are restricted under law, facilitate parallel means of independent and free association and bargaining for all workers. Workers' representatives shall not be the subject of discrimination and shall have access to all workplaces necessary to carry out their representation functions. (ILO Convention 135 and Recommendation 143).

PAYMENT OF A LIVING WAGE

Wages and benefits paid for a standard working week shall meet at least legal or industry minimum standards and always be sufficient to meet basic needs of workers and their families and to provide some discretionary income. (ILO Conventions 26 and 131). Whenever the legal or

industry minimum standards are not sufficient to meet these basic needs, suppliers are encouraged to provide adequate compensation to their employees in order for the basic needs to be met. Deductions from wages for disciplinary measures shall not be permitted nor shall any deductions from wages not provided for by national law be permitted. Deductions shall never constitute an amount that will lead the employee to receive less than the minimum wage. Employees shall be adequately and clearly informed about the specifications of their wages including wage rates and pay period.

WORKING HOURS

Hours of work shall comply with applicable laws and industry standards. In any event, workers shall not on a regular basis be required to work in excess of 48 hours per week and shall be provided with at least one day off for every 7-day period (ILO Convention 1). If local law allows employees may voluntary work overtime and on rest days and shall always be compensated at a premium rate.

DECENT WORKING CONDITIONS

A safe and hygienic working environment shall be provided, and best occupational health and safety practice shall be promoted, bearing in mind the prevailing knowledge of the industry and of any specific hazards. Appropriate attention shall be paid to occupational hazards specific to this branch of the industry and assure that a safe and hygienic work environment is provided for. Effective regulations shall be implemented to prevent accidents and minimize health risks as much as possible. (Following ILO Convention 155). Physical abuse, threats of physical abuse, unusual punishments or discipline, sexual and other harassment, and intimidation by the employer are strictly prohibited. Clean bathrooms and access to potable water shall be provided. If dormitories are available for the workers, these should be designed and maintained in a way that ensures human dignity and an acceptable degree of personal privacy.

LEGALLY BINDING EMPLOYMENT RELATIONSHIP

Working relationships shall be legally binding, and all obligations to employees under labour or social security laws and regulations shall be respected.

FIRE SAFETY

Fire safety is an important concern in manufacturing operations, proper safety conditions must be maintained both in the factory workplace as well as all office, living, dining, and recreational facilities.

FRISTADS KANSAS GROUP

ENVIRONMENTAL STANDARDS

EMISSIONS TO AIR, WATER AND GROUND

The Fristads Kansas Group supplier shall ensure compliance with all applicable laws and regulations pertaining to air, water and noise pollution and if required obtain the necessary permits and be able to demonstrate compliance with those permits.

The Fristads Kansas Group supplier shall ensure compliance with all applicable laws and regulations pertaining to ground contamination.

WASTE MANAGEMENT

Companies must ensure that waste is stored and disposed properly as per legal regulations without any harm to employees and the environment.

CHEMICALS MANAGEMENT IN THE FACTORY

(Below, the word chemicals refer to both substances and products, such as lubricant oil, glue, solvents, and dyes.)

The Fristads Kansas Group supplier shall ensure compliance with applicable laws and regulations pertaining to procurement, storage, handling and use of chemicals. The Fristads Kansas Group shall have a valid permit for chemicals that are legally restricted. The supplier shall demonstrate compliance with those permits. Specific requirements regarding chemicals in products related to information provision, limit values for chemical residues in products, banned chemicals and testing requirements are detailed in the Fristads Kansas Group Restricted Substances List (RSL).

RECORDS AND PROVISION OF INFORMATION

The Fristads Kansas Group supplier shall establish and maintain a list of all chemicals used in production and maintenance, including the name of the chemical product, the purpose or area of use and a reference to a Material Safety Data Sheet.

The Fristads Kansas Group supplier shall have valid Material Safety Data Sheets (MSDS) for all chemicals used in production and maintenance.

PROCEDURE FOR CHEMICAL MANAGEMENT

The Fristads Kansas Group supplier shall have a written procedure for the storage, handling and use of chemicals. The procedure shall specify who is responsible to ensure that proper procedure for handling chemicals is always followed at the supplier.

EMPLOYEE INFORMATION AND TRAINING

The supplier shall ensure that employees that procure, store, handle and use chemicals have the right competence and are adequately trained. Records from training shall be kept by the supplier.

Information regarding the risks and safe handling of chemical compounds and substances shall be displayed at storage areas and in production areas where the chemical is used. The information can be either the Material Safety

Data Sheet, or specific instructions for safe handling and use (following the MSDS). Information must be in a language understood by the workers.

LABELLING OF CHEMICALS

The Fristads Kansas Group supplier shall ensure all containers of chemicals - including temporary containers - are properly labelled with appropriate danger symbols and chemical names to ensure the contents are known and the potential risk minimized.

STORAGE AND HANDLING OF CHEMICALS

The Fristads Kansas Group supplier shall undertake all necessary precautions to prevent chemicals from leaking to air, ground and water.

DISPOSAL OF CHEMICALS

The Fristads Kansas Group supplier shall dispose chemicals in compliance with legal regulations referring to their classification.

ANTI-CORRUPTION

The Fristads Kansas Group follows a policy of zero tolerance for all forms of corruption, including extortion and bribery. Suppliers shall not engage in any form of bribery, corruption, extortion and embezzlement. Fristads Kansas Group will not accept any kind of corruption related to our business and we expect all our employees and our partners in the supply chain to embrace this position.

AUDIT AND ASSESSMENT

The Fristads Kansas Group reserves the right to audit compliance to its Code at any time at its suppliers and each and every of its factories.

The suppliers and each and every of its factories are to sign the Fristads Kansas Group Code of Conduct, and by doing so agree to allow Fristads Kansas Group and/ or any organisations acting on its behalf, to carry out audits with or without notice at the supplier's production premises and the production premises of the supplier's factories, at any time.

The Fristads Kansas Group supplier and/ or factory shall cooperate fully with the audit team during audits and shall grant full access to the premises and any documentation that the audit team ask for, as per Fristads Kansas Group Supplier Compliance Guidelines document.

FRISTADS KANSAS GROUP

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