

COMMUNICATION ON PROGRESS 2016-2018



PWT GROUP



PWT GROUP WANTS TO DRESS MEN – WITH CARE FOR PEOPLE AND PLANET.

In the recent years, we have strengthened our CSR work by setting up policies and procedures that enables us to identify and address risks throughout our own business and our supply chain. Our CSR work is based on the internationally recognized principles of the UN Global Compact, the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises.

In this report, we present our over-all CSR set up, as well as specific policies, actions and results within the three areas; people, planet and anticorruption.

We are convinced that working strategically with CSR enables us to strengthen our business and meet our customers' future expectations, and we are committed to continue our engagement within the CSR agenda.

Ole Koch Hansen
CEO



CSR SETUP AT PWT GROUP

The global textile industry represents a range of risks towards human and labour rights, the environment, and anti-corruption, and PWT Group is well aware that being one of the large Danish textile companies in this industry comes with a responsibility. The company needs to continuously identify and address negative impacts that it is causing through its own business operations as well as the ones it is contributing to or connected to through its business relationships.

We want to dress men – with care for people and planet. PWT Group is convinced that working strategically with CSR is essential in order to ensure success within the three over-all strategic focus areas; **PRODUCTS, CUSTOMERS, AND GROWTH**:

PRODUCTS	CUSTOMERS	GROWTH
Ensuring a sustainable PRODUCTION of the textiles	Being able to meet the CUSTOMERS' demands	Working strategically with CSR as a driver for sustainable growth
- responsible buying and design processes	- products without harmful chemicals or substances	- good moral and ethics
- proper working conditions	- sustainable usage of the products	- continuously assess and improve
- environmental responsibility	- CSR into the brands' storytelling	- cooperation and partnerships
- amfori BSCI and Accord engagement		

POLICY FRAMEWORK

PWT Group's sustainability work is based on the approach set forth in the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (UNGPs), and PWT Group is committed to comply with internationally recognized principles for sustainability.

The CSR Policy Commitment, which covers social, environmental and economic sustainability, as well as animal welfare, is the general policy framework for the sustainability work. It has been endorsed by the management and is included in the supplier manual which all suppliers are obliged to read and comply with. It describes how PWT Group works on developing and implementing due diligence processes in its business and throughout the supply chain.

Tackling global and wide-spread risks and challenges can't be achieved by one company alone, and PWT

Group firmly believes that working in partnerships leads to greater impact. Therefore, the company is engaged with numerous organizations and initiatives, including:



DUE DILIGENCE PROCESSES

PWT Group has worked hard to develop and establish processes that enables the company to identify, prevent mitigate and remedy any potential or actual adverse impacts. Implementing such processes requires a continuously effort – and a lot of time and capacity building.

Among other things, a self-assessment procedure has been developed– one internally for PWT Group and one for the active factories. The self-assessment documents are based on Global Compacts ‘Self-Assessment Tool’, and cover challenges in regards to business conduct, human and labour rights, environment and anti-corruption, as well as animal welfare. The individual self-assessments are sent out regularly to the factories in order to develop and maintain an open dialogue with factory managers.

PWT Group is working with a risk overview that is used in the monitoring and prioritizing of the suppliers. Some of the most predominant risks of negative impacts within the textile industry are the following¹:

PEOPLE	PLANET	ANTI-CORRUPTION
Child labour	Water and air pollution	Facilitation money
Discrimination	Energy consumption	Conflict of interests
Forced labour	Excessive usage of water	Bribery
Excessive overtime work	Usage of hazardous chemicals	Extortion
Unsafe working environment	Undignified treatment of animals	
Rights to collective bargaining and trade union activity		
Minimum wages below living wage		

¹ Based on the OECD's "Due Diligence Guidance for Responsible Supply Chains in the Garment & Footwear Sector".

The below tables show our primary due diligence processes in regards to our supply chain.

REQUIREMENTS FOR SUPPLIERS	ON-GOING ACTIONS FOR THE SUPPLIERS
Sign and comply with CoC	BSCI inspections and remediation work
Sign and comply with REACH regulation in regards to no usage of harmful chemicals	Accord inspections and remediation work (only Bangladeshi factories)
Provide valid building and fire safety documents	Self-Assessments
Work with BSCI (or SA8000 or SEDEX)	Factory visits
Work with the Accord (only Bangladeshi factories)	Testing
	Continuously dialogue with PWT Group

COMMUNICATION AND REPORTING

PWT Group wishes to report and communicate openly about the sustainability work and the risks facing the business.

The company communicates about the CSR work on different occasions, and all policies are presented on the website.

This report has also been included in PWT Group's financial report.

In 2015, two Danish NGO's filed a complaint to the Danish OECD Contact Point, Mæglings- og Klageinstitutionen (MKI) about PWT Group's due diligence work in regards to a specific sub supplier located at the Rana Plaza building, which tragically collapsed.

In October 2017, PWT Group submitted its report on how it has strengthened its due diligence work - and this resulted in a positive assessment and treatment from the MKI, and the case has now been closed

You can find PWT Group's report to MKI, as well as the statement from MKI, [here](#).

GRIEVANCE MECHANISM

Employees at PWT Group can report grievances or suggestions to the working environment committee. On the website, a grievance mechanism has also been set up, and both internal and external stakeholders can report through this. Until now, no complaints have been received through the complaint mechanism. Potential complaints will be handled with care for anonymity.

Through the Accord initiative, workers at factories in Bangladesh who are part of the Accord, have access to an anonymous grievance mechanism which is handled by the Accord administration. This includes a hotline to which workers can call and raise a complaint. On the Accord's website you can read more about the procedure and results¹. Until now, PWT Group has not received any complaints regarding the company's active factories.

Through the amfori BSCI system, factories' grievance procedures are assessed – and they are expected to have a complaint/suggestion box.

¹ <http://bangladeshaccord.org/safety-complaints-mechanism/>



PEOPLE

When it comes to human- and labour rights, the most predominant risk of adverse impacts arises from the production. Accordingly, PWT Group dedicates the vast majority of its CSR efforts to support the suppliers in identifying, preventing and addressing adverse impacts on the workers and the surrounding community.

However, even though the Danish context equals less risks, the company still needs to continuously work on its own internal due diligence system, so that it can address potential and actual adverse impacts in its own business. This area has therefore been divided into 'internal procedures' and 'Supply Chain Management'.

INTERNAL PROCEDURES

Policy

The policy base for the internal work within this area is the Employee Handbook and the Code of Conduct. All new employees receive a copy of the Employee Handbook. The CoC was updated in autumn 2016 and follows the approach set forth in the OECD Guidelines and the UNGPs with focus on establishing a management system and a 'know and show' approach.

Actions and results

The most important resources for PWT Group are its employees, and the company wants to ensure a satisfying and inspiring working environment. The working environment committee continuously assesses the working environment and makes recommendations for improvements. PWT Group generally promotes health and well-being at work and all employees are offered a health insurance scheme. During the year, the staff organization organizes events, seminars and workshops for social and educational purposes.

In 2017, PWT Group conducted a self-assessment, and in regards to human- and labour rights, three risks were identified, covering; physical overload, excessive overtime, and lack of diversity. To all three issues, action plans have been set up.

SUPPLY CHAIN MANAGEMENT

Sourcing countries

PWT Group does not own any factories, but we cooperate with a range of suppliers; mainly from Bangladesh, China, Pakistan, Cambodia, Turkey and Portugal.

The top-50 suppliers count for more than 90 % of the annual orders

PWT Group has worked for more than three years with 70 % of the top-50 suppliers



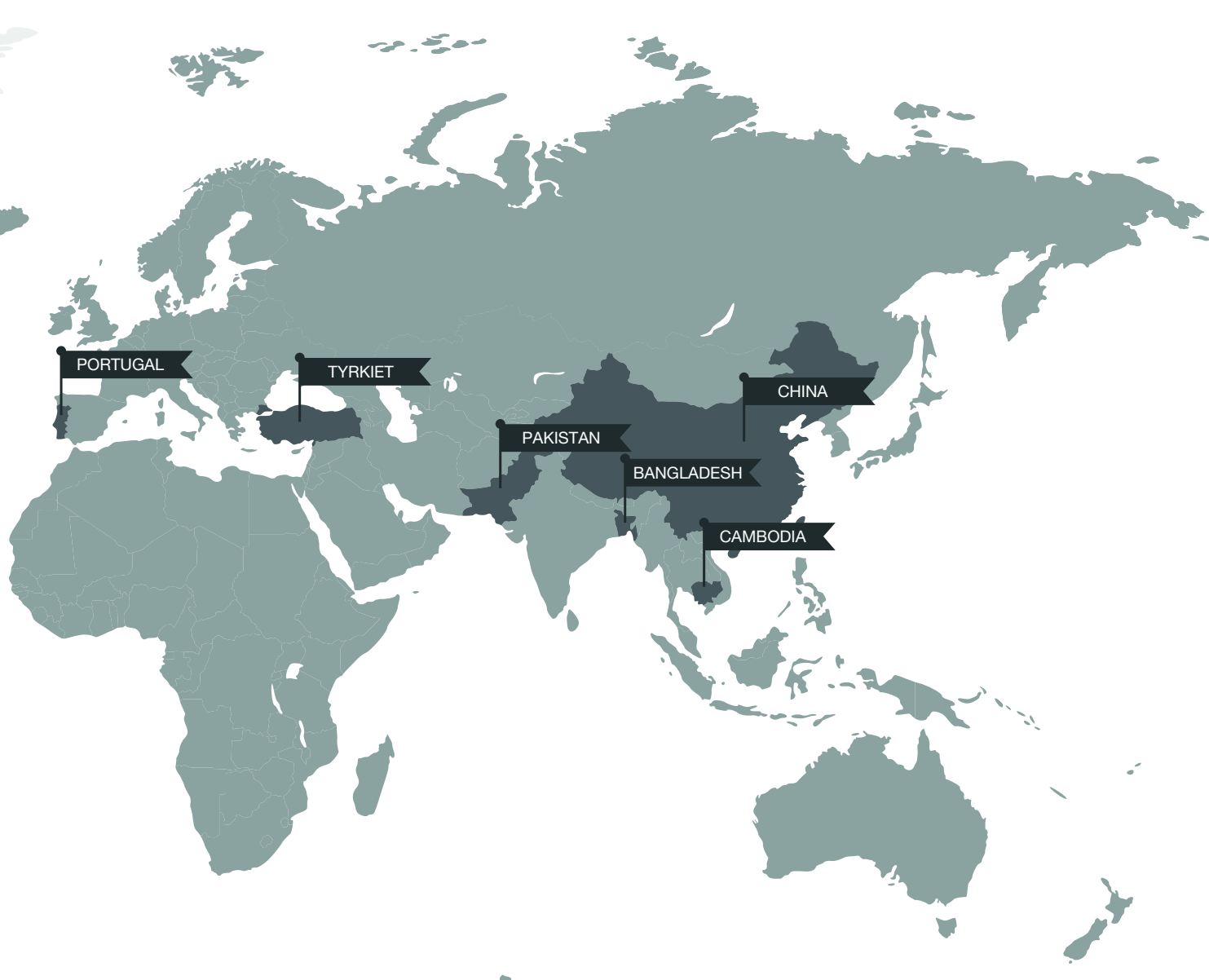
BANGLADESH

40%



CHINA

29%



PAKISTAN

9%



CAMBODIA

6%



TURKEY

5%



PORTUGAL

4%



OTHER COUNTRIES

7%

Policy

PWT Group requires suppliers to sign and comply with the Code of Conduct. Also, all suppliers are expected to send us valid building and fire safety certificates for all active factories².

PWT Group has, since 2013, been an active member of the amfori (earlier FTA) and the amfori BSCI platform is actively used as the main certification system. Suppliers are expected to work with the amfori BSCI (or other certification systems as SEDEX, or SA8000), but in cases where the factory has not yet started the BSCI process, PWT Group is willing to enter a cooperation and then expects them to join over time.

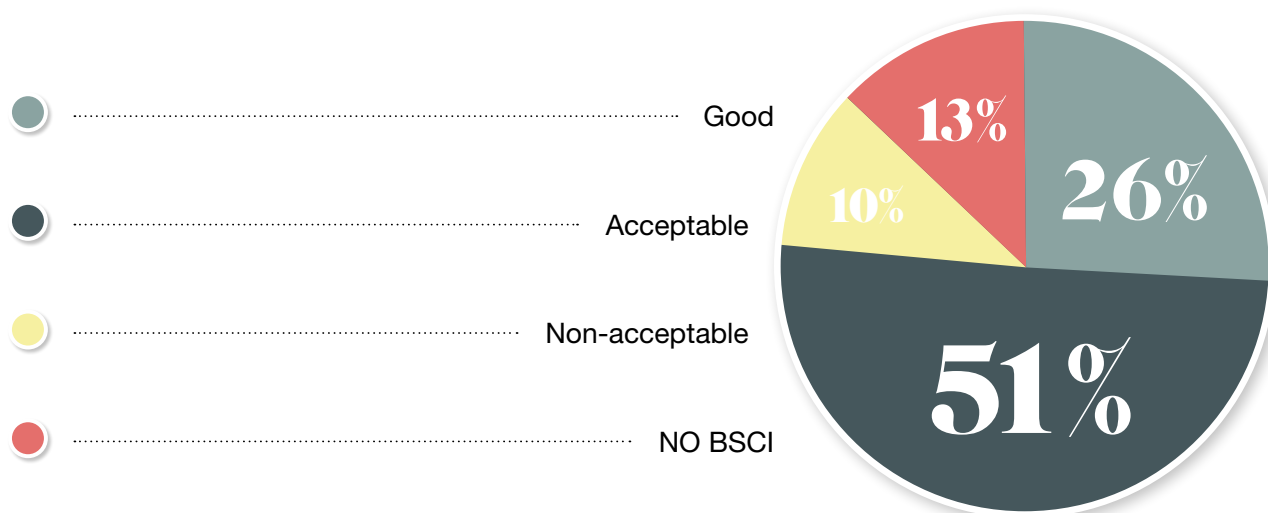
Since 2013, PWT Group has been an active member of the Accord – an initiative with the aim to create improvements within fire, building and electricity safety at the production factories in Bangladesh. Through the initiative, PWT Group is committed to maintain our sourcing volume in Bangladesh. PWT Group is also committed to require all active Bangladeshi suppliers to work with the Accord Inspection Programme, help secure remediation, and support worker participation and training programmes on the factories. The current Accord will end in May 2018, and PWT Group has already signed the 'Accord 2.0', which will take over from June 1, 2018.

Actions and results

PWT Group has intensified the daily dialogues with suppliers and factory managers substantially. In regards to collecting building and fire safety certificates, this effort has been intensified, but the aim of 100 % for top 50-suppliers has not yet been accomplished.

In regards to the amfori BSCI work, PWT Group is in daily contact with suppliers regarding coming inspections, feedback and support, etc. The yearly third-party assessments of the factories' remediation work are used to create dialogue and raise awareness with the factory managers.

77 % of the top-50 suppliers are at an acceptable level in regards to the BSCI remediation work. However, PWT Group continuously work to support further improvements for these suppliers. 10 % of the top-50 suppliers are at a non-acceptable level, and we are regularly in dialogue with them on how to increase improvements. For the 13 % who is not yet working with BSCI, we keep the dialogue open and encourage them to join the initiative.



² Building and fire safety (as well as electrical safety) is included in the scope of the Accord and amfori BSCI, but PWT Group still asks suppliers to provide these official documents

In regards to the Accord work, inspection reports are received and acted upon on a daily basis. PWT Brands sources from 19 factories in Bangladesh – and PWT Group is ‘lead brand’ on 11 of these. The Accord also includes an extensive training programme for the factories’ safety committees. Currently, 11 active factories and one inactive factory are participating in the programme. PWT Group has asked the Accord to include further three factories to the programme, and they are expected to start the process during spring 2018. Three factories have completed the training program, and the remaining 12 factories are expected to complete the training program before May 2018. PWT Group very much encourages the suppliers to participate in this, as local capacity building is an important tool for advancement within sustainability.

PLANET



The textile industry represents some serious adverse impacts on the environment – especially when it comes to the production and extraction of raw materials, as well as manufacturing of the ready-made garments. PWT Group wants to take on its responsibility on these matters by supporting the suppliers in reducing the adverse impacts. Internally, the company also wants to prevent and mitigate adverse impacts on the environment. Until now, the CSR efforts have primarily focused on social sustainability in the supply chain, but PWT Group is committed to strengthen its work in regards to environmental sustainability within the next few years.

Policy

The company has not yet established a policy for this area, but plans to do so within the next few years. However, the area is covered in both our CSR Policy and CoC. When it comes to the suppliers, they are assessed on their work with environmental issues within the amfori BSCI scope. PWT Group is also exploring the possibility of strengthening the monitoring of its suppliers’ work with environmental sustainability, through different systems.

In regards to the use of chemicals, all suppliers are required to sign a REACH declaration – they need to guarantee that their products comply with the REACH EU Directive. For many years now, PWT Group has required its suppliers to guarantee the non-use of AZO dyes.

In regards to animal welfare, all relevant suppliers need to sign and comply with the Animal Welfare Policy, which states, among other things, that PWT Group only accepts leather from animals bred for the food industry, that mulesing is not acceptable, and that no animals are to be skinned or plucked alive.

Actions and results

During PWT Group’s self-assessment, issues were identified covering; transport, chemical testing, material use, and usage of our products (wash, recycling, etc.). To all issues, action plans have been set up.

PWT Group has worked intensely with both collecting REACH declarations and oekotex certificates from its suppliers, as well as strengthening the testing program. Until now, 99 % of the tested products have passed the chemical testing in first try, and PWT Group is really proud of its suppliers' work in this regard. Going forward, the program will be strengthened by focusing on product groups with high risks (like leather).

Currently, 11 suppliers have a valid oekotex certificate, while 17 factories have provided oekotex certificates from their suppliers.

ANTICORRUPTION

PWT Group wishes to combat corruption and bribery and seeks to promote openness and transparency. The company is very much aware that being present in countries like China and Bangladesh, it needs to be very attentive to the risk of corruption.

Indeed PWT Group's sourcing countries represent high-risk of corruptive business conduct:

COUNTRIES	RANKING OUT OF 176
Bangladesh	145
China	79
Pakistan	116
Cambodia	156
Tyrkiet	75
Portugal	29

Source: Transparency International

Policy

PWT Group has established an Anti-Corruption Policy, which is based on the UN Convention against Corruption and signed by the top management. It is included in the Employee Handbook and Supplier Manual.

Actions and results

The Anti-Corruption Policy was developed and implemented during 2017. Together with the policy, a 'Facilitation and Hospitality Register' was set up. Until now, three gifts have been registered and approved by the management. The policy and procedure have been communicated internally, but during the coming years the aim is to communicate more about it in order to ensure integration throughout the business activities. During PWT Group's self-assessment process, one issue was identified concerning lack of training among employees. An action plan has been set for the issue.





CLOSING REMARKS

Across all three CSR areas, PWT Group has a range of future actions, that it aims to onboard within the coming years. Among others, to develop more training material/information and conduct more training on CSR-matters across the Group, to continue to strengthen the dialogues with the suppliers, and to continue cooperating with different stakeholders.

PWT Group acknowledges that the sustainability work is a long term and never-ending process requiring resources and time. The company considers the CSR agenda as a fundamental and decisive factor for operating a sound and sustainable business, and it will continue its intensified engagement within the CSR agenda.

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