

# PWT GROUP

COMMUNICATION ON PROGRESS 2018-2019



Aalborg, 09.05. 2019

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

During the last year, we have further strengthened our CSR policies and procedures and thereby strengthened our capability to continuously identify and address risks throughout our own business and our supply chain.

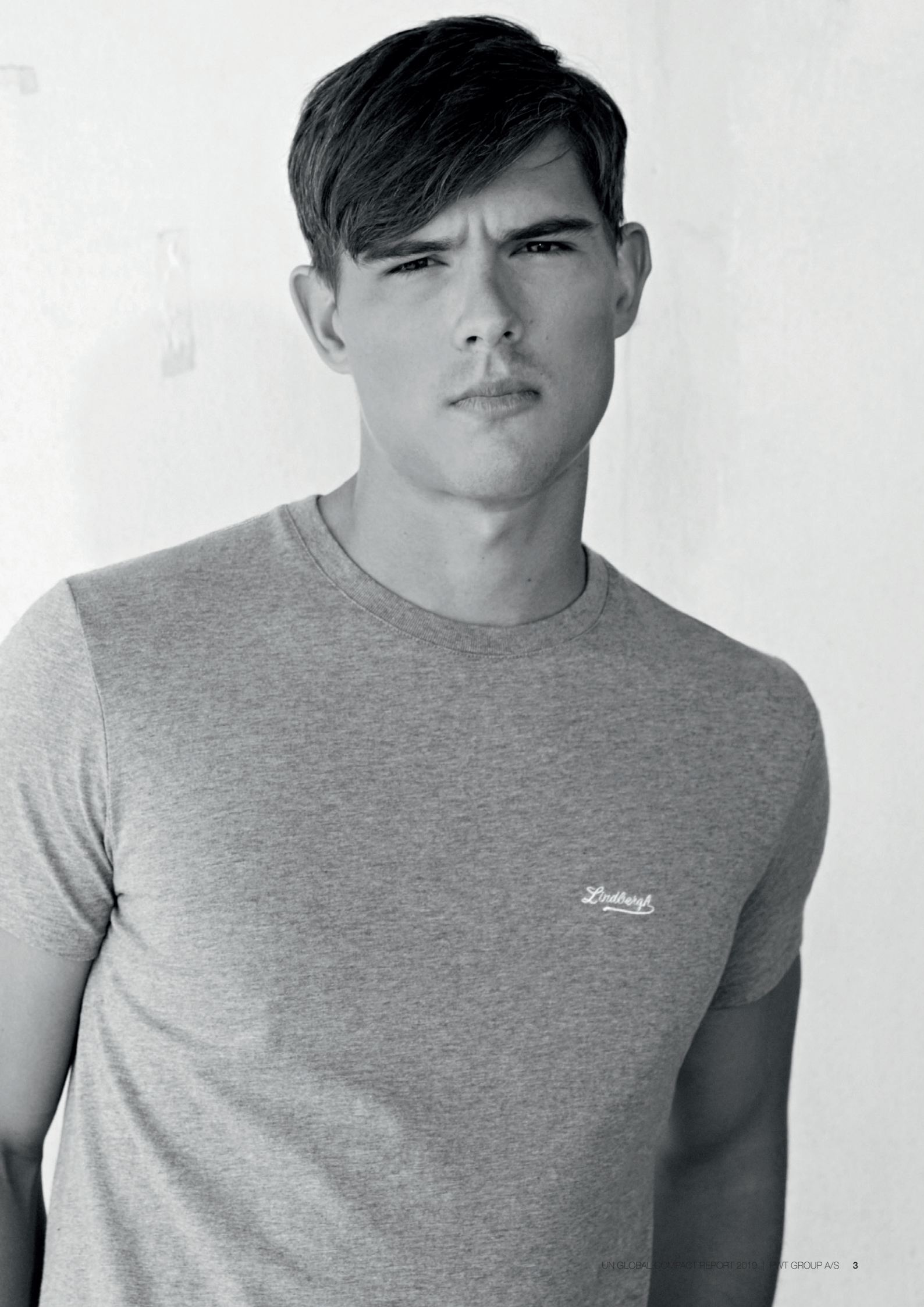
Our CSR work is based on the internationally recognized principles of the UN Global Compact, the UN Guiding Principles and the OECD Guidelines for Multinational Enterprises.

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



Lindbergh

### **PWT Group's work with sustainability**

PWT Group's sustainability work is based on the UN Global Compact's ten principles and follows the approach set forth in the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (UNGPs).

In accordance with its CSR Policy Commitment, the Group pledges to develop and implement due diligence processes in its business and throughout its supply chain on social, environmental and economic sustainability. These internal and supply chain-related processes are continuously improved in order to be able to identify, prevent, mitigate and remedy any potential or actual adverse impacts.

PWT Group aims to ensure greater impact through partnerships and is therefore collaborating with numerous organizations and engaged in several initiatives. The Group thus takes part in a range of diverse stakeholder meetings where knowledge and practices are shared. PWT Group strives to communicate openly about the risks facing the business as well as measures taken to meet the challenges. The Group encourages all stakeholders to reach out with suggestions or grievances through direct dialogue or the grievance mechanism available on the Group's website.

# CSR

### **MISSION**

We dress men  
with care for  
people and the planet

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### **VISION**

- Decent work & economic growth
- Responsible consumption and production



# CONCEPT DESCRIPTIONS

## CSR AREAS



Human & Labour Rights



The Environment



Animal Welfare



Anticorruption

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## PROCESS REQUIREMENTS

- Policy
- Due Diligence
  - Identify
  - Prevent & mitigate
  - Remediate
- Accounting

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## PARTNERSHIPS



# MUST WIN BATTLES

## PRODUCTS

- Sustainable materials and design
- Responsible buying processes
- Proper working conditions
- Environmental responsibility

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## CUSTOMERS

- Products without harmful chemicals
- Sustainable use of products
- CSR into the brands' storytelling

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## GROWTH

- Good moral and ethics
- CSR as part of the DNA
- National and international partnerships

**Responsible supply chain management**

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

The Group works directly with production facilities and via sourcing houses. Standard procedures have been set up to assess and manage all suppliers' performance concerning social, environmental and anticorruption practices. The Group's top-50 suppliers represent 93% of all orders, and focus is primarily given to these top-50 suppliers.



The top-50 suppliers account for 93 % of the annual orders

PWT Group has worked for more than five years with 64 % of the top-50 suppliers



CHINA

**31%**



BANGLADESH

**30%**



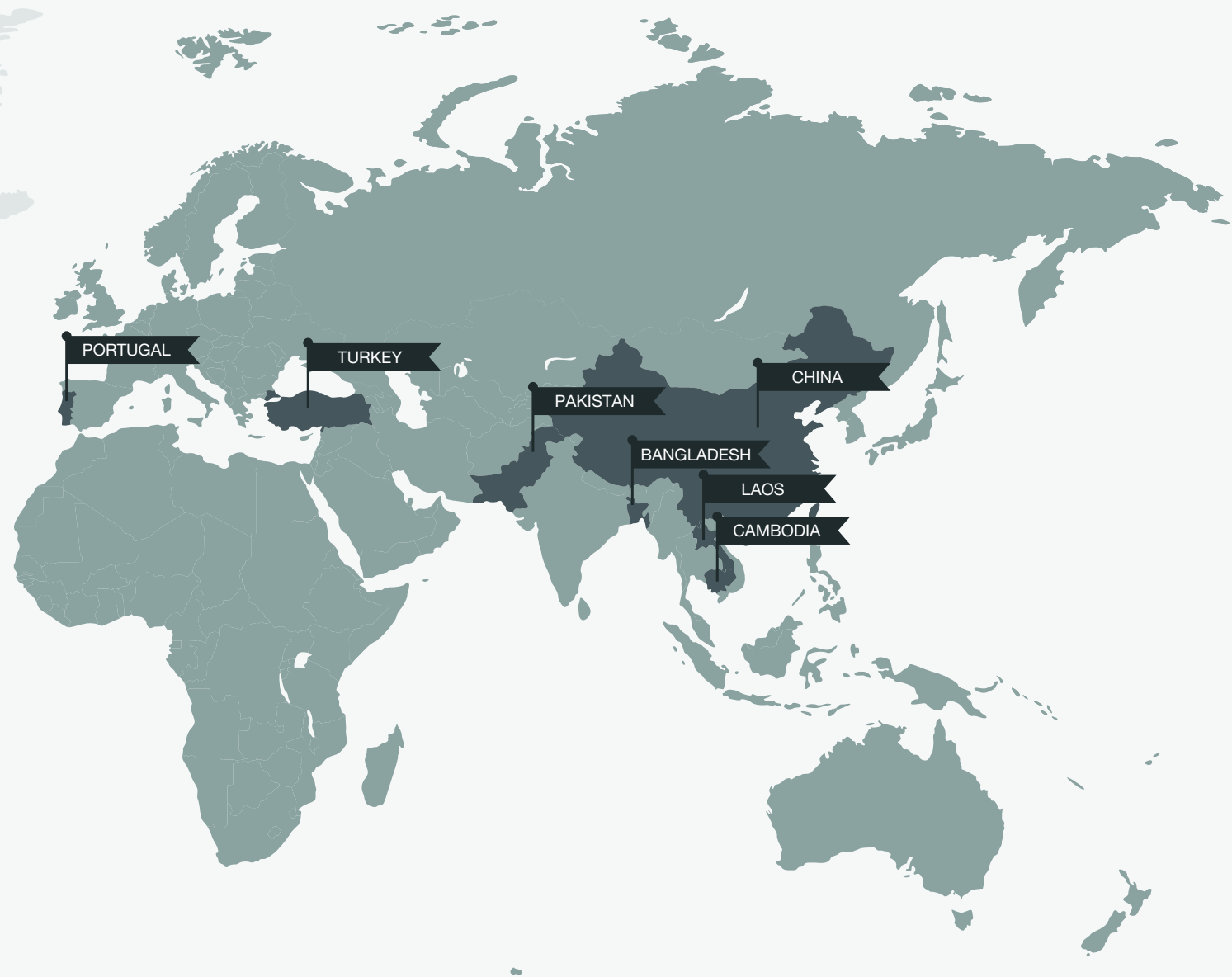
PAKISTAN

**9%**



PORTUGAL

**8%**



CAMBODIA

**7%**



TURKEY

**5%**



LAOS

**3%**



OTHER COUNTRIES

**7%**

REQUIREMENTS FOR SUPPLIERS	ON-GOING ACTIONS AT SUPPLIER LEVEL
Sign and comply with CoC	BSCI inspections and remediation work
Sign and comply with PWT Group's Restricted Substances List	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
	Continuous dialogue with PWT Group

**Actions and results**

During 2018, PWT Group has maintained dialogue with suppliers and factory managers, including the arrangement of biannual factory visits by PWT Group's CSR Manager, resulting in strengthened dialogue on sustainability issues.

PWT Group has initiated a new partnership with Factlines, providing a web-based solution on supply chain management. In cooperation with Factlines, PWT Group has developed a new self-assessment questionnaire, which was distributed to all suppliers in January 2019. The aim of this partnership is to strengthen the monitoring of suppliers, including systematic processes for self-assessments, risk analysis, and hence stronger prioritization of CSR efforts, as well as stronger reporting on supplier performance.

To ensure that external products available in Tøjeksperten and Wagner stores live up to PWT Group's CSR requirements, the external brands have been requested to sign and comply with the Group's Code of Conduct, Animal Welfare Policy and Restricted Substances List.

**Challenges**

PWT Group considers the general buying practices within the industry a potential risk, which is described and assessed in the table below, which also presents the Group's preventative action plans.



BUYING PRACTICE	CHALLENGE	ACTION PLAN
Sourcing through agents	Potential lack of transparency and direct dialogue with factory management	In 2018, PWT Group sharpened focus on communicating directly with factory management and conducting factory visits. The Group demands exact factory details and contact info from agents.
PWT Group cooperates with numerous suppliers and has a relatively high change ratio among the smallest suppliers	Risk of incompliance increases with the number of suppliers	PWT Group aims to maintain long-lasting and good relations with its suppliers and has consolidated the number of suppliers in recent years in an ongoing process.
PWT Group is the largest buyer at a few factories, whereas the Group places small orders with numerous factories	Small order volumes entails low level of influence	Continued efforts are made to consolidate the number of production facilities and cooperate with other brands to ensure a higher level of influence.
Implementation of responsible business practices is challenged in an industry mainly focused on price and lead times	Price competition and focus may entail compromises in terms of responsible business practices among some suppliers	While PWT Group has introduced standard requirements for all new suppliers (Accord and BSCI), price and lead times remain decisive parameters. The Group works to improve buying practices and create a balance between compliance, price and lead times.
PWT Group sources from countries with high corruption risks	High level of attention needed to ensure that corruptive practices are not supported in supplier dealings	PWT Group has established an Anti-Corruption Policy and a 'Facilitation and Hospitality Register'. The policy and register have been communicated internally, and the policy is included in the Group's supplier manual. Through the BSCI system, suppliers are audited on their anticorruption policies and procedures.

PWT Group continuously assesses and improves its practices to mitigate risks and challenges.

**FOCUS AREA 1:**

**Human and labour rights**

PWT Group works to ensure a satisfying and inspiring working environment, and the Group has established a working environment committee, which 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 complimentary health insurance scheme. The Group's staff association organizes events, seminars and workshops for social and educational purposes, and employees are offered relevant courses.

The most predominant risk of adverse impacts within the focus area arises in the production process. Accordingly, PWT Group dedicates significant resources to support suppliers in identifying, preventing and addressing adverse impacts on workers and the surrounding community.

POLICY

The Group has not implemented a specific Human and Labour Rights Policy. However, the area is covered in the general CSR Policy, which refers to The International Bill of Human Rights, including the core labour rights from the ILO declaration on Fundamental Principles and Rights at Work.

All suppliers are required to sign and comply with PWT Group's Code of Conduct, which focuses on establishing adequate management systems and a 'know and show' approach.

PWT Group has been a member of the amfori since 2013, and the amfori BSCI platform is actively used as the main social certification system. Suppliers are expected to work with the amfori BSCI (or other social certification systems as SEDEX, or SA8000), and in cases where a factory has not yet initiated the BSCI process, PWT Group expects them to join. Suppliers are audited annually against the amfori BSCI CoC by third party auditors, and the Group uses the audit reports to promote dialogue on necessary improvements.

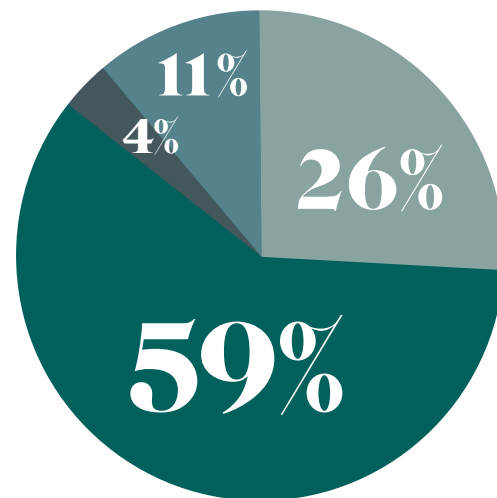
PWT Group has been a member of the Accord since 2013 and is a signatory member of the Transition Accord, which came into force on 1 June 2018. PWT Group is committed to require all active Bangladeshi suppliers to work with the Accord Inspection Programme, help secure remediation and support worker participation and training programmes on the factories. Accord engineers continuously conduct inspections covering fire, building and electricity safety at participating factories. The inspection reports are shared with all active brands, which are obliged to

support suppliers on creating improvements based on inspection findings.

ACTIONS AND RESULTS

85% of the Group's top-50 suppliers are at an acceptable BSCI level compared to last year's 77%. The number of top-50 suppliers at a non-acceptable level has decreased from 10% to 4%. PWT Group continues to encourage the 11% of suppliers not yet working with BSCI to join the initiative, and the Group's CSR Manager maintains regular dialogue with the suppliers at a non-acceptable level to provide guidance on potential improvement measures.

Accord inspection reports are received and acted upon on a daily basis. The Accord also includes an extensive training programme for the factories' safety committees. Currently, 13 out of 16 active factories are participating in the programme. Two factories have completed the training program, and the remaining 11 factories are expected to complete the training program within 2019. PWT Group encourages suppliers to participate in the training program.



- Good (A+B+SA8000) ..... ●
- Acceptable (C + SEDEX) ..... ●
- Non-acceptable (D+E) ..... ●
- NO BSCI ..... ●

<sup>1</sup>In the amfori BSCI system, a supplier can get the result A-E. Acceptable level is A, B or C, or SEDEX or SA8000 certificates.

## RISK OVERVIEW

RISKS	ACTION PLANS
Lack of sufficient management systems	PWT Group encourages suppliers to participate in relevant trainings through the amfori Academy and the Accord as well as other relevant trainings and workshops.
Unsafe working conditions	PWT Group's suppliers must provide safe working conditions, The Group is a signatory member of the Bangladesh Accord, which promotes change by focusing on building, electrical and fire safety; areas which are known to represent the most significant risks.
Excessive working hours	PWT Group works to ensure that its own buying practices are not creating or contributing to excessive working hours. Orders are placed well in advance, and the Group ensures that changes are not made shortly before deadlines. The Group assesses suppliers' practices; overtime has to be voluntary and restricted, management should develop a contingency plan and is encouraged to set up electronic time systems in order to keep proper records.
Unfair Remuneration	PWT Group does not own factories and cannot manage salaries paid to suppliers' workers. The Group does, however, negotiate realistic prices in order not to contribute to unfair remuneration. PWT Group requires that all suppliers comply with national regulation, and the Group assesses suppliers' ability to support workers financially in other ways, e.g. by providing free transportation, low-cost canteens, and kiosks with low-cost provisions.
Lack of ensuring the health of workers	Suppliers' ability to ensure the health of their employees is assessed on an ongoing basis. Indicators include if suppliers provide proper sanitary facilities and clean drinking water, have full-time medical staff hired, conduct regular health check-up for all employees, provide free or low-cost medicine, ensure proper working conditions for pregnant employees, etc. Based on factory visits and follow-up on audit reports, the Group continuously promote improvements, invite suppliers to participate in relevant training sessions and request increased prioritisation of the OSH area.
Discrimination	Suppliers' ability to provide equal rights and payment for everyone is assessed on an ongoing basis. Indicators include recruitment procedures, proper systems for service benefits and encashment of earned leaves, respectful behavior from managers towards workers, installation of an electronic time system, etc
Precarious employment and bonded labour	Production facilities should keep proper records of contracts and employee ID, and have proper notice and leave procedures in place in order to avoid precarious employment. PWT Group focuses on questioning the use of piece-rated employees and probation workers, which can be a method to keep wages down.
Freedom of association and collective bargaining	PWT Group assesses suppliers' respect for worker associations and trade unions as well as their ability to include workers in decision-making through health and safety committees and worker participation committees. The Group stresses to its suppliers that such committees can be very valuable if established and conducted properly and support suppliers in establishing proper committee practices. Through the Accord, WP committees learn about their rights and responsibilities, which is of great value. PWT Group continuously stresses to suppliers that dismissal of workers due to rightful activities connected to worker association is unacceptable.
Child labour and the lack of protection for young workers	In general, this issue has improved among suppliers. However, the Group still considers child labour as a substantial risk within the entire supply chain- The Group is currently considering the mitigation of risks relating to cotton production, including potential collaboration with initiatives aiming to improve working conditions and abolishing child labour, while simultaneously managing the negative environmental impact.



## **FOCUS AREA 2:**

### **Environment, climate and animal welfare**

The textile industry has a substantial impact on the environment and climate – particularly in terms of production and extraction of raw materials as well as manufacturing of ready-made garments. Regulatory regimes and enforcement of regulation vary across countries. PWT Group supports suppliers in building up capacity and knowledge concerning reduction of the negative impact.

#### POLICY

Through the general CSR Policy, the Group commits to seek to prevent, address and mitigate adverse impacts on environmental sustainability. The Group is considering to implement a specific policy for this area within the next years.

All suppliers are required to sign PWT Group's Restricted Substances List (RSL), which was updated in 2018. The RSL is based on the Regulation (EC) No.1907/2006 of the European Parliament, also known as the REACH regulation, with some voluntary commitments added as well.

All relevant suppliers are furthermore required to sign and comply with the Group's 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

In 2018, PWT Group developed and implemented the updated RSL, which is more comprehensive and informative. The RSL has been developed in collaboration with chemical experts at Bureau Veritas and will be updated continuously as regulation changes.

Furthermore, PWT Group has significantly improved its test program, including strengthening the risk analysis and systematic procedures regarding random checks in collaboration with Bureau Veritas. In the coming years, the Group aims to increase the number of tests for selected products.

During 2018, PWT Group began working with the amfori BEPI platform, which focuses on suppliers' performance on environmental and climate issues. The platform represents a range of possibilities to help suppliers improve their environmental performance, including a range of training sessions, which the Group encourages suppliers to participate in.

RISK OVERVIEW

RISKS	ACTION PLANS
Waste management	PWT Group assesses suppliers on whether they have entered into waste agreements with local companies, whether they segregate their waste, and how they are managing this issue. The Group focuses in particular on suppliers managing toxic waste as proper systems have to be in place to handle this.
Water use and wastewater	During raw material production and finishing processes, such as washing and dyeing, water consumption is quite intensive, and the risk of contaminated wastewater is high. Some suppliers have effluent treatment plants (ETP), but not all, and some are not using them correctly. Leather production produces a lot of contaminated wastewater, and PWT Group requests of all leather tanneries to be members of the Leather Working Group, which focuses on reducing the consumption of water, energy and chemicals. The Group will continue to promote improvements within this area through training sessions, BEPI, etc. in the coming years.
Use of chemicals	The Group's recently updated RSL aims to ensure that suppliers avoid specific chemicals. The RSL includes guidance on implementation and request that suppliers communicate the RSL to sub-suppliers, only purchase compliant chemicals, request MSDS from chemical suppliers, train staff, and conduct internal inspections.
Soil use and biodiversity	Production and harvesting of cotton impacts the soil and surrounding environment, and PWT Group has increased its focus on the issue with a view to potentially join initiatives mitigating the risk. The Group has introduced styles with organic cotton within one of its brands, and the aim is to increase the numbers.
Animal welfare	PWT Group requests all relevant suppliers to sign and comply with the Group's Animal Welfare Policy, which is based on the Five Freedoms. Implementation of certification requirements for suppliers, such as RDS and RWS, is being considered.
Emissions and energy consumption during transportation	PWT Groups specifies to suppliers that the Group prefers sea freight, and that train freight is preferred over airfreight, reducing airfreight to an absolute minimum. Furthermore, all shipments from central inventories are continuously optimised. PWT Group aims to develop an overview of GHG emissions and energy consumption from transport activities in collaboration with the Group's shipping supplier, which will enable an improved assessment and progress within the area.
Packing materials	During 2018, PWT Group decided to replace all plastic bags used in stores and online with bags made from recycled plastic, which will be fully implemented during 2019. The Group maintains the focus on replacing existing packing materials with more sustainable material.
Handling and disposal of over-stock items	The Group has local arrangements ensuring that only cut up development samples are being disposed as waste, whereas everything else is sold or donated to third parties. The Group is currently researching opportunities to dispose cut up development samples in a more sustainable way.

### **FOCUS AREA 3:**

#### **Anti-Corruption**

The textile industry has a substantial impact on the 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 as China and Bangladesh, it needs to be very attentive to the risk of corruption.

#### 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, seven gifts have been registered and approved by the management. The policy and procedure have been communicated through the company's internal system, but during the coming years, the aim is to communicate more about it and conduct trainings on the subject.





PWT BRANDS

TQJ | ekspernten

WAGNER

LINDBERGH

BISON

JACK'S  
SPORTSWEAR INTL

SHINE ORIGINAL

JUNK de LUXE

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