

# COMMUNICATION ON PROGRESS 2019



PWT GROUP





*DURING 2019, PWT GROUP CONTINUED TO STRENGTHEN ITS FOCUS ON SUSTAINABILITY. The principles of the UN Global Compact, the UN Guiding Principles and the OECD Guidelines for Multinational Enterprises are important guidelines for us, acting in a complex and ever-changing textile industry. We want to be able to provide our customers with quality garments produced considering both people and the environment. That means that we continuously work to ensure safe and responsible working conditions, and at the same time prioritize to implement more sustainable materials and production processes.*

*We believe that the best way to create long-lasting changes is through international multi-stakeholder partnerships, and in 2019 we increased our engagements, by joining forces with the Better Cotton Initiative, as well as with Plastic Change, a Danish environmental organization.*

*We look forward to continuing this informative and meaningful journey towards becoming a more sustainable business.*

Ole Koch Hansen  
CEO





# CORPORATE SOCIAL RESPONSIBILITY

## THE FRAMEWORK

### POLICIES

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 (UNGP's). The Group's CSR Policy refers to international endorsed principles for sustainable development, such as The International Bill of Human Rights, including core ILO labour rights, the Rio Declaration and the UN Convention against Corruption.

### VALUE CHAIN

PWT Group develops and markets its seven brands that are sold by more than 900 independent retailers and the Group's own retail chains Tøjeksperten, Wagner and Brandstad (around 200 stores in Denmark, Norway, Sweden and China).

The production takes place in several countries across the globe. PWT Group does not own any factories but cooperate with a range of suppliers, both directly with production facilities and via sourcing houses. The top-50 factories represent 90% of all orders.

### PARTNERSHIPS

PWT Group collaborates with several organizations and initiatives in order to create as much positive impact as possible.

CSR

### MISSION

We dress men  
with care for  
people and the planet

### VISION

- Decent work & economic growth
- Responsible consumption and production



## CONCEPT DESCRIPTIONS

### CSR AREAS



### PROCESS REQUIREMENTS

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

### PARTNERSHIPS



## MUST WIN BATTLES

### PRODUCTS

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

### CUSTOMERS

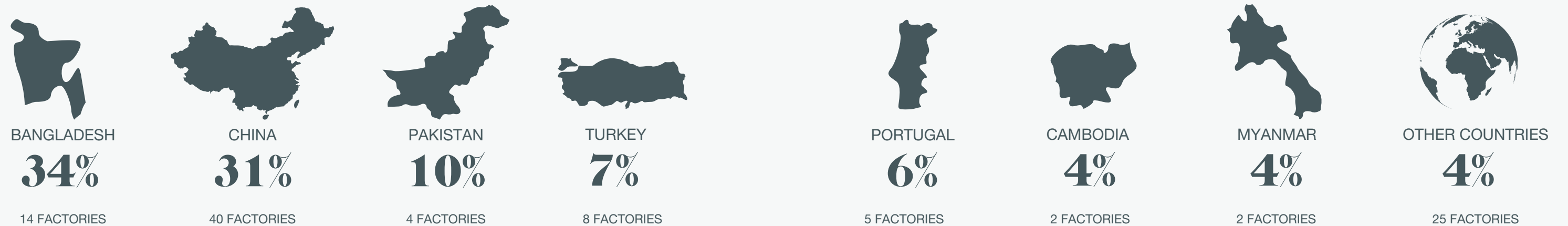
- Products without harmful chemicals
- Sustainable use of products
- CSR into the brands' storytelling

### GROWTH

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

# SOURCING COUNTRIES

The top-50 factories account for 90% of the annual orders







# HUMAN AND LABOUR RIGHTS

Quite a lot of people are involved throughout the entire value chain, from the cotton farmer, to the workers in the sewing factory, to the sales assistants, etc. PWT Group has a substantial impact on many people's lives and the Group continuously works to ensure that the respect for human- and labour rights is upheld throughout its activities.

**PWT GROUP**  
The Group is continuously assessing its own working conditions and culture in order to ensure a safe and satisfying working environment for all its employees. 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.

BELOW ARE THE IDENTIFIED CHALLENGES AND LINKED ACTION PLANS IN REGARD TO HUMAN AND LABOUR RIGHTS INTERNALLY IN PWT GROUP:

RISKS	ACTION PLANS
Risk of occupational hazards and injuries	A working environment committee continuously assesses the working environment and makes recommendations for improvements. In the recent APV-report, a few numbers of occupational accidents were reported, and measures have been taken to prevent such accidents from reoccurring.
Risk of overtime work on a regular basis	Regular overtime is a common challenge for the industry, but the Group is continuously working to prevent excessive overtime. The team managers are constantly improving working processes in order to ensure a more efficient flow and hence avoid excessive overtime.
No female members on the management board	Notes on section 99b of the Danish Financial Statements Act Women are underrepresented on both the Board of Directors and in Management. Earlier set target of 20% women serving on the Board of Directors has not been met. However, the Board strives to find suitable female candidates when recruiting board members and a new target of 20% has been set with deadline 1 April 2022. The gender diversity policy for the Management Team emphasizes diversity in the broadest sense and lays out the principle always to hire the most qualified person, regardless of gender, age, nationality, sexual orientation or religious beliefs.
Risk of harmful chemicals	In order to ensure safe products for the customers, the Group has implemented chemical restrictions and a test program. PWT Group does not accept any products that contain harmful chemicals. All suppliers are required to sign PWT Group's Restricted Substances List (RSL), which is based on the Regulation (EC) No. 1907/2006 of the European Parliament, also known as the REACH regulation. The RSL has been developed in collaboration with Bureau Veritas and is updated on a regular basis. The Group has set up a thorough test program to ensure that styles from every collection is selected to undergo testing, based on a risk analysis.



HUMAN AND LABOUR RIGHTS IN THE SUPPLY CHAIN

It is of great importance to ensure that human and labour rights are respected throughout the Group's supply chain. PWT Group dedicates significant resources to support suppliers in handling their due diligence work. It is a long road, and the Group does not expect suppliers to improve all issues over night, but it is expected that they make an effort to identify, prevent, remediate and mitigate negative impacts.

All suppliers are required to sign and comply with the Group's Code of Conduct. The content and structure of the Code is based on the UNGPs and the OECD Guidelines for Multinational Enterprises.

The Group focuses its efforts on the top-50 factories (90 % of the annual orders) and requests that they provide annual self-assessments, enable factory visits, and participate in amfori BSCI (or Sedex or SA8000) and, if in Bangladesh, the Accord on Fire and Building Safety in Bangladesh.

SELF-ASSESSMENTS & FACTORY VISITS

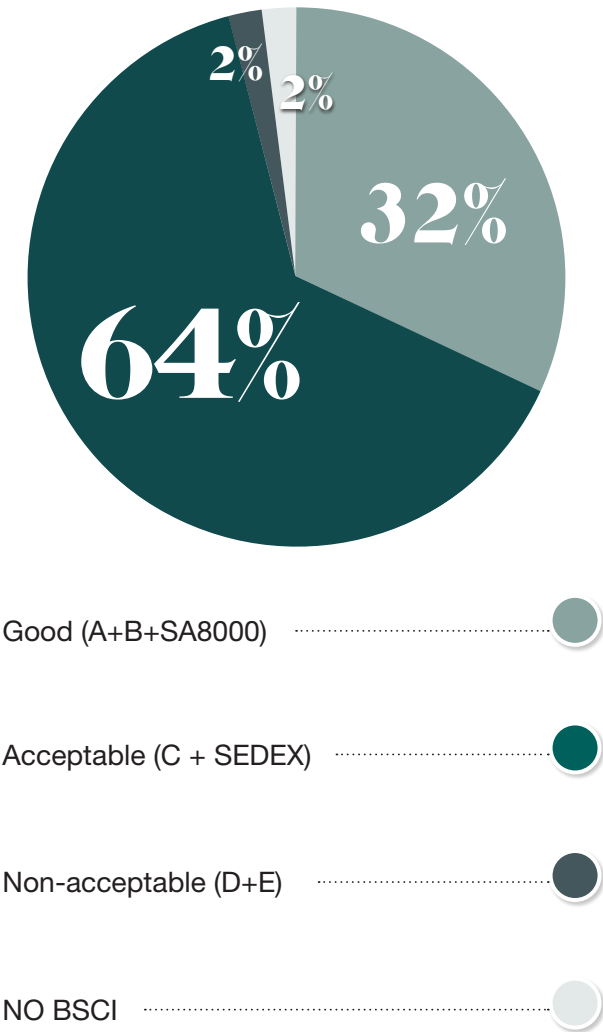
During 2019, the Group conducted a self-assessment survey with more than 120 participants (factories and agents). The response rate was relatively high and so was the average score. Individual reports for each factory and agent show highlighted good examples and challenges, and the Group uses these in the dialogues with suppliers. The focus for 2020 will be to develop corrective action plans (CAPs) for strategic factories in the Factlines platform and build up a structured approach to this area.

The CSR manager conducted two rounds of factory visits, one in Bangladesh and one in China. During 2019, the Group developed an audit program with the aim to ensure a systematic approach on how to assess the suppliers' performances on the different sustainability parameters. The audit program follows a step-by-step approach, allowing the visitor to focus its attention and dialogues with the factory management on specific challenges during each audit.

AMFORI BSCI

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. BSCI suppliers are audited annually by third party auditors, and the Group uses the audit reports to promote dialogue on necessary improvements.

96% of top-50 factories are at an acceptable BSCI level , 2% at a non-acceptable level (one factory), and 2% has not yet started working with the BSCI (one factory). The Group's CSR Manager maintains regular dialogue with these factories on how to improve from their current level of compliance.







**BANGLADESH ACCORD**

PWT Group has been a signatory member of the Accord since 2013. 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 the participating factories. Currently, the Group has 14 active Bangladeshi factories in the initiative with an average progress rate of 90%. 12 out of 14 active factories are participating in the Accord's safety committee training.

As the Accord is to leave Bangladesh as per May 31, 2020, there is a lot of uncertainty towards how the inspection and training programme will continue. The Group follows the developments closely, and will take a decision on how to proceed once a final agreement is decided.

**BELOW ARE THE IDENTIFIED CHALLENGES AND LINKED ACTION PLANS IN REGARD TO HUMAN AND LABOUR RIGHTS IN SUPPLY CHAIN:**

RISKS	ACTION PLANS
Unsafe working conditions	PWT Group's suppliers must provide safe working conditions. Being a signatory member of the Accord, the Group is supporting to ensure safer production buildings in a country, where it is a fact that building, electrical and fire safety is a major concern. It is a requirement to all suppliers that they can provide valid permits of building safety.
Excessive working hours	PWT Group works to ensure that its own buying practices does not contribute 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 should be voluntary and limited, management should develop a contingency plan and is encouraged to set up electronic time systems, etc.
Lack of ensuring the health of workers	Suppliers' ability to ensure the health of their employees is assessed on an ongoing basis. Indicators include proper sanitary facilities, clean drinking water, full-time medical staff, regular health check-ups, free or low-cost medicine, proper conditions for pregnant employees, etc. Whenever possible, the Group promotes and invites suppliers to relevant trainings, such as the OSH course in Dhaka, facilitated by the Danish Embassy, where participating factories were instructed by Danish OSH experts.
Unfair remuneration	PWT Group does not own factories and cannot manage salaries paid to suppliers' workers. However, the Group does 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.
Discrimination	Suppliers' ability to provide equal rights and payment for everyone is assessed on an ongoing basis. Indicators include recruitment and salary procedures, respectful behavior from managers towards workers, 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. The Group stresses to suppliers that safety or WP committees can be very valuable and support suppliers in establishing good 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 of 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 became a member of BCI in 2019, an initiative that in addition to reducing the environmental footprint, works to improve working conditions and abolish child labour. Among other things, the BCI trains participating farmers in the importance of education.



# ENVIRONMENT AND CLIMATE

Being a textile company with over 200 shops, two offices, and production in many countries, PWT Group has a substantial environmental footprint. The Group is committed to reduce its impact on the environment and climate by continuously improving its own routines and processes, and by supporting suppliers to produce more environmental friendly.

**Focus on more sustainable products**

An obvious place to start changing old routines is in the design process. Within recent years, the Group has put a lot of focus on implementing more sustainable materials and products. The approach is to cooperate with suppliers on finding the best solution that makes sense on all parameters. This intensified focus has resulted in several initiatives.

First of all, the Group is committed to reduce the number of styles produced every year. Since 2017, the number of styles have been reduced with 28%, and the aim is to reduce with 47% in total. By doing so, the Group wants to strengthen the quality of the products and at the same reduce its environmental footprint.

The predominant material used in the Group's products is cotton. Therefore, PWT Group decided to join the Better Cotton Initiative in 2019. The aim is to source minimum 50 % of the Group's cotton as Better Cotton within 2025. BCI is the

largest cotton sustainability programme in the world and tackles the environmental and societal challenges at field level by training farmers to care for the environment and respect workers' rights and wellbeing. Further to the BCI membership, the Group has scaled up its use of organic cotton, and the aim is to continue this priority.

The Group has intensified its collaboration, the Sustainable Wash, with its denim supplier in Turkey. The Sustainable Wash is achieved through a use of the innovative Wiser Wash © treatment, in which laser and ozone technology replaces pumice stones and toxic chemicals. This washing process reduces water consumption by at least 90% to only a cup of water.

Polyester, being the second most used fiber, is also of concern, and the Group is continuously looking to replace virgin polyester with recycled polyester. In recent years, the buying team has experienced a substantial increase in suppliers able to provide this, and the range of products containing recycled polyester will continue to expand.

BELOW ARE THE IDENTIFIED CHALLENGES AND LINKED ACTION PLANS IN REGARD TO ENVIRONMENT AND CLIMATE

RISKS	ACTION PLANS
Production	<p>It is a well-known fact that production facilities have a substantial negative impact on local environment and climate. Many risks exist: discharge of contaminated water and air, poor waste management, extensive water consumption, etc. Regulatory regimes and enforcement of regulation vary across the production countries, but PWT Group supports suppliers in building up capacity and knowledge on how to reduce their environmental footprint.</p> <p>The Group's RSL aims to ensure that suppliers avoid specific harmful 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 in-ternal inspections. In the coming years, the Group will focus on embedding top-suppliers into the amfori environmental program, BEPI. Through BEPI, the factories' environmental performances are assessed, targets are set, and management and workers receive training.</p> <p>PWT Group requires all leather suppliers only to use tanneries that are member of the Leather Working Group; an initiative focusing on reducing the consumption of water, energy and chemicals.</p> <p>PWT Group requires all relevant supplier to sign and comply with the Group's Animal Welfare Policy, which is based on the Five Freedoms. The Group is considering setting certification requirements to suppliers of down and wool.</p>
Transport	<p>PWT Group 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 optimized. PWT Group aims to develop an overview of GHG emissions and energy consumption from transport activities in collaboration with the shipping supplier, which will enable an improved assessment and progress within the area.</p>
Packaging	<p>In order to protect the quality of the products, different kind of packaging material surrounds the products during the different stages of the value chain. Such packaging includes polybags, tissue paper, carton boxes, plastic bags, etc.</p> <p>During 2019, PWT Group replaced all packaging materials in the shops (physical and online) with ones made of recycled plastic and recycled carton. Furthermore, the Group took the decision that in order to reduce plastic usage, plastic bags will no longer be provided for free, starting from Jan 1 2020. All surplus made from this initiative is donated to the Danish environmental organisation, Plastic Change.</p> <p>In all parts of the organisation, The Group is looking into how to reduce and/or replace existing packaging materials with more sustainable materials. In general, this is about revalidating old routines and processes, and the Group is committed to go with smarter and greener solutions, when such makes sense on all parameters.</p>
Energy and water use, waste management, etc.	<p>With around 200 stores and 2 offices, it makes sense to look at the locations' usage of energy, waste management systems, cleaning products, etc. The Group will look more into this area in the coming years. The Group ensures that only cut up development samples are being disposed as waste, whereas everything else is sold or donated to third parties.</p>



# ANTI-CORRUPTION

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.

BELOW ARE THE IDENTIFIED CHALLENGES AND LINKED ACTION PLANS:

RISKS	ACTION PLANS
Sourcing from countries with high corruption risks	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. Together with the policy, a ‘Facilitation and Hospitality Register’ has been set up where employees register gift. The policy and procedure is communicating internally on an annual basis. Through the BSCI system, suppliers are audited on their anticorruption policies and procedures.





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