

Social Report 2014

January – December 2014



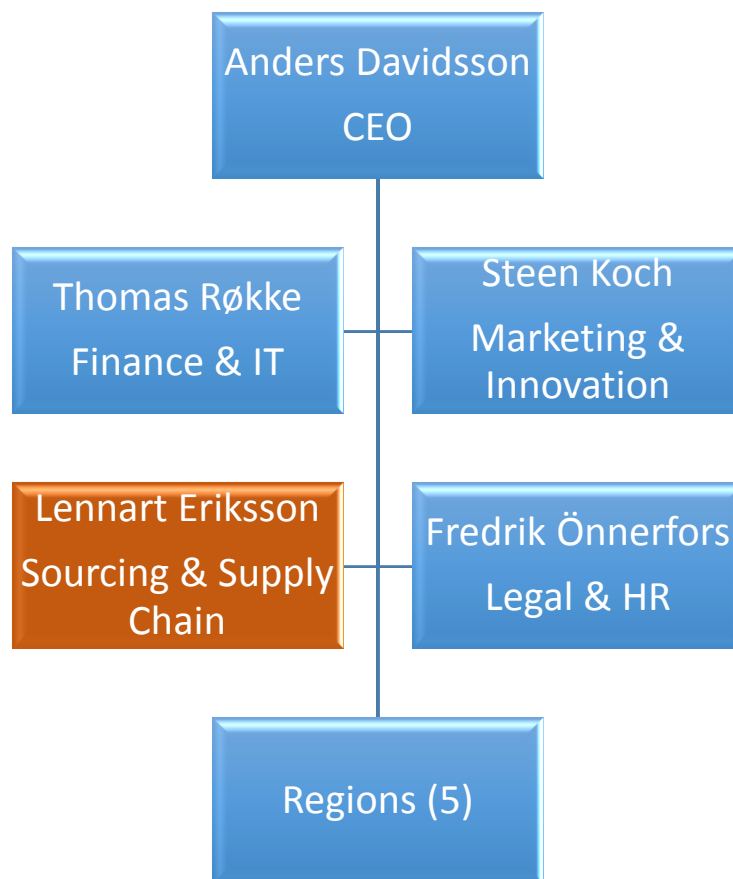
KWINTET

EUROPEAN LEADER
IN PROFESSIONAL WEAR

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Kwintet is a Fair Wear Foundation member since July 2011

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Summary: goals & achievements 2014

Kwintet as a responsible company, works consistently to improve and strengthen its CSR standards to promote fair labour practices and safe working conditions throughout its supply chain.

Kwintet supplies high-quality professional wear for all purposes and industries. The products of Kwintet's business entities range from heavy work wear (clothes used on oil rigs, uniforms for heat protection etc.) to light garments such as T-shirts, professional suits and uniforms, protective equipment, shoes and gloves.

In 2014, Kwintet has launched a full transparency program of its supplier base, by moving from supplier level compliance to full factory level to support consolidation at supply chain level.

Merging its Corporate Social Responsibility department with its Asia Quality department and requesting from all its suppliers, worldwide, to identify each and every factory manufacturing its products through its self-assessment process has increased its visibility on all its suppliers and their factories.

100% of all its factories have signed the Code of Conduct and the latest version of its Restricted Substance list.

Kwintet's enhanced compliance process and 100% final inspection process has allowed to monitor the accuracy of information provided.

To set the example and lead the way for its entire supplier base, Kwintet by increasing its own requirements has achieved green grading at 4 of its 5 SIA Kwintet production plants, Scand Workwear achieving yellow grading.

With the continuous support of the Fair Wear Foundation conducting random verification audits throughout its supplier base, Kwintet is committed to increase dialogue with its suppliers and factories to improve working conditions, health and safety and environmental awareness.

1. Sourcing strategy

1.1. Sourcing strategy & pricing

The outlines for Kwintet Group's consolidated sourcing strategy have been the following:

- To enable better efficiency and effectiveness in management and control of supply base through optimizing the number of suppliers
- To enhance Kwintet's competitiveness in winning and retaining business through selecting a competitive supply base in service levels, product selection, support and pricing
- To achieve better saving and benefit returns from supply base with better purchasing terms and purchase volume aggregation

The Group strategic sourcing consolidation has reduced its total supply chain, from 120 key suppliers by the end of 2013, to 80 by end 2014. Supply base is divided into three different types of suppliers – a) strategic, b) tactical and c) complementary:

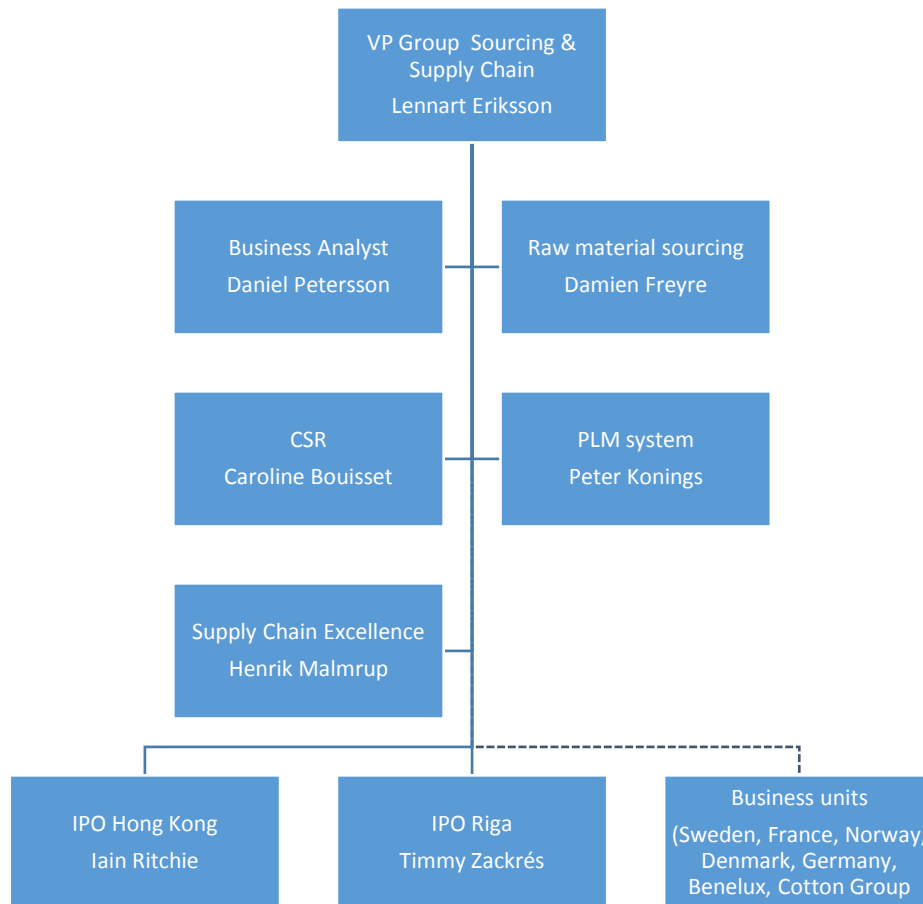
- a) *Strategic* suppliers are selected based on their technology, competitiveness and support to Kwintet units, entities and sub-contractors and will be given priority consideration on our products in our new product development programs. Strategic suppliers should account for minimum 70 % of the Group's sourcing spend.
- b) *Tactical* suppliers should account for maximum 20% of the Group's sourcing spend. The tactical category consists of suppliers that produce niche or specific items that are key to Kwintet; large companies in size/set-up, 2nd sources to strategic suppliers, suppliers that are on their way to become strategic or no longer fulfill the requirement of being strategic to Kwintet.
- c) *Complementary* suppliers should account for no more than 10% of the Group's sourcing spend. Complementary suppliers consist of suppliers delivering outside the core product scope, 2nd sources to niche or specific suppliers.

Strategic and Tactical suppliers are jointly referred to as *Preferred* suppliers. In order for any new supplier to become Preferred, its production units must first have been audited. Furthermore, all suppliers and all their factories– Preferred as well as Complementary – must have completed the SSA (Self-Assessment form) and signed the Kwintet Code of Conduct/FWF Code of Labour Practice and Kwintet's Restricted Substances List.

Approximately 60 % of the supplier factories among the ones that represent 90 % of our spend are located in Asia. No new style developments are allowed with factories Red graded , if production is running it will be completed, but no new orders will be until the findings have corrected in mutual dialogue with Kwintet compliance team. Corrective actions are verified through follow-up visits and re-audits at the factories.

1.2. Organisation of the sourcing department

Figure below shows the current structure of the sourcing organisation of Kwintet Group:



In short the new matrix organisation means that we now have a more de-centralized sourcing structure compared to the previous two years. Buyers belong to the operational sourcing teams in the regions. The regions will have their own Preferred supply chain structures in 2014, aggregated into a master list for the CSR department, identical to the factory register, and the IPO's will assist the regions in the supply chain operational matters. VP Group Sourcing & Supply Chain Mr Lennart Eriksson reports directly to the CEO.

1.3. Production cycle

The large majority of Kwintet's items are long running articles. We also do bespoke collections that can be a one-off collection or longer running items; in addition we produce a few seasonal collections. In general the lead time is 8-12 weeks on an average cross product category. Ready-made garments and raw material take around 4-6 weeks.

1.4. Supplier relations

The following is the procedure which is applied to all potentially new Preferred suppliers:

1. Self-Assessment Form is sent by CSR department Cc to Supplier owner. Each and every factory of the supplier has to fill in CSR and factory forms, and return it signed as well as CoC and RSL.
2. On-site inspection QC team
3. If factory is approved 3rd-party or internal compliance audit will be conducted at the factory
4. The factory is graded according to non-compliance issues discovered in audits. New orders or developments will not be placed until Red graded findings are corrected.
5. Post-production, factories are required to rectify the Orange and Yellow graded non-compliance issues according to Corrective Action Plan (CAP) within stipulated timeframe with the support of Kwintet compliance team.

1.5. Integrated monitoring activities and sourcing decisions

The compliance procedure for all suppliers is as follow:

The policy is that no new orders may be booked before Red graded violations remaining in the second (re-)audit have been corrected according to stipulated time frames in the Corrective Action Plan. The policy applies immediately if the non-compliance issues found in the first audit are fire child labor and/ or safety related.

The regional sourcing teams and IPO's have continuous access to a simplified version of the factory register where the factory grading is regularly updated and monthly reviewed with CSR manager. In this way they can take factory grading into consideration when planning the business and order placement. Suppliers that have a valid Collective Bargaining Agreement (CBA) and/or factory union will be highlighted to the sourcing teams as preferable for future order forecasting.

2. Coherent System for Monitoring and Remediation

2.1. Key Kwintet Production Countries in Asia

Most of our Preferred suppliers audited in 2014 are located in Asia, the outcome of our monitoring activities in this region is described below:

China/ SEA/ Bangladesh/ India/ Pakistan

Factories are regularly visited by the sourcing team and QC staff. The QC's systematically fill out a light CSR inspection form regarding visible non-compliance with our Code of Conduct. Visible remarks refer, for example, to child and under age labour, occupational health and safety standard on the factory floors, such as blocked fire exits.

The inspection forms are then sent to the Regional Compliance Manager and remarks are logged to be addressed immediately or in the upcoming audits. This procedure is run in all Preferred finished goods factories across the production countries.

Depending on the purpose of the visit, compliance is always discussed and reviewed.

Compliance auditor's visits always include in-depth discussions with the management regarding Code implementation, corrective action plans that the management has to sign off, and how the factory management intends to maintain good working conditions in the factory.

Corrective action plans are completed after each audit and requested to be executed within the agreed timeframe with the factory. Red graded, such as child, under age and enforced labour issues are prioritized and must be addressed immediately. If they concern failure to pay minimum wage or compensate for overtime, the factory will have three months to implement the correct payment. Also issues concerning fire safety are prioritized in the follow-up and the factory management must confirm immediately when they intend to demonstrate corrective actions.

In Bangladesh, all suppliers and factories must have undergone Accord or Alliance audit as an additional minimal requirement since 1st January 2014.

Moreover for composite factories, last 3 months record of the water recycle plant must be submitted.

2.2. External Production

The only suppliers of external production that occur in Kwintet's Preferred supply chain are within the product categories of PPE, fabric, trims and accessories. Such external suppliers are required to undergo same document process as all of Kwintet's suppliers since January 2014 and compliance audits will be conducted randomly on biggest spend criteria within 2015.

3. Complaints handling

Kwintet's Corporate Social Compliance Manager Asia is the main contact person for worker complaints procedure. Regarding the complaints handling, workers' complaints is according to Kwintet's compliance program primarily to be dealt with by suppliers who must set up in-house grievance systems in all factories used for Kwintet production.

Furthermore, complaints are directed to FWF local contact persons in the countries where Kwintet Preferred suppliers are located (EU excepted). Kwintet's Corporate Social Compliance Manager Asia is then notified by these contact persons in case any complaints are raised, so that he can monitor the development and conduct follow-up directly with the suppliers.

A complaint was filed by a worker and reported to FWF against Dashin factory in China in November 2013. The complaint was jointly handled by FWF and Kwintet's compliance team through audit in January 2014 and resulted in being closed by FWF. Kwintet collaborated to the remediation at its complementary supplier (0,3% of annual capacity allocated to Kwintet) but could not enforce the reimbursement of the fine against the worker by the factory.

4. Training and capacity building

4.1. Activities to inform staff members

Kwintet's intranet CSR section is regularly updated on all development within Kwintet's social compliance program, including news regarding the FWF membership for Kwintet.

In September 2014, a 2 week seminar around our European brands took place to inform and train Kwintet's sourcing, product development, supply chain and sales teams.

In-house auditors receive continuous training from Social Compliance Manager Asia to get skilled in all the details of Kwintet's compliance program and audit procedure. Auditor in Bangladesh and Social Compliance Manager Asia participates in all FWF verification audits conducted through the year.

4.2. Activities to inform agents

Suppliers which are agents and do not own any production unit themselves must sign our Code of Conduct and RSL. By signing the Code and RSL they commit to only assign for Kwintet production factories that meet the minimum requirements stipulated in our Code and RSL. They also commit to informing the management of the individual factories about the Code requirements and RSL standards.

In January 2014, they were all individually requested to disclose all their factories producing Kwintet orders as part of Kwintet's transparency and traceability program launch.

End January 100% of Kwintets worldwide suppliers' factories are registered and monitored and have individually signed out Code of Conduct and latest version of the RSL.

4.3. Activities to inform manufacturers and workers

During 2014 suppliers in Bangladesh, all suppliers/ factories have participated to Accord or Alliance fire and safety trainings.

We have informed all our strategic suppliers through direct emails of our enhance compliance process, milestone of our transparency and traceability program. (Annexe 1)

5. Transparency & Communication

The general public is informed about Kwintet's FWF membership via our group website, as well as FWF's website. The Global Corporate Social Responsibility Manager continued through the year to participate regularly in client tenders to inform about the compliance program and FWF.

Through the year we have regularly posted news on our intranet section about events in field of our CSR activities as well as suppliers/ factories related information.

However, in general we have in 2014 focused on achieving goals of our transparency and traceability program with our suppliers and our supply chain departments throughout the brands. This is the base in achieving higher level of buying practices and support the consolidation of our supplier base in order to gain deeper impact in social and environmental implementation of good practices with our suppliers.

Annexe 1

