



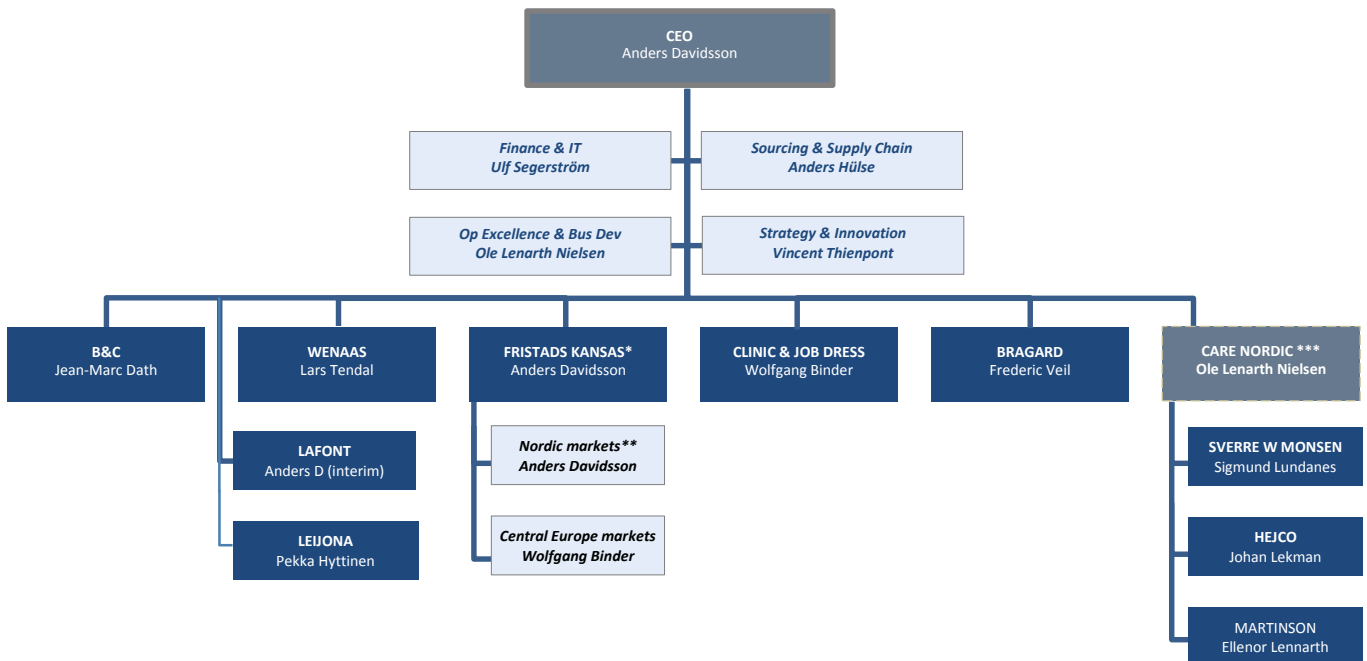
FRISTADS KANSAS GROUP



www.fristadskansasgroup.com

Start date membership 2011

Dec. 2014 to Dec 2015





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Summary: goals & achievements 2015

“ OUR APPROACH TO SUSTAINABILITY

At Fristads Kansas Group we continuously commit to making a positive impact on our world and believe that sustainability and corporate responsibility deliver added value to our customers, employees, business partners, and throughout our supply chain.

The same vision that drives the group’s business strategy drives our commitment to environmental and social sustainability.

We encourage every employee to play a part in making sustainability a reality, from the group’s sustainable & corporate responsibility team group to each brand and their team around the world.

Our sustainability engagement is intrinsic to our organization and our goals.

We give our brands a common base of targets and guidelines for their actions in sustainability to ensure the highest level of best practice is reached across the group, while letting each brand create the specific solution most relevant to its business.

Anders Davidsson

CEO

FRISTADS KANSAS GROUP ”

During this year, Fristads Kansas Group has joined the world’s largest Corporate Social Responsibility initiative, the **United Nations** Global Compact to support the achievement of its goal of full transparency and product traceability.

Engaged in 2014 with the merger of the Group Corporate Social Responsibility and Asia Quality departments, the process aimed, with the support of all our suppliers, at ensuring that our group and all our brands have full visibility on all our suppliers and each and every factory producing Fristads Kansas Group’s products. Furthermore the “low risk country” classification was waived on January 2014 to harmonise our requirements throughout our supplier base.

By achieving our goal, each and every factory has received, acknowledged and embraced our Code of Conduct and our standards on Human Rights, Labour, Environment and Anti-Corruption.

This visibility has enable each brand’s sourcing and supply chain departments to engage in the consolidation of its supplier base, and by achieving higher capacity

occupancy to increase level of social and environmental dialogue with its partner factories.

1. Sourcing strategy

1.1. Sourcing strategy & pricing

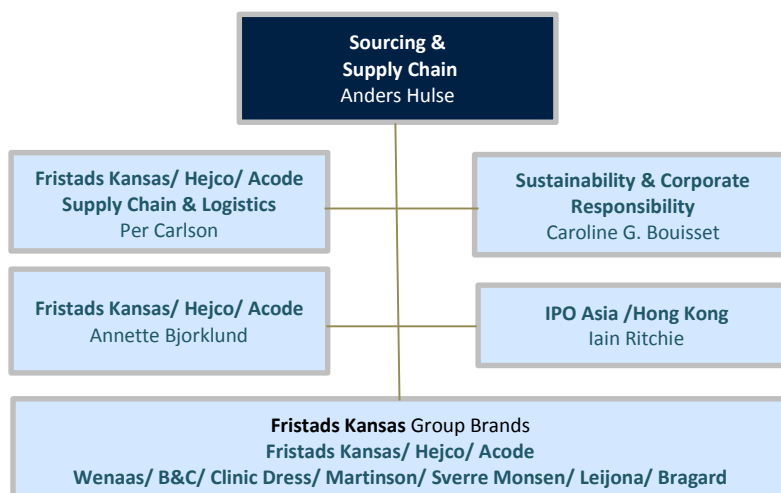
2015 has been all about production consolidation to support factory efficiency, quality and price stability.

From 80 strategic garment supplier's end 2014, Fristads Kansas Group has consolidated its supplier base to 45.

Supplier base is classified as follow:

- *Strategic* suppliers are selected based on their technology, competitiveness and support to Fristads Kansas Brands 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.
- *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 Fristads Kansas Brands; 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 Fristads Kansas Brands.
- *Complementary* suppliers should account for no more than 10% of the Group's sourcing spend. Complimentary suppliers consist of suppliers delivering outside the core product scope, 2nd sources to niche or specific suppliers.

1.2. Organisation of the sourcing department



The new matrix organisation shows that there is a consistent de-centralized sourcing structure. Buyers belong to the operational sourcing teams in the brands. Each Brand has its own preferred supply chain structures aggregated into a master list by the SCR department, and the IPO will assist the regions in the supply chain operational matters and quality. Group Sourcing & Supply Chain reports directly to the CEO.

1.3. Production cycle

The large majority of Fristads Kansas Group’s products are long running articles. We also do bespoke collections that can be a one-off collection or longer running items; in addition we produce 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

Suppliers are responsible for reporting all factories used for the production of products provided to Fristads Kansas Group.

Factory information are sent to the entities Supplier Owners and the Group Sustainable and Corporate Responsibility (SCR) team.

A Self-Assessment document (SSA) is sent to suppliers and/ or factories to be filled in and returned to the Group SCR team.

Supplier and/ or factories will receive Fristads Kansas Group “Code of Conduct - Supplier Commitment” , “Supplier Compliance Guidelines” and the “Restricted Substance List” latest version (RSL) documents.



1.5. Integration monitoring activities and sourcing decisions

The compliance program for suppliers and each and every factory, offers some flexibility regarding the business consequences. The policy is that no new orders may be placed when Red graded violations occur until it has been corrected according to stipulated time frames in the Corrective Action Plan from 24 hours to 3 months renewable. The policy applies immediately (within 24h) if the non-compliance issues found in the audit are child and enforced labor and/ or critical fire safety related.

The Master Supplier Base is updated in real time and monthly reviewed by SCR Group Manager and brands supplier owners and sourcing departments. In this way factory grading is taken into mandatory account when planning the business, product development and order placement. Suppliers that have a valid Collective Bargaining



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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

All factories are regularly visited by the sourcing team and our QC staff and in Asia 100% final inspection is conducted on all manufactured garments. The sourcing team and our QC's systematically review visible non-compliance with our Code of Conduct. Visible remarks refer, for example, to child labour, occupational health and safety standard on the factory floors, such as blocked fire exits and further. Any deviation is immediately reported to the Group SCR team and escalation process implemented.

Depending on the purpose of the visit, compliance is reviewed and remaining NC issues remediation detailed within the agreed time frame.

Compliance auditor's visit 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.

As Red graded issues are prioritized and must be addressed immediately, a Code Red process has been implemented this year involving sourcing/ product development/ supply chain reporting to CEO and board level.

2.1. China

Audits are performed by China/ SEA Compliance Manager as well as remediation plans.

Throughout the year in China, the most common audit findings were:

- Excessive working hours
- Overtime wage inadequacy
- Payroll record inadequacy
- Time record inadequacy
- Excessive deduction / workers' benefit inadequacy.

Corrective Action Plan have been set upon each audit and corrections are executed within stipulated timeframes.

If issues concern failure to pay minimum wage or compensate for overtime, the factory will have three months to implement the correct payment, and monthly review follow up by SCR team. 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

2.2. South East Asia

Audits are performed by China/ SEA Compliance Manager as well as remediation plans.

Throughout the year in SEA, the most common audit findings were:



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- Inadequate personal protective equipment/machine safety measures
- Chemical labeling/documentation inadequacy
- First aid inadequacy

In 2015, Fristads Kansas Group brands have been working on the consolidation of their factory base in Vietnam/ Laos and Cambodia.

100% of factories have been audited and NC issues followed up by China/ SEA Compliance Manager.

In Laos, our green graded factory is working on a new building location, China/ SEA compliance manager has been working on relocation plan with factory to ensure standards are met as well in new facility.

In December 2015 our Vietnamese supplier participated in the FWF seminar and found it really informative and helpful, leading them to engage with the Director of the Department of Labour and Salary from Ministry of Labor Invalids and Social Affairs of Vietnam, to discuss about new laws and how government could support them to enforce it.

2.3. Bangladesh

Bangladesh Compliance Manager performs audits and remediation follow up. She as well ensure that Accord / Alliance CAPA plan are updated and followed through as this is a mandatory requirement of the Group and updates are sent on a monthly basis to each brands.

Throughout the year in Bangladesh, the most common audit findings were:

- Excessive working hours
- Inferior working conditions
- Comparatively poor management practices

Whenever we do find excessive overtime in audits we discuss it with the supplier, who must then submit a realistic action plan on how to reduce the overtime hours. They are also urged to inform us whether the excessive overtime can be directly tied to Fristads Kansas brands's purchasing practices, so that the SCR department can address it with the sourcing team, which has not been the case in 2015.

Minimum wage is paid in our supplier factories but we are aware of the fact that this does not necessarily equal living wage.

2.4. Baltics and Ukraine

Fristads Kansas Group had it own factories in Latvia, Lithuania and Ukraine. Our Compliance Manager stationed in Riga follows up remediation but audits are performed by appointed 3rd party international testing company to ensure full transparency of audits.

4 of our 7 production sites are green graded.

2.5. Others countries

Other countries that Fristads Kansas Brands sources from are Pakistan, India, Romania, Poland, Portugal, Morocco, Tunisia and Madagascar.

Factories are regularly visited by the sourcing teams and audits are performed by appointed 3rd party international testing company and remediation timeline follow up by China/ SEA Compliance Manager.

2.6. External production

Fristads Kansas Brands have no external production in regard to the manufacturing of its garment products.

3. Complaints handling

On January 9, 2015, a De documentary Slag om de Klerewereld was broadcasted on Dutch television showing labels of FWF member Continental Clothing being produced in a small label printing workshop in Dhaka where an employee appeared to be younger than the legal working age.

Upon visit to the workshop from the FWF representative in Bangladesh, samples of B&C labels were also found in this workshop.

After investigation, Fristads Kansas Group was able to trace back the order, placed to an approved label supplier. The supplier Purchase Order compared against the settled invoice confirmed that no order was placed to the printing workshop.

Though the evidence confirmed that Fristads Kansas Group was not liable, the Group decided to financially participate to FWF remediation plan to support a suitable vocational training for the young worker and a compensation for the loss of income for the duration of the training to his family.

4. Training and capacity building

4.1. Activities to inform staff members

Fristads Kansas Group intranet SCR section is regularly updated on all development within Fristads Kansas Group's social and environmental compliance program, including news regarding the FWF membership if any.

4.2. Activities to inform agents

Suppliers that are agents and do not own any production units themselves must sign our Code of Conduct and receive our Compliance Guidelines Manual. By signing the Code they commit to only assign for Fristads Kansas Brands production factories that meet the minimum requirements stipulated in our Code. They also commit to informing management of the individual factories about the Code requirements.



4.3. Activities to inform manufacturers and workers

In December 2015 our Vietnam supplier participated in the FWF Seminar “Social Compliance: from burden to benefit” reporting that the seminar was not only useful but guided them to initiate a meeting with the Director of the Department of Labour and Salary from Ministry of Labor Invalids and Social Affairs of Vietnam, to discuss about new laws and difficulties for enterprise when applying laws and how to solve it in the interest of the workers.

5. Information management

Since the merger of the SCR department with the Quality department early 2014, and as it is a mandatory requirements in vendors contracts that 100% of Fristads Kansas Brands’ products be inspected before shipment, Fristads Kansas Brands have full visibility on each and every production facility.

Fristads Kansas Group Quality Inspectors throughout the world are trained to review SCR standards in factory and to inform in real time the SCR team if unauthorized subcontracting was to take place. In 2015, no case were reported.

6. Transparency & communication

The general public is informed about Fristads Kansas Group’s FWF membership via our group website, brand web sites as well as FWF’s website. The Group SCR and Quality Manager continued through the year to participate regularly in client tenders to inform about the compliance program and FWF.