



2016 - SUSTAINABILITY & CORPORATE RESPONSIBILITY

FRISTADS KANSAS GROUP

From our CEO



The term “responsibility” originates from the Latin word “responder”, which means to respond or reply. Today, companies are required more than ever to respond to certain questions: How are they contributing to society and the environment? How do they treat the people who work for and with them?

“Taking responsibility means addressing these questions”.

At Fristads Kansas Group we are deeply engaged in answering these questions. Consequently in 2015, we redefined our strategy to address higher challenges moving from Corporate Social Responsibility (CSR) to Sustainability and Corporate Responsibility (SCR).

We believe that our business has an impact beyond social compliance.

In 2020 we want to be a Group that is synonymous with innovation, quality and sustainability. A Group that continues to be recognized for performance and efficiency. A company that is respected for its values, its vision, and for its sustainable responsible conduct.

Anders Davidsson
Fristads Kansas Group CEO





Our contribution to a sustainable development

Sustainability & Corporate Responsibility (SCR) is a broad-based movement in business that encourages companies to take responsibility for the impact of their activities on customers, employees, communities and the environment. Companies committed to corporate responsibility also agree to abide by international labor, human rights and environmental standards.

Here's what we're doing to ensure that Fristads Kansas Group's products are produced under safe, fair, legal and humane working conditions and taking

care of the environment throughout the supply chain – and some background on how we got to where we are today.

The Fristads Kansas Group's SCR team acts as a platform of resources to complement the brands own activities. 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 solutions most relevant to its business.

Beyond social compliance



As a member of the **United Nations Global Compact's**, we are committed to its guiding **10 principles** for Corporate Responsibility on Human Rights, Labour, Environment and Anti-Corruption.

We take respect for human rights, and compliance with international and local labour laws, very seriously.

To ensure that we uphold high standards, within our Code of Conduct, labour standards are based on those of the **International Labour Organisation (ILO)** and the **Universal Declaration of Human Rights**, in relation to forced labour, child labour, freedom of association, compensation, working hours, occupational health and safety, and a legally binding employment relationship.

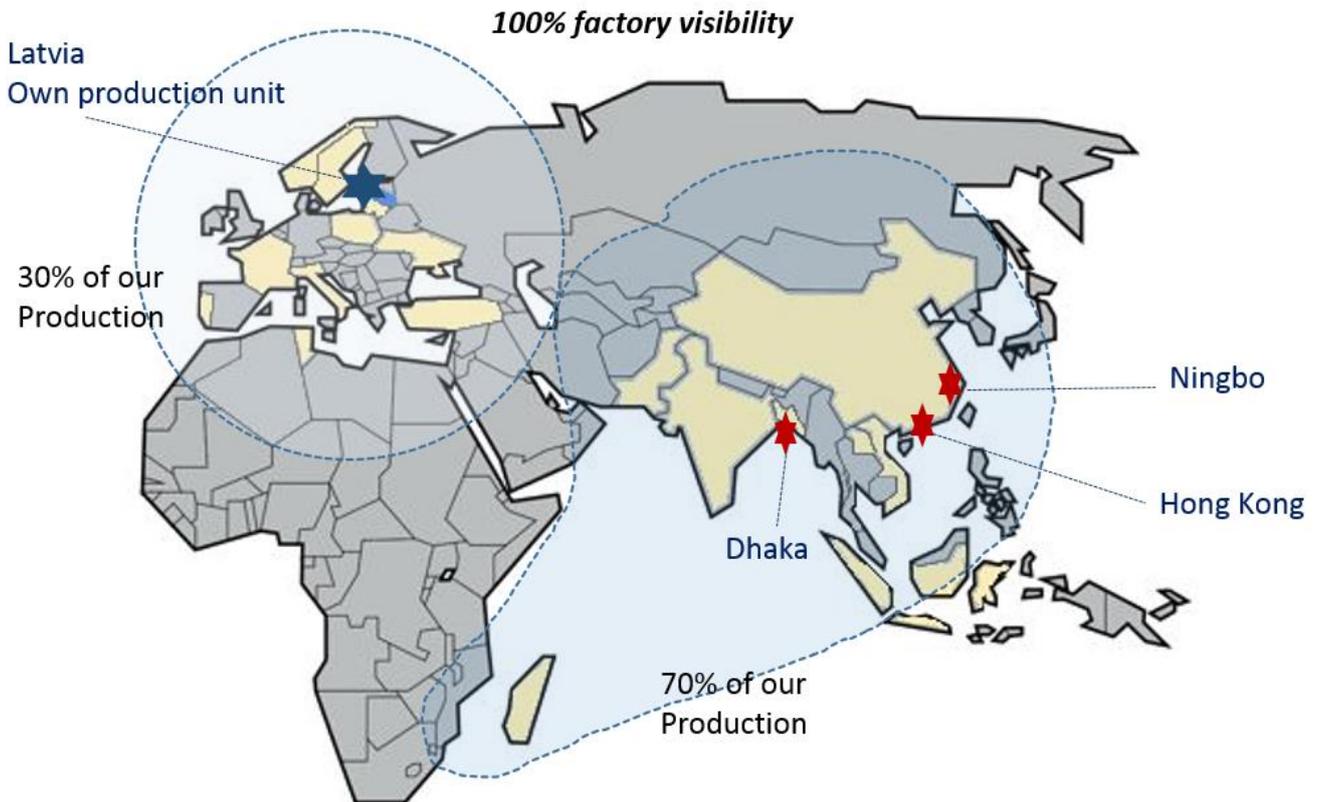
We also recognize that all activities associated with the production, consumption and end-of-life disposal of products has an impact on our environment.

We believe that it is our responsibility to work actively and systematically to contribute to a process of continuous environmental improvements within our sphere of influence.

The United Nations Global Compact is the world's largest corporate sustainability initiative.



A unique approach: factory transparency & product traceability



From supplier to factory worldwide visibility

We encourage all stakeholders to contribute to our vision of significantly reducing the impact on the environment and supporting the communities in which our brands operates.

Our supply chain extends across seventeen countries and the group owns 3 factories in northern Europe.

Our suppliers are important to our business and we expect them to meet our specific standards in relation to human rights, environmental and ethical business practices. All supplier sourcing is reviewed, approved and managed through our dedicated supply chain teams.

Our suppliers have committed, as a mandatory requirement before orders can be placed, **to disclose each and every factory manufacturing Fristads Kansas Group's brands products** and to pass through our social and environmental compliance audit program (*Code of Conduct - Supplier Commitment*).

We audit our suppliers and support them so that they meet the standards laid out in our code of conduct.



Sustainability & Corporate Responsibility and Asia Quality

The merger of responsibilities

Our responsible sourcing framework is grounded in industry standards, ongoing learnings and a philosophy of continuous improvement.

In Asia, 100% final of all finished products are inspected by our Group Quality controllers and they are trained to identify compliance deviations and report it in real time to the Group SCR team relocated in our Hong Kong IPO. For us sustainability equates quality.

In **Bangladesh** in particular, the minimum requirement to be eligible in our compliance program is for factories to have been **audited either by Accord**



or **Alliance** prior to completing the Supplier Self Assessment, the 1st step of Fristads Kansas Group compliance program.



A sustainable business is everyone's business

Preferred sourcing at sustainable suppliers is a group practice to support positive commitment and encourage employees to take ownership for the positive impacts of the company.

We believe that **responsible sourcing and product development** is an important foundation of our success as a company and our role as a leader in work wear product innovation. And by understanding that it is critical to the lives, welfare and development

of communities, we are committed to making a difference. We source and nominate more than 50% of our raw materials, ensuring a **continuous social and environmental compliance monitoring** of our fabric and trims suppliers.



Gap Assessment compliance program



To ensure full transparency of our audit process, we have launched in 2016 a **Social and Environmental Gap Assessment compliance program** through a partnership with an independent global leader company in Testing, Inspection and Certification, **Bureau Veritas**.

The aim is to assess our Group workplace audit standards and process through free random verification audits by Bureau Veritas at any of our strategic suppliers, providing full transparency to our stakeholders.

The next step towards full chemical accountability

As part of our social and environmental compliance program, all our suppliers and each and every factory producing our goods must sign our Restricted Substance List (RSL).

We update our RSL twice a year based on the chemical guidance of our partner Swerea and update our suppliers and factories.

Our RSL reflects the latest EU harmonized legislation which includes REACH, POPs regulation, Biocide Regulation and Product Safety Regulation.

And also ensure compliance with the SVHC (Substances of Very High Concern) Candidate List. Moreover, most of our Group's brand products are OEKO TEX certified.

As a market leader, we can't be satisfied with sole collection of signed certificates of compliance by our suppliers and OEKO TEX certificates. Though an OEKO TEX certificate is a very positive sign it is however far from guaranteeing testing of all fabrics from a supplier's assortment and all chemicals, and as based on sample and not systematic as implemented in our chemical compliance program.

Within our industry, dyeing and finishing processes are considered to be waste and chemical intensive and there are concerns on whether the use of chemicals and the treatment of resultant waste will detrimentally affect the environment and human health.

We need to create transparency, so we spare no efforts to understand in depth the kind of chemicals our finished products are containing and at which levels.

These levels need to be compared to the EU regulation, but also to the levels expected by the market.

We believe that we hold a responsibility to create awareness among our suppliers, and help to educate them to get transparency among their own supply chain.



Chemical Compliance program



SGS

Therefore, on the 1st of January 2016, we have launched a **Chemical Compliance program with our partner SGS** to help us build customized testing packages that fit our industry and products.

Core range products (raw materials or finished goods) are been tested based on criteria like volumes and also taking into consideration potential risks (i.e. special finishes like anti-flame or water and stain repellency).

Testing of core range raw materials and finished goods is conducted four times a year and test results reviewed, recorded and made available upon request to our customers.

Our responsible sourcing journey

We are committed to attaining the highest standards in sustainability and corporate responsibility business practices.

In order to make a real, sustainable and positive difference, the Company holds itself and its suppliers, accountable to its standards.

We act professionally, diligently and ethically and we expect the same of every supplier, which is mirrored in our Code of Conduct Supplier Commitment.

Fristads Kansas Group has a program in place to ensure its suppliers abide by all local laws and meet the international requirements of our responsible sourcing guidance. We actively promote and foster an open dialogue around any issues that arise during our relationship – it is only through this that we can effect meaningful change.

In order to manage on-going supplier performance, we maintains a proactive audit and compliance program centred on worker welfare, factory working conditions, environmental legislation and impact. Fristads Kansas Group has full access to supplier facilities, factory workers, employee, safety and

environmental records as required under the Fristads Kansas Group Code of Conduct Supplier Commitment

The audit program is led internally by our SCR team in Latvia (for Northern Europe), Bangladesh and Hongkong (for China and South East Asia) and/ or by our 3rd party appointed partner, Bureau Veritas.

In addition to the audits, there is a continuous improvement support led by our internal compliance team as **we believe that sustainable changes are achieved through positive dialogue and continuous improvement.**

Fristads Kansas Group social compliance function reports to the Group Sourcing and Supply Chain director, who reports into the CEO. The Board reviews and approves the Sustainability & Corporate Responsibility (SCR) policies and maintains oversight of supplier performance under our program.

We believe our approach is the most appropriate way of doing business and as a result, our customers will have a stronger connection with our brands.

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