



Communication on Progress

2015

UN Global Compact



Minister for Trade and Development, Mogens Jensen, visits Spectre.

Managerial Commitment

Spectre is a medium sized Danish company with its roots going back to 1947. Particularly since the nineties when we started outsourcing our production to Eastern Europe, we have seen an increasing international approach on a wide range of activities: our export is close to 100%, raw materials for the production are sourced and purchased all over the world – in USA, Europe and Asia – and our production is now based on two platforms in Latvia; Eastern Europe, and Vietnam; Asia.

For many years, we have worked with CSR – even before the term “CSR” existed. We have always had focus on good working conditions and tried to support the local community wherever we have operated. As a company we believe in taking part in the responsibility for the local society. We believe that employees spending a large part of their life working for the company are to be treated with respect and dignity.

We are a Danish company looking upon the business from a Danish viewpoint. One of our fundamental ambitions is to ensure that our employees have working conditions that are “above average” comparing with local standards in the countries of our operations.

Working in a labor intensive industry like garment production with the vast majority of our employees located in Latvia and Vietnam – and with many suppliers located in Asia – it has become increasingly important for us to find a structured and professional way of working with CSR.

In the end of 2010 we decided to apply for a membership of the UN’s Global Compact to show the surrounding world that we mean it seriously when we say we have a strong CSR profile. It is also a simple and efficient way to acknowledge our loyalty to the ten basic principles of the Global Compact.

Another important step was made in 2012 when we began establishing a CSR team across borders, managed from Denmark to make sure our company “DNA” will remain intact and with team members locally in our production countries to help implementing the activities and strategies.

In 2013 we received the SA8000 certificate at our four factories in Latvia, and in 2014 the SA8000 certificate was obtained at our Vietnamese factory.

We want to start working much more goal oriented towards the external environment with particular focus on solid waste and energy efficiency. Further steps are working with our suppliers and our customers to ensure the whole value chain eventually is covered by our CSR programs.

A part of the operational profit will be re-invested in current CSR activities and a constant upgrade of the working environment standards because we believe CSR is not only about ethics and high moral but also good business.

Jesper Klausen

Director Production and Supply Chain

General Introduction of our Company

Spectre is a private label garment manufacturer within the outdoor sports wear industry. Being part of a production chain with factories in Asia and Eastern Europe we are aware of the importance of a strong emphasis on the Global Compact principles. This necessity is stressed by our customers, who are European brand owners, and also by the end users of our products; outdoor/sports enthusiasts, who seem particularly concerned about sustainability.

For several years Spectre has had a strong focus on CSR related issues but only recently initiated a more structured and systematic approach to CSR. The Spectre management has also been emphasizing some of the issues in the Global Compact which has resulted in notable impact at our factories compared to other factories in the garment industry.

As a first step towards a strategic and systematic way of working with CSR a decision was made to aim at obtaining a SA8000 certification. SA8000, created in 1997 by Social Accountability International, is an international standard for improving working conditions around the world. It is an auditable standard for a third-party verification system, setting out the voluntary requirements to be met by employers in the workplace, including workers' rights, workplace conditions, and management systems. The normative elements of this standard are based on national law, international human rights norms and the conventions of the ILO.

Human Rights Principles (1-2)

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: Business should make sure that they are not complicit in human rights abuses.

Labour Rights Principles (3-6)

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labour;
- Principle 5: the effective abolition of child labour; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

Our SA8000 certification continues to be a useful tool for us to ensure that Spectre respects the Human Rights and Labour Rights. Internal and external audits results in very detailed reports on the working climate and to what extent we live up to the responsibility that we claim to take on as a company.

Looking back at the past year the latest SA8000 audit conducted by Bureau Veritas in Latvia came out with 0 non-conformances meaning that we fully comply with the standard. This report covers our largest units counting more than 400 employees. We are very satisfied with the result and well aware that such achievement is the result of hard work from a large number of employees in Latvia. People who increasingly understand the SA8000 system we have build up, follow the working and safety instructions and see the benefits paved by having a CSR framework.

An important step taken in 2015 was handing over the SA8000 responsibility from the Danish head office to Latvia. We are convinced that by delegating the responsibility to our local staff, we develop a stronger connection between the SA8000, our employees in general and management. We believe that a stronger relationship and increased trust can be build amongst our local SA8000 responsible and other employees and that this will result in more openness and improved communication about working conditions which then will reach the local management and top management in Denmark. Only by communicating we can continue to improve as one company.



Sewing workshop Spectre Vietnam 2015

In Vietnam our SA8000 system is less mature and we continue to emphasize the importance of understanding the value of the standard. Compliance is high in Spectre Vietnam in general and everybody involved wants to make an effort and the SA8000 reports are at an acceptable level. Further, we have had a social audit conducted by Fair Wear Foundation, which also helps us keeping close track of living wage issues.

In the beginning of 2015 Spectre was asked to speak at the EU Multi-Stakeholder Forum on Corporate Social Responsibility in Brussels. We were asked to give some insights about the practical side of working with CSR in the garment industry. The conference itself was very interesting to take part in due to the high academic level and thus theoretical perspective on CSR. For the exact same reason it was highly relevant for us to be present at the conference and in a panel on responsible supply chains, conveying the practical perspective.

The photo on the front page of this year's CoP witnesses that we had a prominent visit at the head office in Denmark, shortly after the conference in Brussels. It was the Danish Minister for Trade and Development, Mogens Jensen, who has a strong interest in CSR and the idea that business has an important role to play in the development of the countries in which we operate. We had a pleasant talk over lunch and we had a chance to present Spectre and our quality products.

Environmental Principles (7-9)

- Principle 7: Business should support a precautionary approach to environmental challenges;
- Principle 8: Undertake initiatives to promote greater environmental responsibility, and;
- Principle 9: Encourage the development and diffusion of environmentally friendly technologies.

2015 is dedicated to extensive work on the environmental part of CSR. We have considered many initiatives and decided on two specific tasks; Firstly, we want to include CSR in our future yearly reports including KPI's for our environmental footprint. Secondly, we have decided to head for yet another certification,

which will hopefully serve as a useful framework for working with the environmental issues of being a garment manufacturer.

Hence, we are at the beginning of a bluesign implementation process which will bring valuable information about our potential in terms of reducing our environmental footprint.

The bluesign system covers five main areas; Resource Productivity, Consumer Safety, Water Emission, Air Emission, Occupational Health & Safety. The approach is described by bluesign as:

“bluesign® considers the production processes as a whole. Therefore, the applied components and processes are thoroughly audited. The aim of our so-called Input Stream Management is for unsustainable substances not to enter the production cycle at all, but to be eliminated first. The crucial point is not the number of manufacturers involved or the number of processing steps. A clean process with sustainable ingredients is decisive at the end of which a marketable product enthralls the customers. Input Stream Management helps the textile business to produce in an environmentally friendly and resource-efficient way combining both the economic and ecological advantages to the benefit of everyone involved.”

However, it is a long-term process with extensive data collection lying ahead of us. We have many new fields to learn about during this process and therefore we have partnered with a consultant who can guide us on the way towards bluesign system partner status; hopefully in 2016.

Recycling fabric

Our last CoP report described how we are working towards becoming part of the circular economy. An initiative we are very excited about is our fabric waste recycling project. We are collecting and sorting our fabric waste from the cutting department and testing the potential for using it as padding for jackets. We have the first proto jackets tested and evaluated at the moment and results are acceptable for a proto but not ready for sale yet.



Cutting waste Spectre Latvia

The next months we will continue to develop the process and make some adjustment to the material and hopefully it will turn out to become a competitive alternative to the padding used by our quality oriented costumers.

Anti-corruption Principle (10)

- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery

Fall 2014 we decided to develop and implement an anti-corruption policy.

Our approach was to start by making ourselves acquainted with the legislation in Denmark and the UK Bribery Act. We must comply with the UK Bribery Act because we do business in the UK.

We formulated our anti-corruption policy and the procedure which must prevent such actions from happening within our company.

Afterwards, we conducted a risk assessment involving the local management across Spectre and the top management in Denmark. The risk assessment pointed out in which areas we should focus our efforts. Having done that we were ready to train all relevant staff in our new policy and procedures. You can see the result here:

Anti-Corruption Policy

This policy applies to all individuals working at all levels including directors, managers, supervisors, employees, consultants, contractors, trainees, agents, or any other person associated with Spectre, wherever located.

Spectre is operating in three countries which on the Corruption Perceptions Index are placed as follows: Denmark is no. 1, Latvia no. 43 and Vietnam no. 119 of 175 countries.

(Source: Corruption Perception Index 2014).

It is Spectre's policy to conduct all our business in an honest and ethical manner. We have a zero-tolerance approach to bribery and corruption and we remain bound to the UK Bribery Act and the Danish legislations.

Bribery and corruption are punishable for individuals and if Spectre is found to have taken part in corruption we could face an unlimited fine and face damage to our reputation. We therefore take our legal responsibilities very seriously.

What is bribery?

A bribe is an inducement or reward (such as money, gifts or favors) offered, promised or provided in order to gain any commercial, contractual, regulatory or personal advantage.

Identification of risks:

To address the risks we have taken the following steps:

- Formulated and implemented an anti-corruption and bribery policy
- Conducted a risk assessment
- Trained all managers and relevant staff in our anti-corruption policy

We have identified that certain activities create particular risks for our company:

- Import/export of goods including contact to customs authorities
- Supplier contacts
- Price negotiations
- Quality audits
- Social audits
- Financial audits
- Payments of invoices
- Payments and contacts with tax authorities
- Salary payments (only bank transfer)

Anti-Corruption Procedures

Hospitality and Gifts

This policy does not prohibit normal and appropriate hospitality (given and received) to or from third parties. Normal and appropriate gifts are:

- Not made with the intention of influencing a third party to obtain or retain business or a business advantage
- In compliance with the local law
- Given in our name, not in your name
- Not including cash or equivalent

- Given openly, not secretly
- Appropriate in the circumstances (value of gift, time given/received etc.)

Your responsibilities

1. You must ensure that you read, understand and comply with this policy
2. You must inform your manager, CSR team or worker representative as soon as possible if you believe or suspect that a conflict with this policy has occurred, or may occur in the future.
3. Any employee who breaches this policy will face disciplinary action, which could result in dismissal for major infraction.
4. Inform your manager or CSR team if you are offered a bribe by a third party, are asked to make one, suspect that this may happen in the future, or believe that you are a victim of another form of unlawful activity.

Protection

Employees who refuse to accept or offer a bribe, or those who raise a concern or report another's unlawful actions are sometimes worried about possible consequences. We aim to encourage openness and will support anyone who raises genuine concerns in good faith under this policy, even if they turn out to be mistaken.

