

# **MASCOT's report on due diligence in supply chain**

Statement of the reporting year 2023

THE REPORT APPLIES TO THE PERIOD: 1/1-2023 – 31/12-2023



# SUSTAINABLE DEVELOPMENT GOALS



Our goal is to develop the world's best workwear.

Our core values include quality and decency. Just as the values are fundamental ideals for Tested to Work, they also reflect our work with Corporate and Social Responsibility.

Specifically, it may be about working purposefully to reduce the climate footprint in our production and to continuously extend the shelf life of our products.



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Michael Grosbøl  
CEO

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This report is built around FN’s guiding principles about human rights and business as well as the OCED Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector model for risk assessment for responsible business.

“The OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector (hereafter “Guidance”) helps enterprises implement the due diligence recommendations contained in the OECD Guidelines for Multinational Enterprises along the garment and footwear supply chain to avoid and address the potential negative impacts of their activities and supply chains. It seeks to support the aims of the OECD Guidelines to ensure that the operations of enterprises in the garment and footwear sector are in harmony with government policies to strengthen the basis of mutual confidence between enterprises and the societies in which they operate. This Guidance also supports enterprises with the implementation of the due diligence recommendations contained in the UN Guiding Principles on Business and Human Rights. The Guidance is aligned with the International Labour Organization’s (ILO) Declaration on Fundamental Principles and Rights at Work, relevant ILO Conventions and Recommendations and the ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy. Together with its modules on due diligence for specific risk areas, this Guidance provides enterprises with a complete package to operate and source responsibly in the garment and footwear sector.”<sup>1</sup>

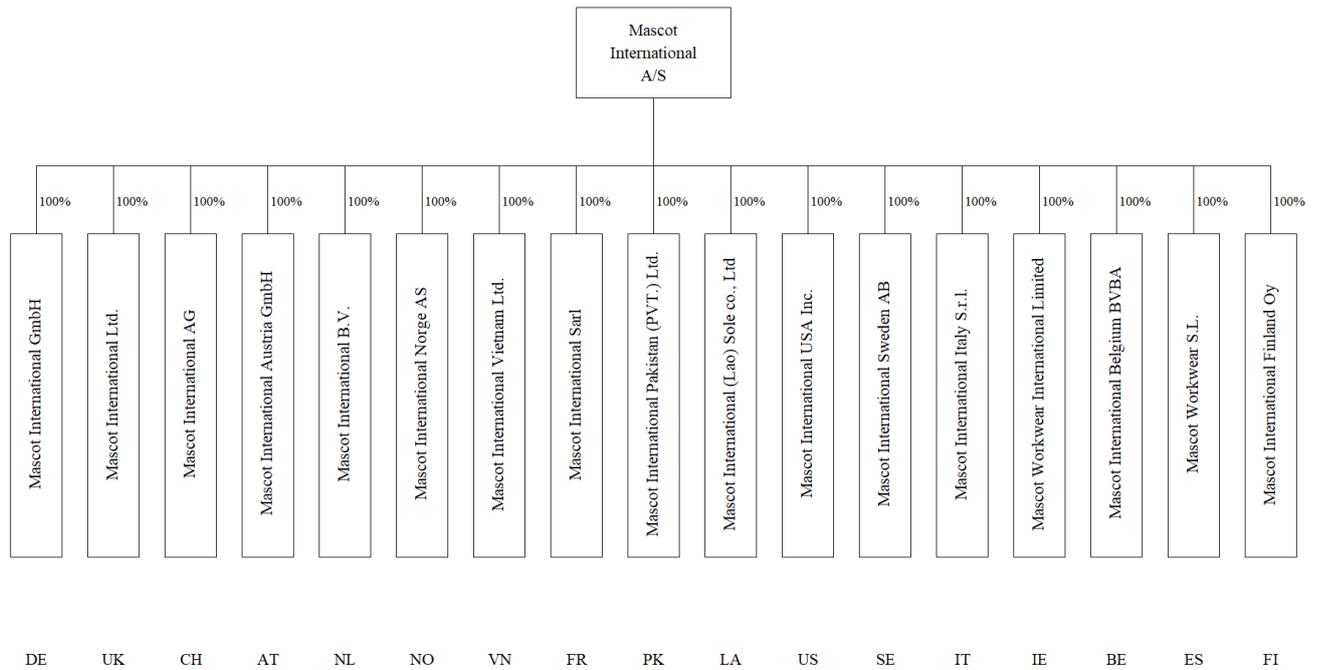
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<sup>1</sup> [OECD-Due-Diligence-Guidance-for-Responsible-Supply-Chains-in-the-Garment-and-Footwear-Sector.pdf \(respect.international\)](#)

# Key information about holding and supply chain

## Name of company

Mascot International A/S is the name of the mother company



\*MASCOT corporate structure

## Address of headquarters and own production

MASCOT International A/S

Silkeborgvej 14

DK-7442 Engsvang

80% of all MASCOT products is made in own production, the last 20% is footwear, trading goods and accessories that MASCOT purchase.

## The production companies

### MASCOT INTERNATIONAL VIETNAM LTD

Lot CN 3.1,

Tan Truong, Industrial Zone,

Cam Giang District,

Hai Duong Province,

Vietnam

### MASCOT INTERNATIONAL (LAO) SOLE CO., LTD

Lot 44-51, VITA Park, Km 22,

Road 13 South, Noonthong Village,

Saythany District,

Vientiane Capital, 01170

Laos

## Products, services and operating areas

Work wear, work shoes and MASCOT RE-worked®

## Description of organization

MASCOT is a Danish-owned family business that is among the leaders in b2b sales of workwear. Our products are developed in Denmark, while the majority of our 700+ unique products are produced in our own factories in Vietnam and Laos which are SA8000 certified. Our core values are quality and decency, and they are reflected in everything we do. This means that our customers and suppliers always get quality in products, solutions and agreements, while decency for us means that we are thorough, professional and take responsibility.

- The company was founded in 1982 by John Grosbøl
- Production in Vietnam was established in 2008
- Production in Laos was established in 2013
- Employees in more than 20 countries

## Turnover (DKK) in 2023

Net revenue 1.811 billion DKK

## Number of employees

Total on average in 2023: 4248

## Is Mascot International A/S covered by Åpenhetsloven

Yes, MASCOT International Norge A/S and MASCOT International A/S are

## Significant changes since the previous report

First year with a report

## Name and title of contact person for the report

Marianne Kirstine Møller, Corporate Responsibility Manager

## E-mail for contact person responsible for this report

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## Information about the supply chain

### General of Mascot International A/S procurement model and supply chain

Mascot International A/S conducts an audit before signing with a supplier. The audits are based on the qualifications of SA8000, because MASCOT's own production in Laos and Vietnam are SA8000 certified. We pride ourselves on the fact that 20% of MASCOT garments are made in SA8000 compliant operations and 80% are made in own SA8000 certified production. Before the supplier and MASCOT International A/S start a collaboration, the supplier also needs to sign a Code of Conduct from MASCOT International A/S and a trial order is made and quality tested in MASCOT's own labs.

Responsibility is a part of MASCOT's core values and in the management system, in continuation of this MASCOT has a big focus on sustainability. MASCOT is ISO14001, ISO9001 certified and own production is SA8000 certified. Furthermore, MASCOT is EcoVadis rated, and the assessment is used internally to analyze where MASCOT can improve. UN sustainable development goals are also used as guiding for MASCOTs activities and approach of working.

### Type of purchase

Fabrics

Accessories

Trading Goods

### Number of suppliers in 2023

13 trading goods suppliers

30 fabric suppliers

20 accessories suppliers

2 own production sites

## List of production countries

### Trading goods

China

Bangladesh

Laos

Vietnam

### Fabric

Vietnam

Pakistan

China

Taiwan

Denmark

England

Korea

Sweden

Spain

Czech Republic

France

### Accessories

China

Denmark

Taiwan

Vietnam

Sweden

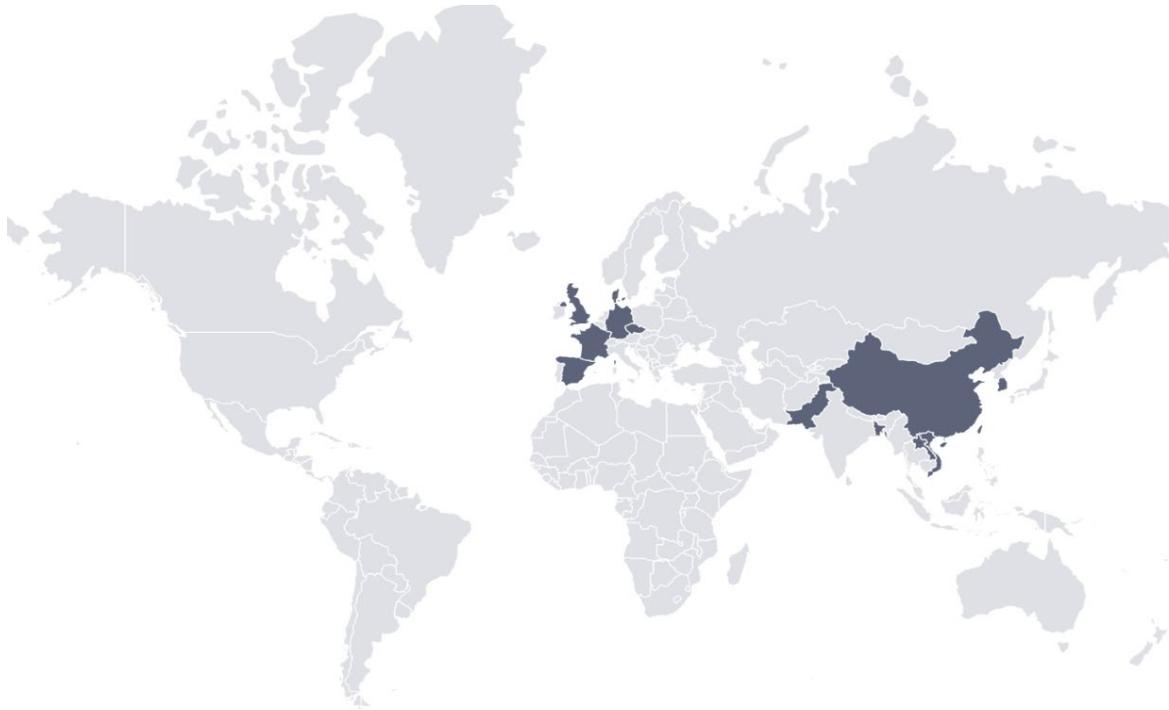
Hong Kong

Germany

## Own production

Vietnam

Laos



\* World map of MASCOT's suppliers highlighted in dark grey

## Number of production sites this is based on

MASCOT INTERNATIONAL VIETNAM LTD

MASCOT INTERNATIONAL (LAO) SOLE CO., LTD

## Is the company a supplier to the public sector

Yes

# Risk Assessment

## Geographic risk-characteristics

At MACOT we work out a risk analysis per country. The analyses are made based on where MASCOT buys Fabrics, Accessories, Trading Goods and has its own production. These assessments are made on the basis of OECD, EcoVadis, Corruption Perceptions Index, Human Rights Watch, FairWear, ILO and so on.

No risk/lack of data ( indicating risk )
Low risk
Notable risk
Some risk
Considerable risk
High risk
Very high risk
Extreme risk

Sector Risk	China	Bangladesh	Pakistan	Vietnam	Laos	Hong Kong	Czech republic
Child Labour	High risk	High risk	Extreme risk	High risk	Very high risk	No risk/lack of data ( indicating risk )	No risk/lack of data ( indicating risk )
Sexual harassment & Violence	Some risk	Very high risk	Some risk	Very high risk	High risk	No risk/lack of data ( indicating risk )	No risk/lack of data ( indicating risk )
Forced Labour	High risk	Some risk	High risk	High risk	Some risk	Low risk	Low risk
Excessive overtime	High risk	High risk	High risk	High risk	No risk/lack of data ( indicating risk )	No risk/lack of data ( indicating risk )	No risk/lack of data ( indicating risk )
Low wages ( under payment)	No risk/lack of data ( indicating risk )	Some risk	High risk	Some risk	Some risk	No risk/lack of data ( indicating risk )	No risk/lack of data ( indicating risk )
Illegal/Informal employment	Some risk	Extreme risk	Very high risk	Some risk	Some risk	No risk/lack of data ( indicating risk )	No risk/lack of data ( indicating risk )
Freedom of Association and Collective Bargaining	Extreme risk	High risk	High risk	High risk	High risk	High risk	No risk/lack of data ( indicating risk )
Building and Machine Safety	Some risk	Some risk	Very high risk	High risk	Some risk	No risk/lack of data ( indicating risk )	No risk/lack of data ( indicating risk )
Pollution	Very high risk	Very high risk	Some risk	Very high risk	No risk/lack of data ( indicating risk )	No risk/lack of data ( indicating risk )	No risk/lack of data ( indicating risk )
Corruption	High risk	Very high risk	Very high risk	High risk	Very high risk	Some risk	High risk
Human rights	Very high risk	Very high risk	High risk	Very high risk	Very high risk	No risk/lack of data ( indicating risk )	No risk/lack of data ( indicating risk )

When the Due Diligence process is conducted the countries risk is also taken into consideration.

## Due Diligence

MASCOT has a due diligence process for all trading goods suppliers. The trading goods suppliers are 3<sup>rd</sup> party audited by SGS. MASCOT has an established team across the organization to identify any risks and manage their remediation. The team is also responsible for measuring and reporting on the annual reduction of environmental and human rights risks in our supply chain. Every year audits are conducted at the trading goods suppliers' sites. The Audits are focusing on social responsibility with a questionnaire based on OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector as well as SA8000. Furthermore, there are added questions about the environment. When the audit is conducted, the supplier gets a score. If the score is over 90%, they must be audited every two years, if the score is under 90%, the supplier needs to be audited the following year again. The score is based on how well the supplier meets MASCOT's demands on the social and environmental parameters. When the supplier is audited, the audit team notes if there are any findings, complaints or if they are complaint. The findings are categorized as minor, major, and critical findings. For every finding category there is a correction action plan (CAP):

A=Compliant

B= Minor

C= Major

D= Critical

## Complaint

Type 1: No finding of non-compliance.

Type 2: Fully compliant with MASCOT's Code of Conduct and local legislation.

## Minor Finding

Type 1: Indicates a single area that does not meet minimum standards and requires a single corrective action to be conducted by the supplier.

Type 2: The methods and records observed during the audit highlight some areas that do not meet minimum standards and some or a single corrective action must be conducted by the supplier.

CAP deadline is 6 months.

## Major Finding

Type 1: A number of minor non-compliances against one requirement can represent a major non-compliance.

Type 2: The audit highlighted significant and major non-compliances. The improvements needed are either multiple or important to minimize risks for people and environment.

Type 3: A non-compliance that poses an imminent and immediate but not life-threatening threat to the health and safety of workers or environment [in which case a Critical finding SHALL be raised].

CAP deadline is 3 months.

## Critical Finding

A grievous breach of legislation and/or decent standards that results in severe impact to individual rights, life, safety and/or MASCOT's reputation. That includes:

1. A breach of ethical standards.
2. Imminent and/or immediate threats to life, health and safety of workers or environment; and/or
3. Grievous and intentional violations of human rights.

D is used for profoundly serious cases. If a rating is D, a 'containment' action must be taken at once to avoid further damage and MASCOT must be informed and involved within 24 hours.

Also, although D, which is the most critical rating, is only listed for some of the questions, it is always possible to score a D, if the audit has highlighted extreme and critical non-compliances, which means that the situation is so dangerous and unstable that it cannot continue.

CAP deadline is <1month.

## Complaints

Needs to be managed immediately from MASCOT HQ

There are ongoing follow-ups on the suppliers CAP deadlines. At the end of every year the due diligence team across the organization identifies the risks for the individual supplier and country. If there is a finding that contravenes MASCOT's Code of Conduct, repeatedly from year to year, it is assessed, whether the cooperation shall continue.

# Examples of actual negative consequences that MASCOT have handled in the Due Diligence risk assessment in 2023

The names of MASCOT's suppliers are confidential, therefore they are called supplier 1,2,3 and so on.

## Supplier 1

Supplier 1 had their employees working overtime and lacks an environmental permit, which is against MASCOT Code of Conduct and not in line with the VN Labour Code 2019, where the employees are allowed to work 8 hours in a day and 48 hours in a week, 8 hours a day in 6 days a week. Overtime shall be in compliance with SA8000 guidelines. In 2022 Supplier 1 had many of their employees working 11 consecutive days without any day off and 10 hours or more per day, but this was improved by the end of the year. In 2023 Supplier 1 had many of their employees working 9 consecutive days without any day off and 10 hours or more per day. The causes of this are the number of orders from customers and their production capacity. From this we can see that it is gradually improving by the end of CAP timeline, but it is a returning problem that needs to be considered in future collaboration with Supplier 1. Due to the deviation from MASCOT's Code of Conduct, it was decided to end the collaboration.

## Supplier 2

Supplier 2 lacks a building approval. MASCOT has decided to end the collaboration with this supplier.

## Supplier 3

In 2022 supplier 3 lacked an industrial building approval, but the finding was closed with a temporary *commercial* building approval based on a letter certificate on building safety from the Bangladesh ACCORD to confirm that the facility had completed all structural issues.

The process for this finding is that MASCOT needs to have documentation that Supplier 3 have applied for an industrial building approval. When MASCOT have received the documentation, supplier 3 can receive dispensation for CAP deadline. MASCOT have ordered an trial order for the products that Supplier 3 produces for MASCOT, and if the trial products are not good, MASCOT will leave within 6 months.

Supplier 3 had another finding regarding encashment of annual leave for the workers. Supplier 3 tried to settle the finding with only resigned personal for 2023 and fully settle with the remaining staff in 2024. However, MASCOT decided that the wage must be handled in 2023

and live up to the law in Bangladesh. Supplier 3 management have therefore planned to pay earned leave in 2024 for all, calculated in 2023.

## Supplier 4

Supplier 4 have paid employees from assistant manager to above employees (senior management) for January and February 2023, but have not succeeded in paying the employees the salary for March, April and May 2023.

They were required to pay the workers for the last months no later than the end of July 2023.

The salary has been disbursed and all employees have been paid. To make sure this does not happen again, supplier 4 have implemented a new payment schedule that complies with legal requirements. Henceforth, salaries for Assistant Manager and above positions will be disbursed within 7 days of the payment month, which means the payment for July 2023 was completed on 17th August 2023. Pay slips for May, April, June, July and August have been received for evidence.

## Complaints

There were no complaints made in 2023.

# Own Production

MASCOTs own production in Laos and Vietnam is SA8000 certified, and therefore follows the rules according to SA8000 and local regulations. The SA8000 standard is the world's leading certification program for social responsibility and is based on:

ILO conventions

UN Universal Declaration of Human Rights

UN Declaration on the Rights of the Child

At MASCOTs own production in Laos and Vietnam you will therefor find:



- No child labour



- No discrimination



- Disciplinary practices



- No forced or compulsory labour



- Health and safty



- working hours and remuneration



- Control of working conditions of subcontractors



- Freedom of associations and right to collective

The certification is proof of fair and decent business operations towards workers, and it is demonstration of adherence to the highest social standards. The certification gets renewed every 3<sup>rd</sup> year by BSI. During a year there are conducted 4 audits of MASCOTs own production. The SA8000 certification is subject to external audits by international certification agencies, BSI, twice a year, while our social performance teams in respectively in Vietnam and Laos also conducts 2 annually audits.



\*Apartment in Laos for works there is long way from home

## Transparency of Earning

At MASCOT, there is transparency in the employee remuneration. MASCOT's workers in Vietnam and Laos typically earn up to three times as much as the legal minimum wage and the wage are continuously updated according to external conditions. The employees have the opportunity to attain different bonuses. For example, they can obtain "attendance bonus", where the employee are rewarded if they attend work every workday.

MASCOT also offers a "performance bonus" equalling the piece rate.

Everybody receives an extra month's wage in connection with the Vietnamese New Year, Tet and the Lao New Year, Pi Mai.

Finally, employees can earn bonuses at the awards 'employee of the month' and 'employee of the year'.

MASCOT's management is obligated to conduct need's assessments to ensure that the wages are sufficient to afford a decent standard of living. In addition, employees shall be compensated for overtime at a premium rate.

### *Salaries and Benefits*

- Guaranteed minimum salary
- Attendance bonus

- Performance bonus
- Tet bonus
- Worker of the month / Worker of the year
- Monthly dialogue with all employees

## Safety Training and Education

At MASCOT, the employees' safety is a top priority and therefore all employees are included in safety training from day one and employees receive continuous training throughout their employment. In addition, MASCOT conducts safety inspections on a daily basis, and there are security supervisors in all departments. MASCOT records all safety events, and the health and safety committee evaluates all events.



\*Safety training at MASCOT production

## Health and Safety Principles

Safety is a top priority. The senior management has a direct responsibility

- All employees undergo training in safety related issues from day one.
- Safety supervisors in all departments.
- Safety inspection on a daily basis.

- Scheduled safety training for every employee.
- All safety related events are recorded and evaluated by the safety committee of the company

## First Aid and Fire Training

MASCOT has an agreement with the local fire department, so they, together with MASCOT, train the employees in firefighting. This is done at regular test evacuations of the factories. In addition, MASCOT's doctor continuously trains MASCOT's own first aid team.

MASCOT conducts planned evacuation drills with all employees, so they all know where to be and what to do in case of fire or another critical situation. The alarm also goes off if, for example, a large insect flies into the ventilation system – MASCOT uses this as an unplanned evacuation exercise.

## Traffic safety

In collaboration with the local traffic police, MASCOT has initiated training in traffic safety to help bring down the unbelievably high number of traffic accidents in Vietnam. In relation here to, all employees have received a safety helmet so they can get safely to and from work. MASCOT has a financial obligation of up to three years' salary if an employee is injured and is completely or partially disabled in a road accident.

The majority of our colleagues in Laos are transported to and from work by MASCOT every day because of the poor infrastructure and lack of public transport.

## Medical Clinics at MASCOT

MASCOT has its own officially registered and state-certified medical clinics at the factories in Vietnam and Laos.

At the medical clinics, we have both doctors and nurses who work full time with the health of the employees. The clinics are responsible for the daily work with health among MASCOT's employees in Vietnam and Laos. Among other initiatives, they use a lot of time on preventive health work and information campaigns. With the information campaigns, MASCOT wishes to inform the employees about how to take care of their health, for example in terms of proper eating habits and with good personal hygiene, and with information campaigns about (contagious) diseases and epidemics.



\*Medical clinic at MASCOT INTERNATIONAL (LAO) SOLE CO., LTD

## Free Lunch

MASCOT offers all employees a free lunch with good nutritious food. MASCOT's doctors and nurses supervise MASCOT's canteen daily and take samples of the food to ensure high quality and prevent food poisoning.

A healthy, nutritious lunch has many benefits. A healthy lunch strengthens the employees' immune system, ensures greater productivity through the work day and allows MASCOT's employees to meet around a meal at the workplace.



\*canteen at MASCOT INTERNATIONAL (LAO) SOLE CO., LTD