

Mascot International A/S

# MASCOT's Social Report 2021

EN version



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# 1. Introduction

As a Fair Wear Foundation (FWF) member, MASCOT is obliged to report on the progress of implementing the Code of Labour Practices. The social report is an important tool in communicating our continual efforts towards fairness and decent work.

This social report is written by MASCOT's Corporate Responsibility department, and refers to the guided structure from FWF, the OECD guidelines and UN's principles for human rights.

## About MASCOT

MASCOT is a Danish, family-owned company founded in 1982. The company's mission is to develop, produce, market, and sell the world's best workwear and safety footwear. MASCOT has employees in Denmark, Vietnam, Laos, Germany and 16 other countries.

Decency and Quality have always been our core values. They are manifested in customer service, durable products as well as responsibility towards people and the environment. We promote worker's wellbeing, employment fairness, and high quality in both service and production. It has never been a strategic priority for us to sell and deliver the cheapest workwear, but instead to provide the best product.

To ensure product quality and working conditions for the workers producing our workwear, we have built our own factories. More than 2/3 of our total FOB is from our own production and made by our employees at the factories in MASCOT Vietnam (MVN) and MASCOT Laos (MLS).

The remaining FOB is provided by trading goods suppliers and subcontractors that we visit and inspect yearly to make sure they comply with our standards. This, of course, has been impacted due to COVID-19.

## Audits, Quality, and Remediation

To be able to remediate or mitigate potential risks, we conduct regular audits internally and by third parties. We are ISO 9001 certified for our Quality Management, and we are SA8000 certified for our social conditions in our production facilities in Vietnam and Laos.

SA8000 audits alone are conducted four times a year at each factory, which is documented by the on-site Social Performance Teams, as well as by the daily checks and trainings. The Social Performance Teams also have a mandate to submit improvement proposals to the management and they can 'appeal' these to the auditors if the management declines.

Remediation is planned and conducted continuously and in coordination with the headquarters in Denmark.

By living up to our own standards, memberships, and certifications, we acknowledge and ensure a good work environment, no child labour, gender equality and a decent pay.

We compensate overtime and do not accept excessive overtime. The employees (globally) are informed of and have access to a trade union as well as a constituted worker representation. The supplier Code of Conduct states expectations to workers' wage levels, regulated use of chemicals, zero-tolerance on excessive overtime, discrimination, forced labour, violence, and harassment, as well as an agreement on proper contracting between employer and employees.

In both of our own factories in Vietnam and Laos, we have received several awards for the ambitious and structured work with responsible production. Most recently in December 2021 from the American Chamber of Commerce in Hanoi for our work with social responsibility before and during COVID-19.

## **2. COVID19 addendum**

The omnipresence of COVID-19 has continued throughout 2021 affecting many aspects of the business.

### **2.1 Steering Committees**

At our Vietnam and Laos production facilities, we have established steering committees with representatives from HR, administration, Social Performance Team, doctors, and worker representatives. The safety measures and responses to both COVID-19 and regulations have been a joint effort across the factory and with the headquarters in Denmark.

### **2.2 Lockdowns**

Regarding lockdowns, both of our own production facilities have experienced lockdowns, and one of the trading goods suppliers has experienced a lockdown during 2021.

### **2.3 Wages**

#### **Own factories**

The target salaries for our employees in Vietnam and Laos are generally based on a desire to attain skilled labour and a decent perspective on employment. Concretely, this means a standard wage above Legal Minimum Wage and the calculated Basic Need Wage. On top of the basic salary, we use bonuses proactively to motivate and engage the workers in training and to use safety equipment. Lunch, medical consultations (free access to own medical clinics), and clean drinking water is free of charge.

MASCOT has maintained a decent pay during the COVID-19 pandemic and lockdowns. We pay 70% of the full wage to our employees at the production facilities in Vietnam and Laos during lockdown. The wages however will never fall below the Legal Minimum Wage. In the case of a worker getting COVID-19, we pay 100% of the basic salary during sick leave.

#### **Trading goods suppliers**

Our trading goods supplier in Cambodia experienced a government-issued lockdown in May 2021 that affected more than 2100 people. During the lockdown, the supplier supported the employees with Legal Minimum Wage plus additional 30USD. The rest of our trading goods suppliers report of no lockdowns.

### **2.4 Safety**

#### **Own factories**

The employees at our production facilities in Vietnam and Laos have been informed of and is aligned with mitigation strategies, just as various posters and other informative material on contamination control has been set up. On top of that distance marking, putting up booths at the

canteen and workplace, testing lines, vaccination lines, temperature measuring at gates, mandatory use of face masks, disinfectants, and isolation areas have been part of the daily work.

Travel restrictions includes medical proof of being vaccinated or disease free. Travel to and from risk-zones has been prohibited, as well as general recommendations from the local authorities have been complied with.

The medical staff was expanded, as they were testing the employees (+2200) every week and has organised vaccination (including booster) in collaboration with the local authorities. The general medical services at the factories have of course been affected by mitigation strategies, such as face masks, distancing, isolation, temperature measuring, etc. but has continued through the pandemic.

### **Trading goods suppliers**

Focusing on the trading goods suppliers, national vaccination programs are superior to our leverage and permission to offer vaccines. Most of the suppliers however can report of a 100% vaccinated workforce and even some plans of booster vaccines. We have instead focused on maintaining communication, and assuring and supporting the suppliers with information on violence and harassment assistance, Fair Wear Code of Labour Practices, helplines, worker representation, freedom of association etc.

## **2.5 Procurement**

We have been continuously attentive to the potential of supplier stress caused by the previous mentioned topics, ultimately being at the workers' expense. Fluctuation on raw material availability, energy prices, and transportation has made it necessary to be flexible towards pricing and delays, despite attempts to retain control. These attempts include planning and agreement on orders and logistics in advance to provide assurance for both MASCOT and our suppliers.

## **2.6 Audits**

### **Own factories**

MASCOT's own factories have been able to receive SA8000 audits.

### **Trading goods suppliers**

SGS has not conducted audits at trading goods suppliers during the pandemic, changing the usual third-party approach by MASCOT. Therefore, we have been forced to rely on third-party BSCI-audits conducted on the initiative of the supplier. However, the daily contact and guidance from our headquarters to the trading goods suppliers has been ongoing through 2021. Some has even been able to receive onsite visits by our employees located in the country of the supplier.

## **2.7 Freedom of Association**

The rights of "freedom of association" and "freedom to organise" are matters of great importance to us. The rights of "freedom of association" and "freedom to organise" are connected to the concept of dialogue with workers through structure, and our worker representative and safety representative.

We continuously engage in dialogue with our employees in Vietnam and Laos. In addition, we have an open dialogue with our trading goods suppliers, who are also visited frequently. This has shown to be both a responsibility principle as well as a pragmatic approach during the pandemic as regulations, vaccinations, and contamination degrees vary.

We consider dialogue to be a tool for balancing the relationship between management and working force, both internally and externally at the trading goods suppliers. Dialogue is a way to pre-empt or solve potential conflicts and an opportunity to involve Trade and Workers' Unions, should it be wanted by the employees.

Concretely, at MASCOT's production facilities in Vietnam and Laos, the dialogues are conducted regularly either with union representation or at least by documenting and reporting to the local trade union.

## **3. FWF Membership**

MASCOT has been a member of the Fair Wear Foundation since 2019, making this the 2<sup>nd</sup> Social Report. We train and inform our personnel of the services and opportunities provided by the membership, as well as reports, sets annual plans on social progress, and receives a brand audit with the overall score on social responsibility throughout our supply chain.

### **3.1 Focus areas for 2021**

While not yet experiencing the Fair Wear membership and obligations outside the pandemic, we have specifically chosen Safe & Healthy working conditions as a focus for 2021. This is absolutely a crucial element, where many other principles play part and is naturally included.

At our own production facilities, the employees receive safety training and education from day one. This even includes a traffic safety course, firefighting training, as well as health information campaigns to make sure the employees are safe and healthy, also in their spare time.

We have involved several departments in continuously keeping up high health and safety levels by continuous dialogue and audits at trading goods suppliers – to the extent possible with COVID-19.

### **3.2 Fair Wear's recommendations for 2021**

Through our first Brand Performance Check in 2020, and general dialogue with Fair Wear Foundation, we received concrete recommendations and requirements for our second year working with Fair Wear and its Code of Labour Practices. The following is a list of specific recommendations.

The first recommendation listed is the deepened work on balancing the relation between price and wages. We are, for more than 2/3 of our FOB, in direct control of the price/wage ratio, which is elaborated further down in this report on our production sites in Vietnam and Laos. These wages are more than the Legal Minimum Wage and the calculated Basic Need Wage. Working on the price wage ratio with our trading goods suppliers requires knowledge on legal minimum wage and wage levels at our suppliers, as a first step. There has therefore been focus on data from payslips through third-party audits. We do not tolerate levels below the legal minimum wage, and this is expressed in our Supplier Code of Conduct, which is signed by all our suppliers.

The second recommendation listed is securing the awareness of our Fair Wear membership, and on implementing the code of labour practices. In this regard, we have sent information on our membership, what it entails, and the expectations to our suppliers and sources. The informative material includes the code of labour practices, worker sheet information and questionnaires.

This relates to the third recommendation listed, as it should be secured that all suppliers have received and posted the worker information sheet by the end of 2021. We have fulfilled this recommendation and documented it on Fair Wear's internal platform.

The fourth recommendation listed was ensuring that MASCOT's Turkish supplier documented its compliance with Fair Wear's *Guidance on Turkish garment factories employing Syrian refugees*. We have collected a signed code of conduct addendum stating the supplier's compliance on specific risks on the topic.

## 4. Sourcing strategy

MASCOT's sourcing strategy is split between our own production and external trading goods, as we are one of the few in the workwear industry to own our primary production facilities representing more than 2/3 of the FOB in 2021. Regardless of supplier type, MASCOT supports social responsibility through freedom of association, fair wages, voluntary working conditions and abolishment of child labour. These aspects are concretely described in the Code of Conduct and adhered in the supplier audits.

### 4.1 Own production

As described, both our own production facilities are SA8000 certified, and structurally and actively working with social conditions in our production facilities in Vietnam and Laos.



Focusing on safe and healthy working conditions, highlighted topics would entail medical services at the factories, safety training, worker's rights, and associative platforms, as well as safe machinery and equipment. This is not only good for the sewing operators who therefore are not exposed to, for example, heavy lifting, but also a necessity for the advanced processes that sewing sophisticated workwear products require.

### 4.2 Trading goods

As a supplement to our production, we buy a smaller number of products called 'trading goods' (not to be mixed up with ready-made-products). The manufacturers of trading goods are located in Bangladesh, China, Vietnam, Turkey, and Cambodia.

We have continuously and over several years had 10-14 suppliers of trading goods. The largest of these suppliers have been collaborators between 8-12 years. We have been working with others

for a shorter time, 2-5 years, mainly due to changes in the product assortment. We do not source and purchase the raw materials for the trading goods ourselves (as we do to our own production facilities), but there are detailed material descriptions and material specifications for all trading goods, including packaging. Product quality checks are carried out on an ongoing basis at the factories both before and after production.

We work closely together with all our suppliers of trading goods. We are in frequent contact with them from the headquarters in Denmark and through our local employees in China and Bangladesh. We communicate regularly with the suppliers and usually visit them from the headquarters at least once a year. Due to the pandemic, this has not been possible. Instead, MASCOT's local employees visited the suppliers.

### **4.3 Organisation of Sourcing Department**

Sourcing and dialogue with the trading goods factories are handled from the sourcing department in our headquarters.

The largest share of trading goods is purchase of workwear garments and accessories for workwear. These are procured from our Purchasing and Quality Department. The remaining is the purchase of footwear and safety footwear, which are purchased by our footwear department.

Garments and accessories for workwear is taken care of by a team in the Sourcing and Quality Department. The team consists of employees based in Bangladesh, China, and Denmark. The Sourcing and Quality Department is responsible for finding suppliers that match our requirements for both quality, price, and delivery security. The department is also responsible for visiting the factories annually and always before a new collaboration is made. The department is responsible for organising and following up on audits at the factories and to ensure that the factories live up to our standards for working conditions. In addition, the department sends out and follow up on MASCOT's supplier Code of Conduct, ongoing challenges in the industry, and, for example, information about our membership of Fair Wear and all that it entails.

Our Footwear Department is responsible for maintaining and updating our footwear assortment through quality control and product development. The department negotiates prices, sets quality requirements, delivery conditions, and order quantities directly with the supplier. The footwear department is in direct contact with the suppliers and informs the suppliers about MASCOT's membership of Fair Wear and Fair Wear's Code of Labour practices. This information sharing is made more difficult by COVID-19, as we do not have the opportunity to travel and help with the implementation.

### **4.4 Production cycle**

MASCOT's product assortment is built on launches of workwear ranges or individual products that stay in the assortment for years. This means that there are not regular seasonal launches, but that the product launches are spread out over the year. In addition, the lifespan of our products is not limited by the current trend, but instead by the durability of the product. Many products remain on the market for more than 10 years, and there is therefore also high production continuity and specialised knowledge relating to the products at our suppliers. During the development of new products, we perform extensive testing of both materials and functions – in close collaboration with the users of the clothing. This is done to ensure that the products have a long lifespan and durability. The low replacement speed of products combined with a certain predictability in seasonal items (winter jackets versus work shorts) means that we can make detailed forecasts and planning of expected orders for an entire calendar year. This helps to ensure delivery security as well as increase the planning opportunities for our suppliers and thus eliminate the need for overtime.

At our own production facilities, we can prioritise the order in which the products are produced. This means that any changes in our customers' needs can be accommodated without triggering overtime. At our own factories, the amount of overtime allowed is clearly defined in the SA8000 certification. The amount of overtime at the trading goods factories is checked by SGS and/or BSCI during the annual audits. We are aware that we cannot control the amount of overtime at external factories, but we can through audits secure that overtime is voluntary, that it is limited and that employees get the correct payment for their overtime.

The production time (from order placement to delivery) for both MASCOT's own production and the trading goods suppliers is 90 days provided that the raw materials are available. The production time for footwear is generally 120 days (from order placement to delivery).

## **5. Relations and remediation**

MASCOT has not established any new supplier relations in 2021. However, when choosing a new supplier, we evaluate social conditions and working conditions, quality and environmental certifications, the overall impression of the factory, the management level, the level of communication, wages, and prices. All trading goods production facilities are checked by a third-party before we engage in a collaboration. Audits and visits are hereafter (normally) conducted annually to maintain, remediate, or optimise the social conditions of the workers.

Our production facilities in Vietnam and Laos are audited via SA8000 (SAI) four times a year. Two of the audits are conducted internally by a trained Social Performance Team that also has the responsibility of documenting and examining the results. This team is also trained to follow-up if something must be remediated. Moreover, all our employees in Laos and Vietnam receive training in the SA8000-principles, so they know what it entails and to make sure they understand their rights. In addition, new employees are trained on the first day of their employment in the Fair Wear Code of Labour Practices. Re-training is conducted one month later, and the entire factory is re-trained four times a year in Laos and one time a year in Vietnam.

To avoid audit fatigue at our trading goods suppliers and to establish a more ambitious approach to worker conditions, rather than auditive compliance, we strive towards continuous dialogue, and transparency by only demanding the necessary audits. This is necessary to maintain a prolonged supplier relation and to continuous having a dialogue, conducting own visits, and supporting audits. We are using the audits to effectuate our core values on quality and decency in our supply chain. We consider this to be ongoing and not something to be achieved or surpassed.

### **5.1 Standardised social responsibility**

MASCOT has worked actively with Social Responsibility standards since 2011 (where we were certified to SA8000 for the first time), but we consider the pragmatics of 'decency' to be apparent ever since the company's foundation in 1982. We consider the social standards with the same respect as any other management system, providing efficiency and structure to the daily work and control on social responsibility.

#### **Management system**

It is the management's responsibility to ensure that all our employees, on a regular basis, are informed and trained in their rights. We are also aware of intercultural values and perspectives, when managing and operating internationally. All key documents (for instance company and personnel policies) are therefore available in English, Vietnamese, and Lao.

## **Discrimination**

MASCOT is highly attentive to discrimination and seeks to synergize intercultural teamwork. SA8000 controls and audits for discrimination specifically, and assists us in guaranteeing that employment, remuneration, access to training, promotion, termination, or retirement is not based on race, national, territorial or social origin, religion, gender, sexual orientation, or other personal characteristics. Fair Wear adds systematic attention to country specific risks in discrimination.

## **Disciplinary actions**

MASCOT does not tolerate inhumane actions such as corporal punishment, mental or physical coercion or verbal abuse, and no harsh or inhumane treatments are allowed. All our employees shall be informed of the consequences of unauthorized mental or physical treatments, just as we have a system that allows our employees to complain about illegal disciplinary actions.

## **Employer-employee relations**

We run our production facilities in Vietnam and Laos on Scandinavian principles, as well as anywhere else in the world, where we operate. Concretely it means that periodic dialogue between employer and employees are conducted in a structured and mutual understanding manner, including worker representatives and trade union representation. It is our responsibility to arrange time and venue for the periodic dialogue.

## **Work time**

We respect and support collective bargaining and its agreements. A normal work week at MASCOT never exceeds 48 hours and overtime is compensated according to applicable laws with a maximum of 200 hours a year.

The trading goods suppliers vary in working overtime. While overtime is normal in peak season there are months in low seasons where overtime is unnecessary. Third-party audits guarantee that overtime is voluntary, brief, and lawfully compensated.

## **Remuneration**

As described in the COVID-19 addendum, the target wages for our employees in Vietnam and Laos are significantly higher than the legal minimum wage, and the employees can attain different bonuses. For example, in Vietnam, where the employee is rewarded if they remember to wear safety footwear or stay within the speed limit with forklifts etc. This bonus is therefore used to ensure the employees' health and safety at our factories.

We also offer a "performance bonus" equalling the piece rate. Everybody receives an extra month's wage at 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'.

At suppliers, MASCOT demands wages to be above the Legal Minimum Wage with due compensation in the event of overtime. These demands are assessed and informed through third-party audits.

## **Child labour**

We do not allow child labour as stated in SA8000 and our Code of Conduct. The definition of child labour is internationally set to 16 years, unless the minimum age for work or mandatory schooling is higher by local law, in which case the stipulated higher age applies.

- In Vietnam, the minimum age for full-time work is 18 years.
- In Laos, the minimum age for full-time work is 16 years provided they do not have to take

overtime, cf. local law in Laos until they are 18 years old. At our own facilities in Vietnam and Laos we do not have any full-time employees under the age of 18.

### **Compulsory work, freedom of association**

There is no forced or compulsory labour at MASCOT. The employees in Vietnam and Laos are established in a trade union under “Vietnam General Confederation of Labour”. The membership of the trade union, however, is a matter between the union and the employees.

Freedom of association and principles of collective bargaining are audited at trading goods suppliers and formulated in the supplier Code of Conduct.

### **Health**

As a part of SA8000, it is demanded that all employees work in a safe and healthy workplace environment with good working conditions regardless of the status in the company. MASCOT has formed a Health and Safety committee consisting of management representatives and employees, who are responsible for ensuring a healthy and safe workplace environment.

We have state-certified health clinics at the factories in Vietnam and Laos. The clinics are responsible for the daily work with health, including preventive health work and information campaigns. The corporate healthcare scheme is free for all employees. With the information campaigns, we wish to inform the employees about how they can take care of their health beyond work time, for example in terms of nutrition, personal hygiene, and information about diseases and epidemics.

We are responsible for preventing potential health and occupational injuries and to assess potential workplace risks to the employees’ health and safety. In case of a security incident, MASCOT involves the health and safety representatives.

### **Lunch**

We offer all our employees in Vietnam and Laos free lunch that is supervised in terms of hygiene and nutrition.

### **Maternity**

MASCOT is obligated to assess the workplace risks to new, expectant, and nursing mothers.

At MASCOT, pregnant women have six months maternity leave and subsequently reduced working hours. The working hours are reduced until the child is 12 months old. The reduced working hours are paid with full pay. In addition, pregnant women are guaranteed job after termination of maternity leave. Pregnant employees are also offered five days off for examinations in relation to their pregnancy, and they can also get help at our medical clinics.

### **Childcare**

At some trading goods suppliers, MASCOT is informed of incorporated childcare at the factories, making it possible for workers to receive childcare while working.

### **Safety and training**

Safety training and education is planned, implemented, and tested, as employees receive continuous safety training throughout their employment. In addition, MASCOT conducts safety inspections daily, and there are security supervisors in all departments. We record all safety events and the health and safety committee evaluate all events.

We have an agreement with the local fire department, so they, together with us, train the employees in firefighting. This is done at regular test evacuations of the factories. In addition, MASCOT's doctors continuously make first aid training. We also train our workers in safety beyond working hours – for example traffic safety.

At the trading goods suppliers, safety and first aid training are regularly audited and prioritised in the communication with MASCOT.

## **5.2 Audits of trading goods suppliers**

Normal procedure is that all suppliers of trading goods undergo a thorough, annual audit, conducted by a third party, namely SGS. As noted in the COVID-19 addendum, the SGS-audits have been impossible during 2021, making the BSCI-audits the only audits that MASCOT has been able to report on besides the SAI-audits of our own production sites.

## **5.3 Wages and prices**

While the relationship between the product's cost price and employees' salaries is manageable at our own production in Vietnam and Laos, it is more difficult to monitor at the trading goods suppliers.

At MASCOT's own production facilities, our employees have free benefits on top of their salary such as lunch and medical care. The balance between productive output and wages help to maintain workers, while not accepting excessive overtime.

At the trading goods suppliers, it is not up to us to set the wage level of the suppliers' workforce. Instead, MASCOT determines the prices on negotiations and experiences with our own production and the products' cost prices and production costs. As a security for the employees, we conduct external audits with interviews, documentation of working conditions, and analysis of payslips to ensure that the employees' conditions live up to the standards expected.

## 6. Supplier efforts and progress

### 6.1 MASCOT-owned factories in Laos and Vietnam

Factory	% of MASCOT's total FOB	Worker information sheet posted in the factory	Audits (2021)
MASCOT Vietnam and MASCOT Laos	More than 2/3 of the total FOB	Yes for both	SA8000 (bsi), one at each factory

The reality of owning one's production facilities, is the complete responsibility and leverage. This reality is embraced and respected deeply at MASCOT.

The mitigation measures, trainings, job securing, and wage related issues have been a high priority for us to make imminent at the production sites.

The SA8000 audits and certification help us to document and continually strive for the optimisation of the social conditions at our production facilities in Laos and Vietnam.

Regarding our facility in Vietnam, the SAI-audit stated no findings to remediate in 2021, and it had no findings to evaluate remediation from 2020.

Regarding our facility in Laos, the SAI-audit stated only minor and observational findings to remediate in 2021 and verified the remediation of findings in 2020. For the 2021 findings, the findings have been subjected to Corrective Action Planning, and some have already been remediated and closed.



## 6.2 Trading goods production facilities Bangladesh

MASCOT's trading goods suppliers (own names)	Cooperation with MASCOT (number of years in 2021)	Signed Supplier Code of Conduct	Evidence of Worker Information sheet posted in the factory	Visited in 2021	Audits
MASCOT-1-BD	11	Yes	Yes	Yes, by local employees.	BSCI (Intertek)
MASCOT-2-BD	2	Yes	Yes	Yes, by local employees.	BSCI (amfori)

MASCOT collaborates with a relatively new trading goods supplier in Bangladesh, as well as with an experienced trading goods supplier for more than 10 years. We are constantly in contact with the factories, which is also regularly visited by our local employees.

In the light of the pandemic and our 2021 focus on Safe and Healthy workplaces, it should be noted that mitigation measures have been taken and informed of to the extent that is directed by the national government.

Our trading goods partners in Bangladesh are members of the international ACCORD on Fire and Building Safety in Bangladesh.

A social topic of particular relevance in Bangladesh is discrimination and gender-based harassment. We are therefore highly attentive to these points in the audits. It has been reviewed that no discrimination in terms of race, caste, religion, age, gender, or marital status have taken place. Both suppliers have created a policy on discrimination that has been informed to the employees.

Regarding MASCOT-1-BD audit results, the overall score has remained at the third-highest ranking, with a top score on 9 of the total 13 performance areas. Paid wages for regular work fluctuate between local minimum wage and living wages. Overtime work is voluntary. Some workers were found crossing the allowed overtime working hours per week (12 hours) and per day (2 hours) and were remunerated abiding to local law. We have a dialogue with our trading goods suppliers regarding this and the remediation of this topic.

Regarding MASCOT-2-BD audit results, the overall score has remained at the third-highest ranking, with a top score on 8 of the total 13 performance areas. Paid wages for regular work are



according to the legal minimum wage. There were no findings on involuntary overtime work or late payment. There has been no record of excessive overtime in 2021.

## China

MASCOT's trading goods suppliers (own names)	Cooperation with MASCOT (number of years in 2021)	Signed Supplier Code of Conduct	Evidence of Worker Information sheet posted in the factory	Visited in 2021	Audits (2021)
MASCOT-3-CH	11	Yes	Yes	Yes, by local employees.	BSCI (amfori)
MASCOT-4-CH	10	Yes	Yes	Yes, by local employees.	BSCI (ALGI)
MASCOT-5-CH	9	Yes	Yes	Yes, by local employees.	BSCI (amfori)
MASCOT-6-CH	8	Yes	Yes	Yes, by local employees.	BSCI (amfori)
MASCOT-7-CH	6	Yes	Yes	Yes, by local employees.	BSCI (amfori)
MASCOT-8-CH	7	Yes	Yes	Yes, by local employees.	BSCI (amfori)
MASCOT-9-CH	3	Yes	Yes	Yes, by local employees.	BSCI (amfori)
MASCOT-10-CH	4	Yes	Yes	Yes, by local employees.	BSCI (amfori)

In China we have local employees that regularly visit the factories, monitor and check up on working conditions and requirements, safety instructions and quality. This ensures a physical, on-sight contact to the individual supplier, communicating in the local language, also during COVID-19.

In the light of the pandemic and our 2021 focus on Safe and Healthy workplaces, it should be noted, that mitigation measures have been taken and informed. Frequent testing and the Chinese national vaccine rollout are conducted under governmental supremacy. All 2021 audits rates the performance area of *Occupational Health & Safety* at the Chinese suppliers to a top score, with the exception of two suppliers rating second highest.

A social topic of relevance in China is workers' rights, freedom of association and excessive overtime. MASCOT is therefore highly attentive to these points in the audits. It has been reviewed that no discrimination in terms of race, caste, religion, age, gender, or marital status has taken place.

Almost all suppliers have been top-rated in the performance areas: *Workers Involvement and Protection, The Rights of Freedom of Association and Collective Bargaining* with only minor deviances found at a few suppliers.

We find divergences on excessive overtime in some of our Chinese supplier relations. These findings have been pointed out in dialogue with each individual supplier for collaborating on a constructive remediation to the structural challenge.

Regarding MASCOT-3-CH audit results, the overall score has remained at the third-highest ranking, with a top score on 10 of the total 13 performance areas. The lowest wage paid for regular work at the site is above the local minimum wage. There were no findings on involuntary overtime work or late payment. Due to lack of workforce, there has been occurrences of extensive overtime in all sample months (>36 hours per month).

Regarding MASCOT-4-CH audit results, the overall score is at the third-highest ranking, with a top score on 10 of the total 13 performance areas. The lowest wage was above local minimum wage. Overtime work was voluntary and there were no findings on late payment of overtime work. Due to lack of workforce, there has been occurrences of extensive overtime in all sample months (>36 hours per month).

Regarding MASCOT-5-CH audit results, the overall score was the third-highest ranking, with a top score on 9 of the total 13 performance areas. There were no reported findings on wage levels, involuntary overtime work or late payment, however, there were findings on excessive overtime. This audit report deviates from the others as it is conducted in early 2022.

Regarding MASCOT-6-CH audit results, the overall score was the third-highest ranking, with a top score on 10 of the total 13 performance areas. There were no reported findings on wage levels, involuntary overtime work or late pay. Due to lack of workforce, there has been occurrences of extensive overtime in all sample months (>36 hours per month).

Regarding MASCOT-7-CH audit results, the overall score was the second-highest ranking, with a top score on 9 of the total 13 performance areas. All sampled employees' regular wages met the local basic living wage standard. There were no findings regarding overtime, (in)voluntary work, or time and method of payment.

Regarding MASCOT-8-CH audit results, the overall score was the third-highest ranking, with a top score on 9 of the total 13 performance areas. There were no findings on wages below legal minimum wage. There have not been findings on involuntary overtime work or late payments. Due to lack of workforce, there has been occurrences of extensive overtime in two out of three sample months (>36 hours per month).

Regarding MASCOT-9-CH audit results, the overall score was the third-highest ranking, with a top score on 9 of the total 13 performance areas. The lowest wage paid for regular work at the site, is above the legal minimum wage. Overtime work was voluntary and paid on time. Due to lack of workforce, there has been occurrences of extensive overtime in most of the sample months (>36 hours per month).

Regarding MASCOT-10-CH audit results, the overall score was the third-highest ranking, with a top score on 7 of the total 13 performance areas. The lowest wage paid for regular work at the site is compliant with both the legal minimum wage and the calculated living wage. Overtime work was voluntary and paid in due time. Due to lack of workforce, there has been occurrences of extensive overtime in two out of three sample months (>36 hours per month).

## Vietnam

MASCOT's trading goods suppliers (own names)	Cooperation with MASCOT (number of years in 2021)	Signed Supplier Code of Conduct	Evidence of Worker Information sheet posted in the factory	Visited in 2021	Audits (2021)
MASCOT-11-VN	11	Yes	Yes	Not possible in 2021 due to COVID-19. Visited in 2019.	SGS

In 2021, MASCOT collaborated with one supplier in Vietnam (in addition to our own factory). This supplier is recently SA8000 certified and has been collaborated with MASCOT for over a decade.

Regarding MASCOT-11-VN audit, the auditor company (SGS) does not provide overall scores. Instead, a list of 6 minor non-conformities has been found. Mostly revolving around occurrences of overtime for some of the workers, but also regarding the lack of knowledge on SA8000 requirements.

We have managed this issue internally and involved the supplier in a constructive dialogue on remediating the issues.



## Turkey

MASCOT's trading goods suppliers (own names)	Cooperation with MASCOT (number of years in 2021)	Signed Supplier Code of Conduct	Evidence of Worker Information sheet posted in the factory	Visited in 2021	Audits (2021)	Specific risk compliance (Syrian refugees working in the Turkish garment industry)
MASCOT-12-TR	7	Yes	Yes	Not possible in 2021 due to COVID-19. Visited in 2019.	BSCI (amfori)	Signed sCoC-addendum

In 2021, we continued the collaboration with our Turkish trading goods supplier.

A social topic of relevance in Turkey is the exploitation of Syrian refugees in garment factories. We have during 2021 discussed and collected the signed Code of Conduct addendum on Syrian refugees as well as received proof of posting the Workers Information sheets in Turkish.



Regarding MASCOT-12-TR audit results, the overall score was the second-highest ranking with a top score on 9 of the total 13 performance areas. The lowest wage paid for regular work at the site is compliant with the legal minimum wage, bank transferred and noted to the social security institution. The remaining wages and overtime wages are paid in cash. Overtime work was voluntary and paid in due time. However, a single employee did exceed the 7.5 hours of work in a nightshift, and there have been some examples of interrupted rest time of the regulated 11 hours. Corrective Action Plans have been established and closed on these findings.

## Cambodia

MASCOT's trading goods suppliers (own names)	Cooperation with MASCOT (number of years in 2021)	Signed Supplier Code of Conduct	Evidence of Worker Information sheet posted in the factory	Visited in 2021	Audits
MASCOT-13-KH	6	Yes	Yes	Not possible in 2021 due to COVID-19.	BSCI (amfori) 2020

[illegible]

Consequently, relating to how our Cambodian trading goods supplier experienced COVID-19 and the regulations, it has not been possible to conduct audits for 2021. The 2020 audit has therefore been the in-depth foundation for our supplier collaboration on social responsibility. Although the amfori has validated the audit for a two-year period, we would prefer a yearly audit.

## Laos

<b>MASCOT's trading goods suppliers (own names)</b>	<b>Cooperation with MASCOT (number of years in 2021)</b>	<b>Signed Supplier Code of Conduct</b>	<b>Evidence of Worker Information sheet posted in the factory</b>	<b>Visited in 2021</b>	<b>Audits</b>
MASCOT-14-LA	6	Yes	Yes	Yes, visits from MASCOT's own employees in Laos	MASCOT audit

In the light of the pandemic and our 2021 focus on Safe and Healthy workplaces, it should be noted mitigation measures has been taken and informed, for example in handing out alcohol gel and face masks. The trading goods supplier experienced lockdown during 2021, but still paid the salary in full amount during the lockdown.

Regarding MASCOT-14-LA audit results, there were a finding concerning the need for a worker representative. The lowest wage paid for regular work at the site is compliant with the legal minimum wage. Overtime work was voluntary and paid in due time.



## 7. Complaints handling

As part of MASCOT's membership of FWF, all suppliers are obliged to place FWF's Code of Labour Practices and Worker Information Sheet visibly at the factory. Here, employees can read about their rights and complaint options - including the ability to contact Fair Wear directly if any issues arise that cannot be handled directly at the factory. To confirm these placements, the suppliers are requested to provide visual documentation.

To enhance efforts on spreading the information on workers' rights and opportunities, our trading goods suppliers are audited on having established whistleblowing mechanisms and other complaints systems. At our own production facilities in Vietnam and Laos there is set up an anonymous whistleblowing scheme, anchored in both internal and external authorities. We have also sent out questionnaires regarding workers' rights and opportunities to all our trading goods suppliers, for both management and workforce to fill out. This gives us a picture of the level of knowledge at the suppliers and helps us engage in and assist our trading goods suppliers.

Similarly to 2020, we have not received any complaints regarding the employees' rights from Fair Wear in 2021. We conclude that the absence of complaints is evidence of respect for workers' rights.

## 8. Training & Communication

### 8.1 Own employees

2021 was MASCOT's second full year as a member of Fair Wear. Due to the continuance of the pandemic, the efforts towards informing workers – particularly at own factories, but also at trading goods suppliers – continued through this second year as well.

The employees at our factories in Vietnam and Laos have experienced training sessions, introduction to the posters, and general information on the FWF membership and the Code of Labour Practices. In parallel with the annual SA8000 audits at our facilities in Laos and Vietnam, employees (randomly selected) are interviewed to express their knowledge on working standards.

In 2021, MASCOT also had a special focus on spreading the knowledge of the Fair Wear membership internally. This included the continued training of the sales force as well as sourcing department. Both training and dialogue are coordinated and driven from the Corporate Responsibility department. Presentations of our social responsibility are also conducted regularly for various departments and individuals of interest. Here, the Fair Wear membership is, of course, included.

For the past year, our customer interacting divisions have experienced a heightened focus on corporate responsibility, providing them with more practical reasons and occasions to spread the word on the Code of Labour Practices and the general work on social responsibility. This has only

strengthened the interests and competencies on social responsibility throughout the organisation, as the commercial benefits of collaborating with an FWF member has resulted in stronger ambitions to “do more”.

## **8.2 External suppliers**

In 2021, we continued our focus on creating awareness of employee rights at all related factories. This has been done by Fair Wear practices such as distributing Worker Information Sheets and questionnaires, but also as an integral part of third-party audits and the focus from MASCOT's sourcing department.

MASCOT is attentive to training programmes or other active measures taken by the management of the production facilities to inform the workers of their rights and opportunities. At our own production sites, training has been conducted under COVID-19 mitigative conditions.

## **9. Transparency & communication**

MASCOT is actively communicating about our membership of Fair Wear. Concretely that means informing about the membership through website, social media and in other marketing materials. This is not extraordinary for the Fair Wear membership. The same can be said about communicating about the SA8000 certification and the authentic corporate actions, the working conditions, and the Code of Conduct.

In the Fair Wear Brand Performance Check 2020, MASCOT was rated 99% transparent in our production monitoring. As transparency and communication are crucial for progress and remediation on social responsibility, we are attentive to both our own transparent behaviour as well as engaging with our collaborators for a more open relation.

## **10. Stakeholder engagement**

Even before the establishment of the factories in Vietnam and Laos, MASCOT has focused on taking our ethical, social, and environmental responsibility as a company. We collaborate with various associations, organisations, and authorities to both share knowledge and spread awareness of the importance of good working conditions for employees.

MASCOT Vietnam has, among other things, an ongoing dialogue with many partners including the Department of Labour, Invalids and Social Affairs (DOLISA), the Vietnamese trade union, ILO Vietnam, and other stakeholders in the area.

When MASCOT offers financial assistance to employee activities. MASCOT contributes approximately with 10,000 USD annually to employee activities, such as team building every three months or the colleague-driven football teams.

Over the years, MASCOT Vietnam and MASCOT Laos have received several awards for good working conditions and have been highlighted as companies that take a special responsibility towards employees. In addition, MASCOT Vietnam and MASCOT Laos are often highlighted as pioneering companies in raising the working standards of their employees.