

MASCOT's Social Report, financial year 2020



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Letter from the CEO

MASCOT is a family owned and operated company with the family values very highly weighted. This means that security in working and employment conditions is important. In 2008, we therefore established our own factories where approximately 75% of all our products are manufactured. Here, we hire our new colleagues ourselves and ensure that they have a good working environment, good working conditions and transparency in the conditions of employment. Our own factories are certified according to SA8000.

As a natural consequence of our strong focus on good social conditions we became a member of Fair Wear in 2019. This allows us, together with Fair Wear and other member brands, to have a greater impact on the textile industry in general.

With the outbreak of the pandemic in 2020, we have added an extra dimension to our work in order to create good and safe working and employment conditions at our own and external factories. Our focus in 2020 has been on ensuring the health-related safety of our employees and to enter into an ongoing dialogue with the external production sites.

The collaboration with our existing partners has remained unchanged and as planned from the beginning of 2020. We plan our orders many months in advance so that our partners can plan the production well in advance, and we have at no time cancelled orders due to the pandemic.

The pandemic will continue to affect our follow-up work with the factories in 2021 and well into 2022. Above all, we must ensure the health and safety of the employees who produce our products. It is a crucial responsibility, and a responsibility we naturally take.

Yours sincerely

Michael Grosbøl
CEO & owner

Introduction

As required by the terms of MASCOT's membership of the Fair Wear Foundation (FWF), each member company is required to report progress on the implementation of the Code of Labour Practices. The company's social report is an important tool in communicating the company's efforts towards fair working standards.

This social report is written by MASCOT. MASCOT has been a member of the Fair Wear Foundation since 2019. Fair Wear's work refers to, among other things, the OECD guidelines and the UN's guiding principles for human rights.

About MASCOT

MASCOT is a Danish, family-owned company with a Scandinavian mentality and export to most of the world. Employees come to work in Denmark, Vietnam, Laos, Germany and 15 other countries with the same mission: To develop, produce, market, and sell the world's best workwear and safety footwear.

The ambitions are great and therefore high quality is crucial. Since its foundation in 1982, quality and decency have been MASCOT's core values. Customers and suppliers get quality in products, solutions, and agreements. Decency in the form of thoroughness, professionalism and responsibility for people and the environment.

A crucial part of the strategy is testing and quality checking methods, products, and suppliers. That is why for the past many years we have been branded as Tested to Work - a well-sounding slogan and not least a crucial working strategy.

The uncompromising approach to quality is linked to the strategic decision NOT to produce and deliver the cheapest workwear but the best. And this also applies to the working conditions at, for example, our production locations. Our customers can buy MASCOT clothing with the knowledge that it is produced with respect for both people and the environment.

Quality management

To ensure a consistent flow, to work structured with the company's business procedures, and to continuously document changes, MASCOT is ISO 9001 certified. ISO 9001 is used, among other things, to document all processes and deviations, but also to achieve set objectives. MASCOT's objectives include: Delivery security to our customers, introduction of new products, growth, and customer satisfaction.

All employees at MASCOT have knowledge of the company's objectives and know their active role in securing these. In MASCOT's purchasing department this means, among other things, that specific requirements have been set for suppliers of both trading goods, fabrics, and accessories for products. For suppliers of trading goods, it applies, among other things, that the suppliers must have annual visits, and that they live up to requirements for working conditions described in our *MASCOT Supplier Code of Conduct* and MASCOT's quality requirements.

1. Summary: Goals and results in 2020

2020 was MASCOT's first full year as a member of the Fair Wear Foundation (hereinafter: FWF), and in 2020 an extra focus was placed within the company on documenting the ongoing processes between MASCOT and the trading goods suppliers. The membership has increased MASCOT's internal level of awareness in relation to work standards and requirements to these. Furthermore, with the membership of FWF, it has become clear that MASCOT in its work with suppliers has always had a strong focus on working conditions and social conditions through SGS audits, visits, and the continuous direct contact. This focus is now being systematised and documented more clearly.

As part of MASCOT's increased focus on working conditions and sustainability, we have during 2020 worked on establishing a separate department with focus on promoting MASCOT's work with Corporate Responsibility. This department was established on January 1, 2021, and the Head of Corporate Responsibility refers directly to MASCOT's CEO.

Focus areas for 2020

One of the focus areas in MASCOT's 2020 work plan was to inform the trading goods suppliers about MASCOT's membership of FWF. A work that was unfortunately complicated by the worldwide pandemic. Due to COVID-19, our purchasing department did not have the opportunity to travel and visit external partners and have a face-to-face dialogue about requirements and opportunities associated with MASCOT's FWF membership. This dialogue has moved online, and it has made the work considerably more difficult. At MASCOT, we believe that it is important to have a proper and honest dialogue with close follow-up, as we would like our external partners not only to understand it, but also to continue to work with it with a strong focus on responsibility and good working conditions.

With the challenges in 2020, we have unfortunately not received a response from all our trading good suppliers in relation to evidence of the promotion of FWF's Code of Labour Practices. We will of course continue the work in 2021, where we hope that it will again be possible to travel and visit the factories.

FWF audit MASCOT Vietnam

In 2020, the first FWF audit was conducted at MASCOT's own factory in Vietnam. It was an audit that gave MASCOT Vietnam (and thereby MASCOT) a good insight into FWF's work with labour standards. The result of the audit was that the factory was assessed as well-organised, and that MASCOT's team is qualified and has experience in the work with fostering good working conditions. In addition, it was pointed out that MASCOT pays employees a higher salary than the minimum wage and that the company offers free benefits such as medical care, transportation to and from work, and lunch. However, it was mentioned that the basic salary (excluding the value of benefits) is lower than FWF's benchmark Asian Floor Wage.

Other findings pointed out in MASCOT Vietnam's CAP have been minor and have been rectified immediately or on an ongoing basis. MASCOT Vietnam has a well-established Social Performance Team and holds regular training sessions for employees to inform them about their rights, opportunities, and obligations in relation to MASCOT's membership of FWF and the SA8000 certification. The company expects that at the next FWF audit in MASCOT Vietnam, a larger proportion of employees will know their rights in relation to FWF's complaint options (as a supplement to the already established complaint options at the factory) and the Code of Labour Practices.

2. Purchasing strategy

2.1 How MASCOT's products are manufactured

2.1.1. Own production

MASCOT is one of the few in the workwear industry to have our own production facilities. We have built and established our own factories in Vietnam and Laos, and they were taken into use in 2008 and 2013, respectively. 2400 Vietnamese and Laotian MASCOT colleagues are permanently engaged in producing MASCOT's workwear products. It takes place at production facilities with European management, under decent working conditions and in a safe and good environment. Both production sites are certified according to the internationally recognised CSR standard, SA8000. Four times a year, the factories are audited to this certification.

SA8000 is a verifiable certification standard based on international workplace standards in accordance with the conventions of the International Labour Organization (ILO), the Universal Declaration of Human Rights, and the UN Convention on the Rights of the Child. It characterises companies that focus on employees' rights and well-being. With the SA8000 certification, it is guaranteed to the outside world and own employees that there is a safe and secure working environment and that good working conditions adapted to local conditions are offered.

A safe working environment and good conditions for the employees help to improve work motivation, and it creates reliable collaboration agreements with subcontractors and improved communication between managers and the individual employee.

MASCOT's own factories are equipped with state-of-the-art machinery and equipment. This is not only good for the sewing operators who by that are not exposed to, for example, heavy lifting, but also a necessity for the advanced processes that sewing sophisticated workwear products requires. All MASCOT's advanced workwear products are made at our own factories. This corresponds to 75% of the total turnover.

MASCOT purchases fabric, zippers, buttons, and all other accessories for our own production ourselves, whereby we have direct cooperation with these suppliers.

2.1.2 Trading goods

As a supplement to our own production, MASCOT buys a smaller number of products as what we call 'trading goods' (not to be mixed up with ready-made-products). Trading goods are developed and designed by MASCOT in Denmark and manufactured specifically to us based on detailed material and quality descriptions. We cooperate with external partners on trading goods as these products are mainly produced with the use of a certain technology that we do not have in our own production facilities.

The manufacturers of trading goods are primarily located in Bangladesh and China, but we also have a few suppliers in Vietnam, Turkey, and Cambodia. Approximately 25% of MASCOT's products (measured by turnover) are produced by these external partners. We have continuously and over several years continuously had 10-14 suppliers of trading goods. The product types are products that require a certain technology such as socks, belts, footwear, and kneepads, as well as the production of T-shirts and sweatshirts.

The largest of these suppliers (T-shirts, sweatshirts, etc.) we have collaborated with for several years, namely between 8-12 years. We work with others for a shorter time, 2-5 years. This is mainly due to changes in the product assortment. We do not purchase the raw materials for the trading goods, but there are detailed material descriptions and material specifications for all raw

materials for trading goods. In addition, product quality checks are carried out on an ongoing basis at the factories both before and after production (especially T-shirts, polo shirts and sweatshirts).

We work closely with all our suppliers of trading goods. We are in frequent contact with them from the head office in Denmark and through our local employees in, for example, China and Bangladesh. We communicate with the most important suppliers several times a day. We usually visit them from the head office at least once a year. However, due to the pandemic in 2020, this has not been possible. Instead, our local employees visited the suppliers, where it was possible.

2.1.2.1 Audits of external suppliers (trading goods)

Normal procedure is that all suppliers of trading goods undergo a thorough, annual audit, conducted by a third party, namely SGS, which is the world's leading inspection, verification, testing and certification company. The audit is carried out based on a comprehensive audit scheme developed on the basis of the International Labour Organisation (ILO) conventions, the Universal Declaration of Human Rights and the UN Convention on the Rights of the Child, and contains more than 250 checkpoints, as well as interviews and photo documentation. The following 12 areas are in focus at our audits:

- Child labour
- Forced labour
- Labour rights
- Health and safety
- Freedom of association
- Discrimination
- Disciplinary practice
- Working hours
- Wages and compensation
- Environment
- Monitoring of compliance
- Anti-bribery

In 2020, it has been challenging to visit the trading goods suppliers as a result of the pandemic. Despite the situation, it has nevertheless been possible to carry out SGS audits in a safe manner with five of our major partners. It has not been possible to carry out the annual SGS audit at the factories in Bangladesh, as these have been closed completely to outsiders. Audits will be scheduled at these factories as soon as possible. However, we got access to BSCI audit reports from these factories.

In 2020, MASCOT has entered into an agreement with a new partner of trading goods as a result of the investment in a new product area. Due to the challenges with COVID-19, the new collaboration agreement has exceptionally been entered into without prior visit from MASCOT's head office and audit from SGS. The collaboration has nevertheless been made, as MASCOT's local employee has visited and reviewed the factory through self-inspection and dialogue. Detailed picture material and written documentation have been sent to MASCOT's Danish purchasing department. Based on this and on the local employee's knowledge of the factory as well as the factory's certificates, a cooperation was made.

MASCOT has in 2020 ended the collaboration with one supplier. This was due to challenges in product quality, which could not be reconciled with MASCOT's quality requirements.



2.1.2.2 Organisation of MASCOT's purchases of trading goods

Trading goods account for 28% of MASCOT's total FOB (the remaining 72% covers MASCOT's own production).

The largest share of trading goods is purchase of textile goods and accessories for workwear. These total 22% (of the total FOB) are procured from our Purchasing and Quality Department. The remaining 6% of the total FOB is the purchase of footwear and safety footwear, which are purchased by MASCOT's footwear department. See below.

Trading goods and accessories for workwear is taken care of by a team in our Purchasing and Quality Department. Two of the employees work permanently in Bangladesh as quality controllers, the rest work in Denmark. The department is responsible for finding suppliers that match MASCOT's 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 also responsible for organising and following up on audits of the factories, so we ensure that the factories live up to MASCOT's standards for working conditions. In addition, the department sends out and follows up on MASCOT's Supplier Code of Conduct, ongoing challenges in general in the industry, and, for example, information about MASCOT's membership of FWF and all that it entails.

The footwear department is responsible for maintaining and updating MASCOT's 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 will inform and train the suppliers in the local language about MASCOT's membership of FWF and FWF's Code of Labour practices (via an interpreter). This information sharing is made more difficult by COVID-19, as we do not have the opportunity to travel and help with the implementation, and as the suppliers do not communicate in English at a sufficient level. In the footwear department we also have local employees.

2.2 Production cycle

MASCOT's product assortment is built on launches of workwear series or individual products. 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 MASCOT 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 specialized knowledge of the products at our suppliers. During the development of new products, MASCOT performs 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 MASCOT can make detailed forecasts and planning of expected orders for an entire calendar year. It helps to ensure delivery security as well as increase the planning opportunities for our suppliers and thus eliminate the need for overtime.

At MASCOT's own production facilities, we can prioritize the order in which the products are produced. This means that any changes in customers' needs can be accommodated without triggering overtime. At MASCOT's 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 during the annual audits. We are aware that we cannot control the amount of overtime at external factories, but MASCOT can through SGS audits secure that overtime is voluntary, that it is limited and that employees get the correct payment for their possible overtime.

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

2020 was marked by COVID-19 also in relation to launches of new products at MASCOT. The safety and health of employees always comes first, and therefore several product launches were delayed as a result of delayed test procedures or the authorities' total closures of factories. Despite the challenges, MASCOT launched various new products: both footwear, trading goods produced by external partners and products produced in our own factories. However, by far the majority of MASCOT's purchases in 2020 were re-orders of existing products.

3. Monitoring and remediation

3.1 Supplier insight

72% of MASCOT's total FOB are products produced at our own factories in Vietnam and Laos. Here, the working environment and conditions are continuously checked as a result of MASCOT's SA8000 certifications. The factories have European management, which they have had since their establishment in 2008 (Vietnam) and 2013 (Laos).

The remaining 28% of the FOB is trading goods that are produced at different suppliers. In 2020, MASCOT had 15 suppliers of trading goods of which 11 are suppliers who each delivers less than 1% of MASCOT's total FOB. In addition, we have placed a few sample orders with various suppliers to investigate quality, etc. for future products.

The vast majority of MASCOT's trading goods (clothing and footwear) are produced in four factories. These four factories are located in Bangladesh, China and Cambodia. The normal procedure is that all major suppliers are audited annually, as well as they receive visits from a MASCOT employee several times a year to ensure that the factories live up to MASCOT's quality requirements and Supplier Code of Conduct. The suppliers, that deliver less than 1% of MASCOT's total FOB, are audited when we start a new collaboration - and most of them have annual audits and/or BSCI audits. We are also working on ensuring that all suppliers are continuously informed about MASCOT's membership of FWF.

Most of the trading goods suppliers have direct contact with MASCOT. However, some product groups are purchased in such small quantities that ordering through trading houses make most sense. We have a long collaboration with the few trading houses that we work with. MASCOT's Supplier Code of Conduct, which also includes requirements for subcontractors, is also applied in the collaboration with trading houses.

The relationship between salary and price

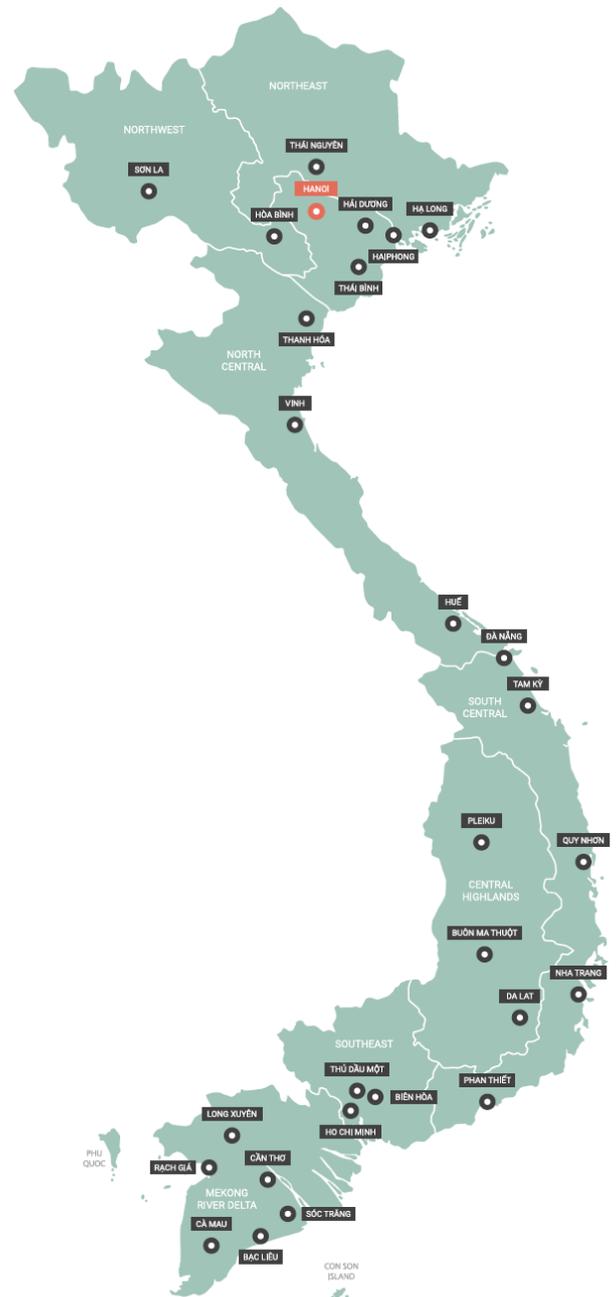
Wages are a topic that is very much in focus concerning production in, for example, Bangladesh, China, Vietnam, Laos, and Cambodia. At MASCOT, we have full control over the salaries to our own employees (factories in MASCOT Laos and MASCOT Vietnam), who receive salaries well above the minimum wage, plus free benefits such as medical care and lunch - and for the majority, transport to and from work. At the trading goods suppliers that we work with, we do not know the exact relationship between the product's cost price and employees' salaries. MASCOT's price is determined based on negotiations and our experience with our own production and the products' cost prices and production costs. We do not know if the prices of the trading goods suppliers are set on the basis of efficient sourcing, optimised performance or other factors. As a security for the employees, we therefore conduct external audits with interviews and documentation of working conditions to ensure that the employees' conditions live up to the standards we expect.

MASCOT Vietnam and MASCOT Laos

Factory	% of MASCOT's total FOB	Worker information sheet posted in the factory	Audits
MASCOT Vietnam	27 %	Yes	Yes, both SA8000-audits and FWF-audit
MASCOT Laos	45 %	Yes	Yes, SA8000-audits

At MASCOT's own factories in Vietnam and Laos, good working conditions are a natural part of the working day, which is also confirmed by the SA8000 certification of the factories. Having our own production is an important role in MASCOT's purchasing strategy, as we want most of our goods to come from our own production, as, in addition to a

full overview of production and quality, we also have a direct influence on ensuring proper working conditions for the employees, just as we have full control over the working environment and employment conditions.



The SA8000 certification of our factories is an important tool, as we can thereby document to the outside world the safe and secure working conditions we have at our factories. A safe working environment and good conditions for the employees help to improve work ethics, create reliable collaboration agreements with subcontractors and ensure improved communication between manager and the individual employee. Because of the SA8000 certification, MASCOT already works systematically and strategically with the labour standards that FWF focuses on in their Code of Labour Practices. With the

SA8000 certification we can document that we do not have child labour and forced labour, and that we have a good working environment adapted to local conditions, focus on health and safety, an effective management system with, among other things, control of subcontractors' working conditions and freedom of association for the employees etc.

For the safety of our employees and to ensure that working conditions are continuously good, four annual SA8000 audits are performed at the factories - twice a year by external parties. One audit is an announced visit, while the audit team at the other annual audit comes unannounced. Each audit is conducted very thoroughly and typically takes 2-3 full days each time, each location. At each audit, many different documents and contracts are reviewed, as well as thorough on-site inspections, interviews with employees and checks via the union and local authorities. In addition, two full internal audits are conducted twice a year by MASCOT's own Social Performance Team as a check, training, and preparation for the external audits.

At MASCOT we believe that external audits are important, as our customers and partners thus receive a guarantee that MASCOT complies with and works to provide our employees with the best possible framework and a good working environment. MASCOT Vietnam has also been audited by FWF in 2020, where no major deviations were found from previous SA8000 audits. An FWF audit is planned in MASCOT Laos in 2021.

Bangladesh

MASCOT's trading goods suppliers (own names)	Cooperation with MASCOT (number of years in 2020)	Signed Supplier Code of Conduct	Evidence of Worker Information sheet posted in the factory	Visited in 2020	Audits
MASCOT-1-BD	10+	Yes	Yes	Yes - Visit from MASCOT's own staff in Bangladesh.	SGS-audit 2019. BSCI-audit 2020. Not possible in 2020 due to COVID-19.
MASCOT-2-BD	3	Yes	Yes	Yes - Visit from MASCOT's own staff in Bangladesh.	SGS-audit 2019. BSCI-audit 2020. Not possible in 2020 due to COVID-19.

MASCOT has been cooperating with our most important trading goods supplier in Bangladesh for more than 10 years. Due to COVID-19, it was not possible to conduct SGS audits in Bangladesh in 2020, however, we had a BSCI audit report available. Additionally, we were in constant contact with the factories, which were also regularly visited by MASCOT's own, local employees. In 2019, an SGS audit was carried out at the factories, and no problems related to forced labour, child labour, discrimination or freedom of association were found.

Additionally, we see that overtime work takes place voluntarily, and there are no consequences for the individual employee if they do not want to work overtime. Overtime work is generally a major concern in Bangladesh, but we do not have a direct influence on this issue. Instead, we ensure through audits that overtime work is voluntary and that employees are paid for the hours they work and at the rate they are entitled to. SGS audits show that employees receive a salary that complies with the local minimum wage and that the salary is paid on time. The factory does not reduce the salary based on the employee's presentation. Overtime work is compensated with the amount required by law.

Overall, the factories offer the employees safe and healthy working conditions. All accidents, injuries and illness are registered, and no serious cases have been registered in 2019 just as well as none were registered in 2020 to our knowledge. The factory MASCOT-1-BD handles hazardous chemicals, where all employees, who handle these, have received relevant training. In addition, the factory has a medical clinic, where 243 employees have received first aid training.

In previous audits, deviations have been found at the factory such as defective or missing fire and smoke alarms, missing water hoses and limited access to emergency exits. These conditions have been rectified by the most recent audit. In addition, minor deviations have been found regarding insufficient use of protective equipment. MASCOT follows up on minor deviations both when we are physically present at the factory and through e-mail correspondence. If the factory cannot see the need of change, we take a continuous dialogue about the importance of, among other things, using the correct protective equipment.

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



China

MASCOT's trading goods suppliers (own names)	Cooperation with MASCOT (number of years in 2020)	Signed Supplier Code of Conduct	Evidence of Worker Information sheet posted in the factory	Visited in 2020	Audits
MASCOT-3-CH	8	Yes	Yes	Not possible in 2020 due to COVID-19. Visited in 2019.	SGS audits in 2019 and 2020.
MASCOT-4-CH	1		Awaiting Chinese version from FWF	MASCOT employee in China has visited the factory several times in 2020.	BSCI audit 2020
MASCOT-5-CH	5+	Yes	Awaiting Chinese version from FWF	Visited in 2020	BSCI audit 2020
MASCOT-6-CH	9	Yes	Yes	Not possible in 2020 due to COVID -19. Visited in 2019.	SGS audits in 2019 and 2020.
MASCOT-7-CH	6	Yes	Awaiting Chinese version from FWF	Not possible in 2020 due to COVID -19. Visited in 2019.	SGS audit in 2018.
MASCOT-8-CH	2	Yes	Awaiting Chinese version from FWF	N/A	Trading house
MASCOT-9-CH	7	Yes	Awaiting Chinese version from FWF	Not possible in 2020 due to COVID-19. Visited in 2019.	SGS audits in 2019 and 2020.
MASCOT-10-CH	5	Yes	Awaiting Chinese version from FWF	N/A	Trading house
MASCOT-11-CH	2,5+	Yes	Awaiting Chinese version from FWF	Visited in 2020	BSCI audit 2019
MASCOT-12-CH	10+	Yes	Awaiting Chinese version from FWF	N/A	Trading house

In 2020 MASCOT had a collaboration with 10 trading goods factories in China. Of the 10 factories, eight produced each less than 1% of MASCOT's total FOB. The two factories that produced more than 1% of MASCOT's total FOB, MASCOT has collaborated with for 8 years and 1 year, respectively. The new supplier is newly started due to demands for a new product type that none of our existing suppliers could produce. Due to COVID-19 the factory has not been SGS audited, and the start of this collaboration took place based on repeated visits by one of MASCOT's local employees in China. In addition, we have requested the factory's BSCI audit from 2020 and used it as a guide in the absence of our own audit option.

Although some suppliers provide only a small share of MASCOT's FOB, we have had long-term partnerships with them. In the review of SGS and BSCI audits from the suppliers in China, no problems related to forced labour, child labour, discrimination or freedom of association were found.

Audit reports state that suppliers have the necessary protective equipment available to employees, and a large proportion of factories have a Health & Safety Officer. However, we can see that in some factories there are groups of employees who do not use the required personal protective equipment or do not use them correctly. MASCOT is in dialogue with the factories, and we do what we can to ensure that employees use the correct protective equipment and/or personal protective equipment.

A review of the factories revealed minor deviations, including missing, defective or blocked fire equipment, protective covers, or protective screens. Factories have been instructed to rectify this. MASCOT follows up on this with visits and/or through e-mail correspondence. There are few major findings that have been pointed out in the SGS and BSCI audits at the factories in China. One of the areas is the amount of overtime work. Overtime work is a common problem in China seen with Western eyes.



At MASCOT, we try to place orders in very good time in advance to avoid that overtime work is required, but we have no impact on the factories' detailed production planning. What we focus on instead is that overtime is voluntarily, that it takes place to a limited extent, and that employees are paid the salary to which they are entitled. Through audits of the factories, we experience that overtime work is voluntary and that it does not have consequences for the individual employee if they do not want to work overtime.

Another area that is important in relation to the employees in the factories is that they receive a salary that complies with the local minimum wage, that they are paid on time, and that overtime work is compensated with the amount required by law. Audits show that the factories live up to this with the exception of one factory. This factory has been instructed to thoroughly rectify this breach. Therefore, this is also an area that we will continue to focus on in our audits and in the collaboration with the factories. Rules for normal working hours are complied with, which means that employees have a minimum of one weekly day off. All employees are employed under contractual terms, which means that the employees have a written contract with clear terms of employment and conditions. Employees receive payslips that clearly show how many hours they have worked. Interviews (during audits) with selected employees at the factories show that they understand the content of both the contracts and payslips.

There have been no strikes, demonstrations, lockouts, or similar conflicts at the factories throughout 2019, when the most recent SGS audits were conducted. Nor have we heard of cases in 2020. Both the management and the employees at the factories recognise the right to freedom of association.

Due to the product types and sizes of the orders, we also use trading houses in China. One (MASCOT-10-CH) has production in both China and India. Naturally, we do what we can to ensure working conditions in the countries concerned and draw attention to the importance of the supplier complying with MASCOT's Supplier Code of Conduct.

Another area that was highlighted during the audit was that the factory handles chemicals where the label is not sufficient in terms of precautions on how to use and storage. In addition, one of the employees who handles chemicals did not have the necessary training in relation to current legislation. The factory was therefore required to follow up on this and to ensure that all employees who handle chemicals have received the necessary training, and that the chemicals are adequately labelled.

Although this factory produces less than 1% of MASCOT's total FOB, we take the findings of the SGS audit very seriously and follow up on an ongoing basis. The fact that employees are treated properly with dignity and respect is part of MASCOT's Supplier Code of Conduct and therefore it is important to ensure that the external partners always live up to the ethical principles set out in MASCOT's Supplier Code of Conduct.

Turkey

MASCOT's trading goods suppliers (own names)	Cooperation with MASCOT (number of years in 2020)	Signed Supplier Code of Conduct	Evidence of Worker Information sheet posted in the factory	Visited in 2020	Audits
MASCOT-15-TR	6	Yes	Not yet – working on it	Not possible in 2020 due to COVID-19. Visited in 2019.	SGS audits both in 2019 and 2020.

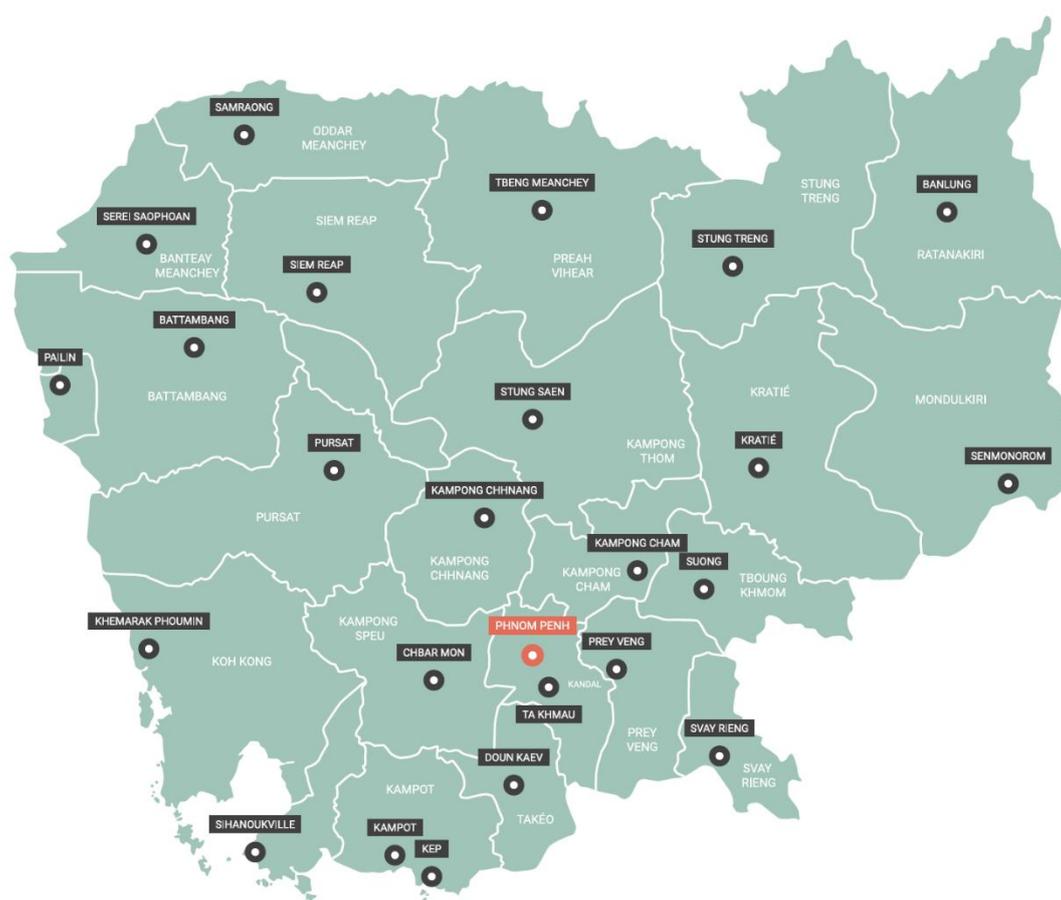


In 2020, MASCOT had one supplier in Turkey. MASCOT has had a collaboration with this factory for several years, and it is audited annually, so we ensure that the working conditions for the production staff live up to our requirements.

At the SGS audit in both 2019 and 2020 no problems were found related to forced labour, child labour, discrimination, freedom of association, wages, working hours or safe and healthy working conditions. All employees at the factory have received Health & Safety training within the past year. The employees' overtime work is within the framework of the law. Employees are paid on time.

Cambodia

MASCOT's trading goods suppliers (own names)	Cooperation with MASCOT (number of years in 2020)	Signed Supplier Code of Conduct	Evidence of Worker Information sheet posted in the factory	Visited in 2020	Audits
MASCOT-14-KH	5+	Yes	Awaiting Chinese version from FWF	Yes, visits from MASCOT's own employees in Cambodia	BSCI audit 2020



In 2020, MASCOT had one supplier in Cambodia. This factory has not received an audit from SGS, but instead the factory was audited by BSCI in 2020. In addition, the factory receives regular visits from MASCOT's employees in Cambodia, who, among other things, check the quality of the products before they are shipped.

At the BSCI audit in 2020, no problems were found related to forced labour, child labour, discrimination, freedom of

association, wages, working hours or safe and healthy working conditions. The employees receive Health & Safety training annually and new employees receive Health & Safety training before they are involved in the production itself. In addition, firefighting training is held regularly, where employees from different departments are selected in turn. The training is performed by the local fire department. Evacuation practises are also a part of the training.

The BSCI audit shows that employees are paid the salary they are entitled to and on time. Overtime work is voluntary, and employees receive free medical care and have access to free clean drinking water throughout the working day. However, it was pointed out in the audit that some employees did not use correct protective equipment and that this needed to be improved. We follow up on this continuously.

4. Complaints handling

As part of MASCOT's membership of FWF, all suppliers must place FWF's Code of Labour Practices visibly at the factory. Here, employees can read about their rights and complaint options - including the ability to contact Fair Wear if any issues arise that cannot be handled directly at the factory. As previously mentioned, due to COVID-19, we have not had the opportunity to visit all the factories, and we have therefore not been assured that all factories understand the importance of providing employees with this information. It will be a priority in 2021 when we hopefully are able to travel again. However, the largest suppliers are informed and have continuously in 2020 worked with the training and the duty to provide information. We have not received any complaints regarding the employees' rights from Fair Wear in 2020. At MASCOT, we are of course satisfied with this.

It is our hope that the absence of complaints is an evidence of respect for workers' rights, and not of a lack of knowledge about complaint options. However, some of the factories have also established other complaints systems.

In addition, at our own factories in Vietnam and Laos, employees can make anonymous complaints or suggestions for improvements. This gives our employees an opportunity to be heard without necessarily having to go to their immediate manager. In 2020, MASCOT received no anonymous complaints in either MASCOT Vietnam or MASCOT Laos.

To ensure that all employees (both our own and the suppliers') have available information about both terms and complaint possibilities, we will – in addition to a continued focus on ensuring that the rights are respected - also work focused on spreading knowledge about our Fair Wear membership both to employees and suppliers in 2021.

5. Training & Communication

5.1 Introduction to own employees and external suppliers

5.1.1 Own employees

2020 was MASCOT's first full year as a member of FWF. We therefore had a strong focus on informing our own employees about MASCOT's membership of Fair Wear. This information sharing took place on several levels and will continue in 2021.

The employees at MASCOT's factories in Vietnam and Laos were informed about the Fair Wear membership through, among other things, training sessions and the posters with the Code of Labour Practices, which are placed at a central position in all factory halls. The employees at MASCOT's own production sites receive ongoing training to increase their knowledge of their rights, cf. the Code of Labour Practices. In connection with the annual SA8000 audits of MASCOT Laos and MASCOT Vietnam, employees (randomly selected) are interviewed to express their knowledge of working standards. These interviews show that there is a high level of knowledge about policies and rights among the employees in the production.

In 2020, MASCOT also had a special focus on spreading the knowledge of Fair Wear membership among the sales force. In December 2019, MASCOT had arranged a workshop focusing on social responsibility, and in particular on labour rights and safety and health for employees in the production of our garments. As a follow-up to the workshop, we have sent out a newsletter to all salespeople with more information about our social responsibility initiatives, including information about the Fair Wear membership. Among other things, there was a focus on what Fair Wear's work consists of and why MASCOT is a member.

MASCOT's European sales force has also participated in an online webinar regarding MASCOT's social responsibility in the winter of 2020/2021. The range of initiatives and the continuous focus on social responsibility have helped to strengthen the sales force's commitment and interest in the topic. It has also increased the employees' level of knowledge about the membership and equipped them to be able to pass on the communication about the benefits of choosing a workwear supplier who is a member of Fair Wear.

5.1.2 External suppliers

In 2020, MASCOT also had a strong focus on informing about and making the membership of Fair Wear visible to external trading goods suppliers. The effort has been particularly directed to our largest suppliers, where we want to increase the level of knowledge about rights and complaint options for employees. MASCOT has ensured that Fair Wear's Code of Labour Practices has been submitted and implemented by the largest (=in relation to MASCOT's FOB) suppliers. In 2021, MASCOT will continue to focus on creating awareness of employee rights at all factories.

5.2 Transparency and communication

At MASCOT, we actively communicate about the membership of Fair Wear. This means that we inform about the collaboration with Fair Wear as well as MASCOT's effort with the working standards via our website, through social channels for both end users, corporate customers and partners, as well as in catalogues and in connection with tender material.

In 2020, we had, among other things, focused on our work with the 17 goals for sustainable development under the heading #17goals17weeks. In connection with SDG17, we described the importance of close and strong partnerships to ensure better working conditions for production workers in the textile industry. Here we referred to the membership of Fair Wear, which is a good sparring partner for us when it comes to giving the industry a continuous focus on the employees in the garment industry. In addition, in 2020 we contributed to Fair Wear's online Christmas Campaign #Peoplefriendlyfashion.

MASCOT uses marketing materials such as product catalogues (primarily online) as a platform to inform about our focus on social responsibility including the SA8000 certifications and Fair Wear membership. The catalogues are an important tool to inform customers about the importance of choosing a supplier who works seriously and strategically with social responsibility.

6. Stakeholder engagement

Since the establishment of the factories in Vietnam and Laos, MASCOT has focused on taking our ethical, social, and environmental responsibility as a company. MASCOT collaborates 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.

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. And it has had a positive, contagious effect on other businesses in the local areas.