SPECTRE®

CSR REPORT

2022/2023

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Management letter

It has been an eventful year for Spectre. The construction and opening of our LEED Gold certified factory in An Giang, Vietnam was the single-biggest investment in the company's history. Our first-ever rooftop solar panel system was installed in our Nam Dinh factory, reducing our carbon footprint. We have been working hard to implement the Spectre Factory Model – unified efficiency, quality, environmental and social standards across our factories, no matter their location.

All this in a world full of uncertainties caused by the outbreak of Russia's war on Ukraine, and skyrocketing inflation rates in Europe and North America caused at first by energy prices out of control, then also by increasing prices on everything else and a big jump in interest rates. If we thought the world would go back to 'normal' post-pandemic, we were all proven wrong!

Nevertheless, our commitment to becoming a sustainability leader among peers is unwavering, and we will continue to raise the bar for ourselves with every coming year.

LEED Gold Certification of our new factory
Building a LEED Gold factory is about incorporating sustainability into the factory design from the very beginning. Our new An Giang factory is designed to be efficient in production, but just as importantly to save energy, produce renewable energy and save water to reduce the impact on the environment. And it is about giving priority to the needs of our workers, with thought-out ventilation and air conditioning and facilities to promote electric transport.

Standing by our partners in Ukraine
The horrible outbreak of war in Ukraine brought our production expansion plans in Europe to a halt. Instead, we worked hard to support our partners in Chernihiv, Ukraine, with whom we developed long-term plans for development of production in Ukraine. Securing production orders for the factory provided work and livelihood for people in extraordinary circumstances. We want to thank those of our partners who really have done a great effort and taken an admirable decision to enter a calculated risk in continuing the flow of orders to our Ukraine production.

Building partnerships with customers and engaging with industry organisations
To act in a dynamic and challenging world, we depend more than ever on our customers and business partners to have an open and solution-oriented approach to reach the best results – financially, environmentally and socially. We are excited to have customers setting high standards for their sustainable and responsible business practices.
Moreover, as a result of a partnership-oriented way of thinking, we joined the Sustainable Apparel Coalition, most notably known for bringing forward the Higg Index as one of the leading sustainability toolkits in the apparel industry. We also became the first manufacturer member of the European Outdoor Group – an industry association that, among other things, contributes to strengthening the sustainability efforts of its members.

Getting ready for the EU Green Deal
We see that regulators are taking evermore ambitious steps to address global sustainability challenges. The European Union seeks to set an example for the world with its initiatives under the EU Green Deal umbrella, and we are closely following the developments of EU Green Deal initiatives that will include many new requirements for our customers, suppliers and us. We want to support our customers to fulfil those requirements to the best of our capabilities.

In order to get ready for the EU Green Deal, we have already carried out a readiness assessment for the Corporate Sustainability Reporting Directive as well as a materiality assessment. This will help inform the 2030 CSR goals we will be setting as well as the data we need to collect to be in compliance with the reporting standard.

Sustainability reporting will soon be required to meet the same standards as financial reporting. In light of this, the data behind our environmental KPIs have this year been reviewed by external auditors, as we are building knowledge and processes to have assurance for the whole report in the following years.

Becoming B-Corp-certified
During our finance year 2022/23, we have been on a journey of becoming a certified B Corp and have learned about many more ways we can become more transparent and structured in our approach to sustainability. We want to become a B Corp to give ourselves a tested and holistic framework for managing our impacts and communicate our commitment to being a responsible business to internal and external stakeholders.

We are also working to have our North Vietnamese facilities Fair Trade certified which – besides being an addition to our SA8000 social and labour management system – is a way of catalysing the engagement of workers and making them decisionmakers in using the worker premium. Fair Trade certified customers commit themselves to paying a share of the order amount into a designated employee-managed account.

Committing to science-based targets on climate
For the fiscal year 2023/24, our plan is to set measurable environmental, social and governance (ESG) goals for 2030. Climate goals will be the key part of that, so we have committed to setting GHG emissions reduction targets that will be validated by the Science Based Targets Initiative, to track whether we are aligned with the global goal of not exceeding 1.5°C warming by 2050.

Towards a more circular business model
We also need to work toward a more circular business model. Durability is a key performance characteristic of outdoor wear and well-aligned with sustainability thinking. That said, functional outdoor clothing is predominantly made of synthetic fibres like polyester and nylon that are difficult to recycle. We are closely monitoring the technological developments within chemical and mechanical recycling of textile scraps from cutting, and we are determined to find future-proof solutions for a responsible waste management. Smart selection of materials for products and designing garments with optimal material utilisation in mind are just as important to reduce waste. We would like to offer our knowledge to our brand partners in the product development process.

We are drawing up our roadmap to guide us through the many thorny issues that need to be resolved to being a truly responsible business. Let's join forces to solve the challenges!

Sincerely yours,
Jesper Klausen
Co-owner, Chief Manufacturing and Sustainability Officer

2022 - 2023 Highlights

Continued partnership with partners in Ukraine throughout the war

Joined Sustainable Apparel Coalition

11 third-party social and labour audits with good results at own factories

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Committed to setting GHG emissions reductions targets for validation by the Science Based Targets Initiative (SBTi)

Executive manager bonuses tied to sustainability goals

Full GHG emissions assessment including value chain (Scope 1-2-3)

U.S. GREEN BUILDING COUNCIL
LEED GOLD
USGBC

New **LEED GOLD** certified factory in An Giang

Joined European Outdoor Group

Rooftop solar installed in two factories

Completed ESRS-aligned double materiality assessment

Ongoing B Corp certification

Conducted CSRD reporting readiness assessment

Spectre factory, An Giang Vietnam

On average, the environmental footprint from the manufacturing of **A SINGLE GARMENT** produced by Spectre is:

8.25 MJ
of energy consumed

1.23 kg of CO_2e emitted
by Spectre (Scope 1+2)

11.84 litres
of water used

key figures
2022-2023
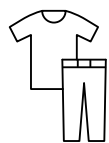
4,975,105
garments produced
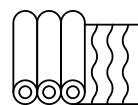
3,151 tons
of fabric used
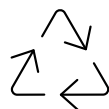
42 % of fabric
composed of recycled materials
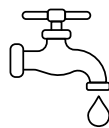
48,983 m3
of water used
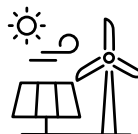
34,123 GJ
of energy consumed

3,980
employees worldwide

Spectre's GHG emissions

0.3 % SCOPE 1
Direct emission

93 %
SCOPE 3
Indirect emission
from value chain

Total emission
70,801
tons of CO_2e

7 %
SCOPE 2
Indirect emission
from purchased energy

CO_2 emissions were calculated using consumption data and emission factors. Primary data were used wherever possible. If these were not available, secondary data from recognized sources were used.

THOMAS POULSEN

Spectre HQ, Ikast Denmark

Spectre *History Mountain*
– timeline of key events

New factory building in Vietnam.

Higg FEM and FSLM verification

ISO9001 certification in Latvia.

Certified ISO 9001, ISO 14001 and SA8000

Opening new factory in Thai Binh, Vietnam.

Fairtrade certification

Third Latvian production unit established in Rezekne.

Pattern making office established in Riga.

SA8000 certification in Vietnam.

Implementation of GORE-TEX technology.

2012

2013

Starts production in Ukraine

B Corp verification started

Opened 2nd branch in Kalnciems, Latvia

2005

2014

2018

2021

2010

Implementing LEAN system in production, Vietnam

2015

2016

2017

2022

Anny and Evald Klausen took over the business

Became member of UN Global Compact

Implementing LEAN system. SA8000 certificatioin in Latvia

ISO14001 certification in Latvia.

Launching new strategy plan: "Next-level strategy - Towards 2020-22".

2023

2003

Started annual CSR reporting.

1982

2001

1992

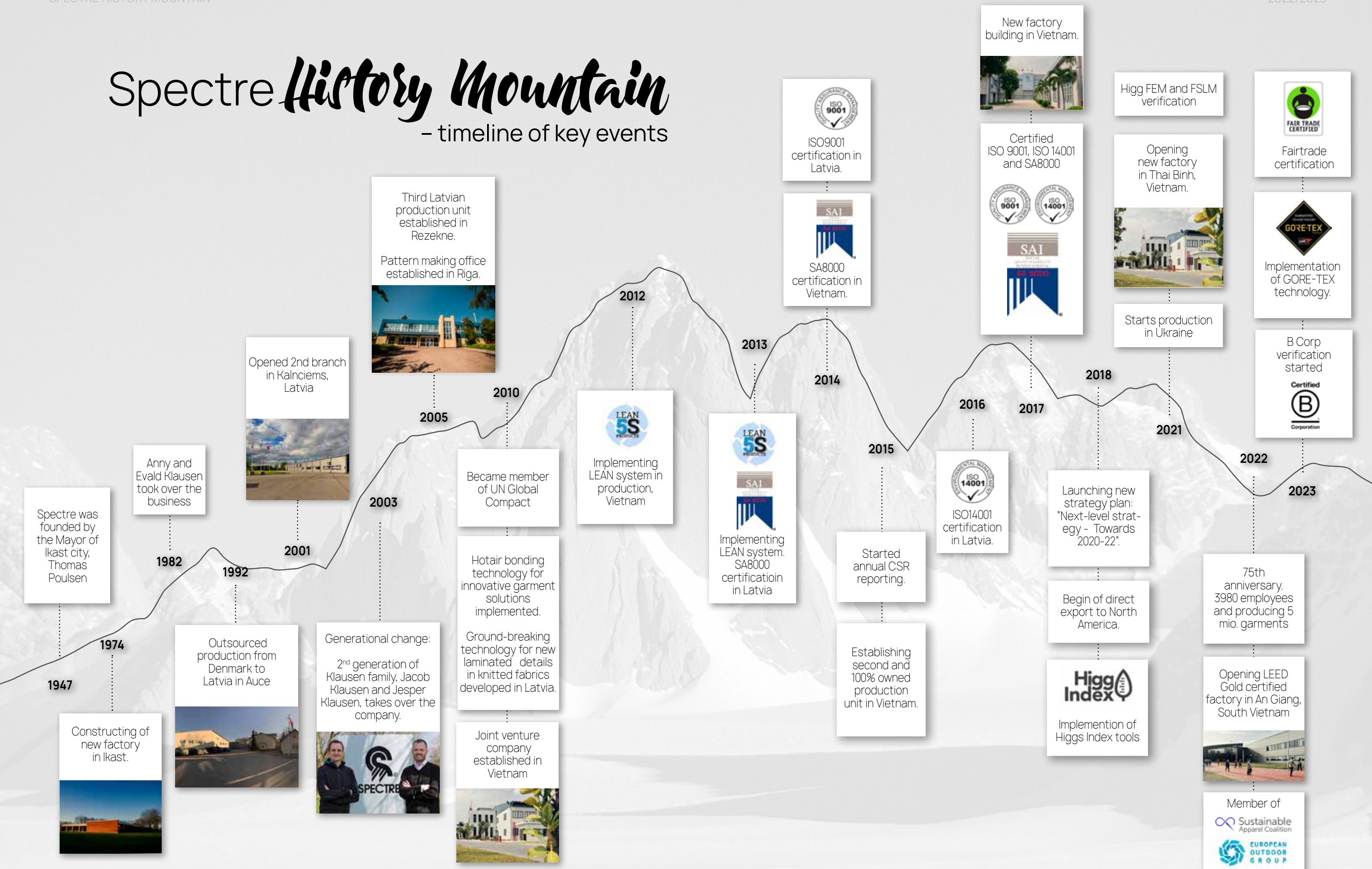Spectre was founded by the Mayor of Ikast city, Thomas Poulsen

Hotair bonding technology for innovative garment solutions implemented.

Ground-breaking technology for new laminated details in knitted fabrics developed in Latvia.

Establishing second and 100% owned production unit in Vietnam.

Begin of direct export to North America.

75th anniversary. 3980 employees and producing 5 mio. garments

1974

Outsourced production from Denmark to Latvia in Auce

Generational change:

2nd generation of Klausen family, Jacob Klausen and Jesper Klausen, takes over the company.

Joint venture company established in Vietnam

Implemention of Higgs Index tools

Opening LEED Gold certified factory in An Giang, South Vietnam

1947

Constructing of new factory in Ikast.

Member of

Sustainable Apparel Coalition

EUROPEAN OUTDOOR GROUP

"

We want to become the outdoor sports & activity brands' preferred development and manufacturing partner for functional garments.

OUR VISION

"

We work to strengthen our customer's brand value through our competence in the development and manufacturing of high-quality functional clothing in a sustainable and responsible way.

OUR MISSION

Our business model

Our business lies at an intersection where materials from various suppliers come together to be assembled into a finished product which is packaged and shipped to the warehouses of our customers. The apparel brands that we produce for design, sell and distribute the garments to their consumers. We work with our customers to fit the designs for optimal production and performance. The vast majority of materials making up the products, and hence the suppliers we work with, are chosen by the brands. So, we share with them the responsibility of building responsible supply chains.
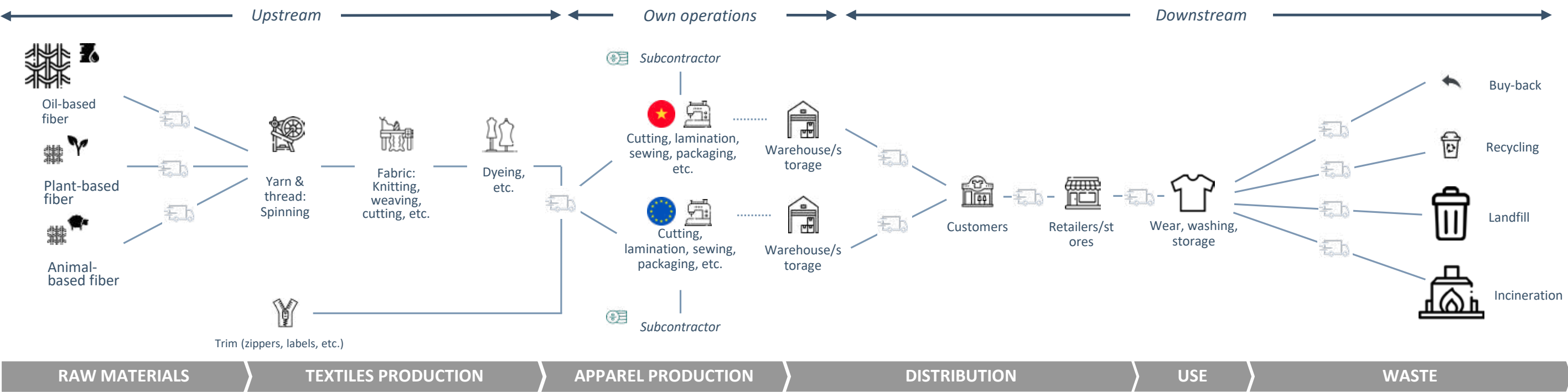
In this position in the value chain, we face many daily interactions with the previous and subsequent stages such as coordinating and ensuring compliance with quality, social and environmental requirements, developing the product in time for bulk production, ensuring material deliveries and planning of deliveries to customers.

We need to be proactive to smooth out any delays or deviations – whether in our operations or up and down the value chain from us. These pressure points need to be carefully managed to account for their impact on workers and the environment.

"We hold ourselves to high standards

We set high standards for ourselves and will also face increase of regulatory requirements by the EU in the coming years.

At Spectre, we produce garments which our customers market for consumers worldwide via both brick-and-mortar stores and e-commerce distribution channels. The current geographic core markets are Western and Northern Europe (primarily Germany, Switzerland, United Kingdom, Spain, Italy and Sweden) – and North America (United States and Canada).

Upstream — Own operations — Downstream

Oil-based fiber
Plant-based fiber
Animal-based fiber

Yarn & thread: Spinning

Fabric: Knitting, weaving, cutting, etc.

Dyeing, etc.

Trim (zippers, labels, etc.)

Subcontractor

Cutting, lamination, sewing, packaging, etc.

Cutting, lamination, sewing, packaging, etc.

Subcontractor

Warehouse/storage

Warehouse/storage

Customers

Retailers/stores

Wear, washing, storage

Buy-back
Recycling
Landfill
Incineration

RAW MATERIALS | TEXTILES PRODUCTION | APPAREL PRODUCTION | DISTRIBUTION | USE | WASTE

Spectre Core Value Model

Principles and values

Spectre has a set of long-standing core values. The values reflect the way we work and our attitude towards colleagues, customers and other business partners. The way we work is determined by our ambition of creating the best possible results, a high-quality good working environment and ensuring our customers are always satisfied.

We believe satisfied customers are the best foundation to ensure a strong, long-term partnership, stable jobs for our employees and a good working environment

Dedication
Show passion and commitment in what we do

Responsible
We care for sustainability and act with honesty

Integrity
We trust and help each other and live our values

Proactive
Our performance exceeds expectations "not just to be good, but to be the best"

DRIve

Dedication
We show passion and commitment in what we do. We do our very best to perform the task and show loyalty to the company and our colleagues.

We are always prepared walking the extra mile for the customer. Through our passion and commitment our partners clearly feel the advantage of being partners with us.

Responsible
We care for sustainability and act with honesty. We take responsibility for our working place and the external environment and we solve our tasks responsibly with the aim to reach the best result for both company, customers and other business partners.

This includes the ability to reach a balanced solution in the search for a long term sustainable business.

Integrity
We trust and help each other and live our values. We are true to our values, company policies and guidelines when performing our job and cooperate with business partners and co-workers.

We believe that by trusting and helping each other we play as a strong team to reach the goals.

Proactive
Our performance exceeds expectations "not just to be good, but to be the best. By anticipating each situation, we strive to find the best solutions and utilize the advantages of being one step ahead. We have always had the ambition "not just to be good, but to be the best" because essentially our customers are looking for the best business partners on the market and only by being the best we differ from the crowd.

# Two-string production

Europe and Asia - The perfect combination

Kalnciems, Latvia

Nam Dinh, Vietnam

Rezekne, Latvia

Thai Binh, Vietnam

Auce, Latvia

An Giang, Vietnam

Offices

SPECTRE A/S
Ikast, Denmark (Group HQ)

SPECTRE GMBH
Münich, Germany

Production sites
3 in Latvia and 3 in Vietnam.

SPECTRE GARMENT TECHNOLOGIES VCL
Nam Dinh, Vietnam
Thai Blnh, Vietnam

SPECTRE GARMENT TECHNOLOGIES AN GIANG VCL
An Giang, Vietnam

SPECTRE LATVIA SIA
Kalnciems, Latvia
Auce, Latvia
Rezekne, Latvia

Our direction

Double materiality and preparing to align with CSRD

We are proud that our work enables people to experience the great outdoors in high-quality apparel for demanding environments. However, we are also aware that the value we bring comes with social and environmental impacts. A materiality assessment makes us understand where we have the biggest impacts, our stakeholders' concerns and allows us to assess the implications of these impacts. In our materiality assessment, we also considered the draft European Sustainability Reporting Standards which we will be applying to our reporting once they are approved for implementation of the Corporate Sustainability Reporting Directive (CSRD). Currently, our report is based on the GRI standards.

Aligning with the approach required by the CSRD, we applied the double materiality framework and therefore rated issues on two dimensions:

- Impacts on environment and people (outward impact)
- Financial materiality (inward impact)

Inward impact

DOUBLE MATERIALITY

Planet

Company

Outward impact
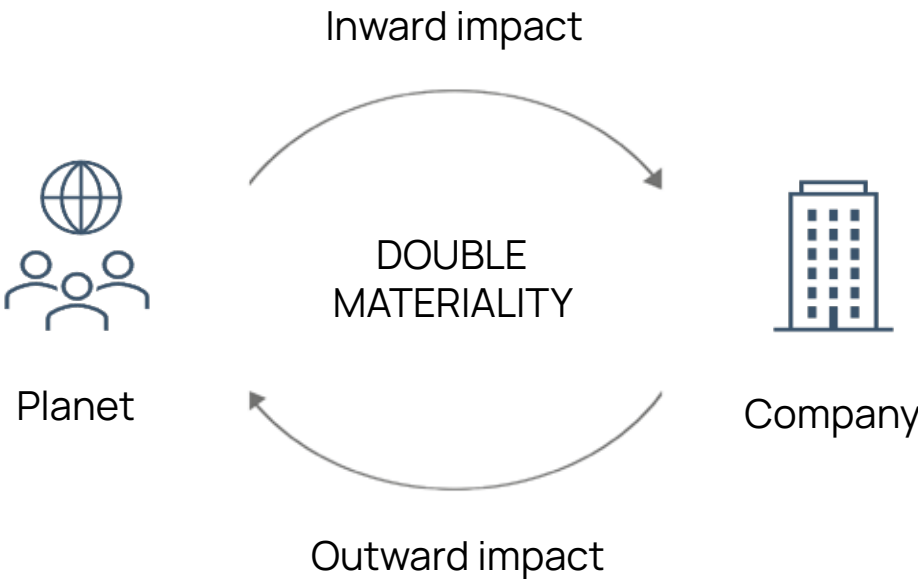
Impact materiality

What is the **actual negative impact** on the planet or society?

What is the **potential positive impact** on the planet or society?

Financial materiality

What is the **actual negative financial impact** for the business?

The assessment included interviews with our key stakeholder groups such as representatives of our customers, civil society, employees and others. Further discussions in company workshops as well as desktop research allowed us to gain a good understanding of the potential impacts.

> "We appreciate Spectre's willingness to work together on piloting new projects and expect them to continue focusing on reducing GHG emissions, meeting all overtime limits and ensuring living wages
>
> Minh Cao & Linh Cao
> Sustainability Project Managers
> at On Running

> "In the coming years, we will be expecting increased collaboration on decarbonisation, which will require mobilisation across the entire value chain.
>
> Tobias Steinegger
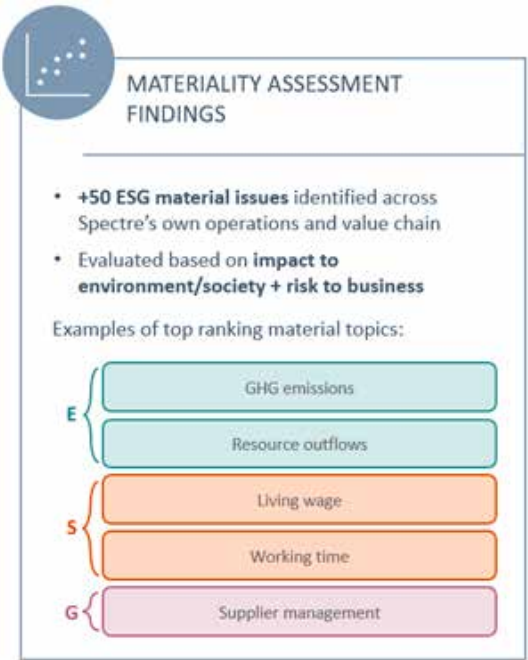> Sustainability Analyst
> at Mammut

We introduce the findings of our materiality assessment with materiality matrices in the respective sections of this report, and the following paragraph addresses our impacts and approaches to managing them.

Setting 2030 ESG targets

This thorough materiality assessment is also the starting point for setting new strategic ESG targets. These targets will be measurable, time-bound and ambitious to match our role in the global and industry-specific challenges the world is facing, and they will be backed by actionable steps toward achieving them.

In 2023 and 2024, we will develop and set these ESG targets. We will leverage the partnerships with our customers, with the sustainability and industry associations we are part of and through our knowledge and commitment. These strategic goals will be an integrated part of Spectre's overall business strategy and reporting, so they can guide our actions towards 2030.

Part of this is also establishing a more comprehensive governance framework throughout our company to anchor it in the business and empower the organisation.

MATERIALITY ASSESSMENT FINDINGS

- +50 ESG material issues identified across Spectre's own operations and value chain
- Evaluated based on impact to environment/society + risk to business

Examples of top ranking material topics:

E	GHG emissions
	Resource outflows
S	Living wage
	Working time
G	Supplier management

Environment

Our role in the value chain

As a responsible company, we not only look at our own operations, but take a value chain approach to assessing our impacts. In our role as a Tier 1 supplier, approximately 95% of purchased materials come from suppliers nominated by our customers. However, the customers we partner with are among the most progressive apparel brands when it comes to sustainability and social responsibility. These brands in turn have high standards for the materials and suppliers they choose for their products.

Environmentally conscious consumers are increasingly interested in lower-impact products and regulators like the European Union are also taking strong measures to address these concerns. Legislation like the Corporate Social Responsibility Directive (CSRD) and other actions outlined in the Strategy for Sustainable and Circular Textiles are raising the bar on expectations and obligations of brands and manufacturers in the apparel industry. As part of that value chain, we want to play our part in addressing the challenges the world currently faces.

Performing a thorough materiality assessment allowed us to establish which environmental impacts we need to give the highest priority.

GHG emissions (1, A) have the most material impacts both in our operations and the value chain, which is closely connected with energy consumption (4, E). Having a value chain perspective also reveals that we need to address the end-of-life of our products, as they are mostly made of synthetic fabrics for which current recycling options are quite limited.

The material production processes also flag water scarcity, discharges and pollution (9, C, D, F) as potential impacts in our supply chain. Handling waste from our production process (2) with fabric scraps from cutting being the main source is another focus area we can impact directly.

Even though the wastewater generated in our factories comes only from household use, we still need to be mindful to adhere to all standards for wastewater discharge (3). Resource depletion (H) should be addressed by increasing the share of circular (recycled content) and organic materials in our products. Our production facilities and those of our suppliers may in future be exposed to flooding risks in case of dramatic sea water level rise due to climate change (10, K).
This in-depth materiality assessment informs our long-term sustainability target setting. The following chapters outline our performance and actions regarding these topics in more detail.
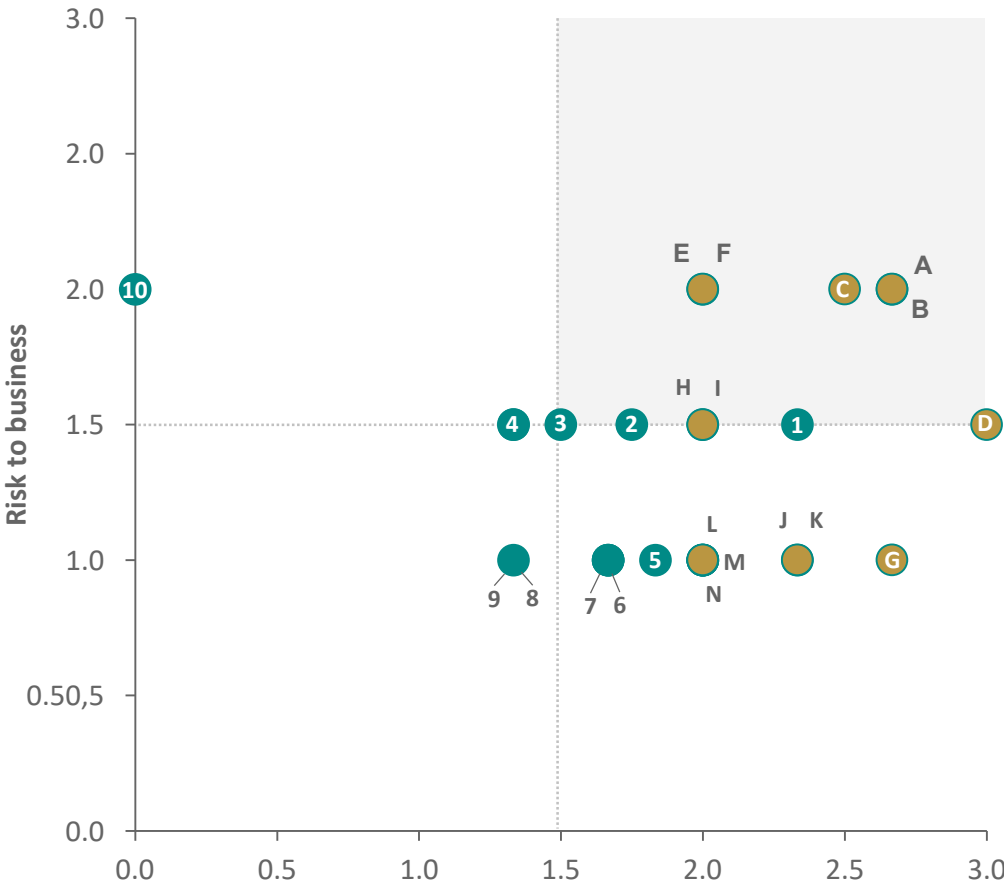
"
Materiality assessment allowed us to establish which environmental impacts we need to address with the highest priority.

Risk to business (y-axis, scale 0.0 to 3.0)
x-axis: 0.0 to 3.0

Plotted points:
- 10 at (0.0, 2.0)
- E, F at (2.0, 2.0)
- C at (2.5, 2.0); A, B at (2.65, 2.0)
- H, I at (2.0, 1.5)
- 4 at (1.35, 1.5); 3 at (1.5, 1.5); 2 at (1.65, 1.5); 1 at (2.0, 1.5); D at (3.0, 1.5)
- L at (1.85, 1.0); J, K at (2.3, 1.0); G at (2.65, 1.0)
- 9, 8 at (1.35, 1.0); 7, 6 at (1.65, 1.0); 5 at (1.65, 1.0); M, N at (2.0, 1.0)

Own operations

1. GHG emissions Scope 1 & 2

2. Waste

3. Waste water discharges & pollution

4. Energy consumption

5. Biodiversity

6. Chemical management

7. Hazardous waste

8. Air pollution

9. Water consumption

10. Climate change adaptation

Value chain

A. GHG emissions Scope 3

B. Resource outflows

C. Water scarcity

D. Waste water discharges & pollution

E. Energy consumption

F. Water consumption

G. Chemical management

H. Resource depletion

I. Climate change adaptation

J. Air pollution

K. Impacts on ecosystems

L. Biodiversity loss

M. Soil pollution

N. Pollution of living organisms and food

O. Hazardous waste

Investment in the future: Building a LEED Gold actory

An Giang was the first purpose-built factory for Spectre, so we aimed to make it a model factory in every sense, including its sustainability performance. We chose LEED certification for the factory due to its holistic framework. LEED scores building projects on multiple areas, including: Integrative process, Location and transportation, Sustainable sites, Water efficiency, Energy and atmosphere, Materials and resources, Indoor environment quality, Innovation, and Regional priorities.

Depending on the score, a project can obtain the certification levels Certified, Silver, Gold or Platinum – the highest level of sustainability. The solutions we chose were tailored to our idea of a sustainable factory building and the design and layout was optimised for energy efficiency.

For example, we prioritised using low-emitting materials for the construction, installing a rainwater harvesting system for self-sufficiency, a rooftop solar system, having plenty of greenery indoors and outdoors and covered parking for employees.

The indoor environment is improved through an air conditioning system, large facades with double-glazed windows and special skylights for optimum daylight though preventing high heat radiation.

Factory data:
- 38,000 m2 land area
- 17,000 m2 building area
- More than 75% of total construction waste generated during the construction period has been recycled
- Design optimised for an almost 20% decrease in energy consumption compared to baseline
- 35% of energy consumption covered by rooftop solar system, reducing about 1,600 tons carbon emissions per year
- Energy monitoring system allows for better energy management
- The building is equipped with sensor-controlled LED lighting
- The production and office area are fully air-conditioned
- Use of zero ODP (ozone depletion potential) refrigerants
- Rainwater harvesting system reduces water consumption by over 50%* equal to more than 13,000 m3 of water per year
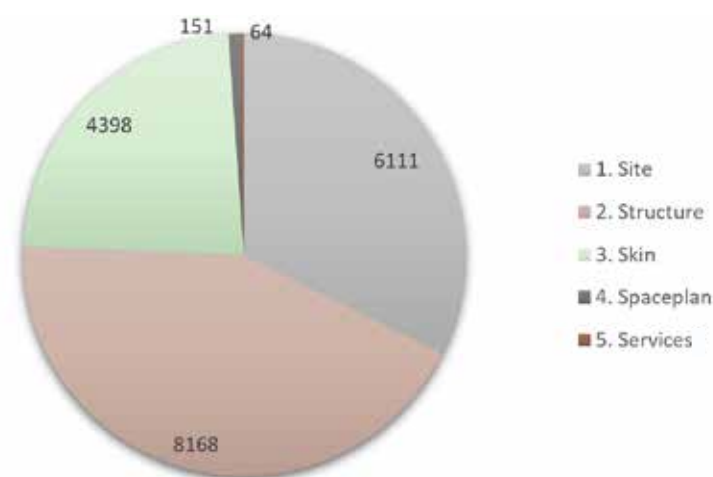
GHG Emissions from An Giang Construction, t CO2e

Capital goods is the second largest category of GHG emissions in the past year due to construction of An Giang factory.

There were multiple measures taken to reduce its environmental impact. The energy saving measures included in the building design should offset these one-off emissions of construction of the factory building within 8 years .
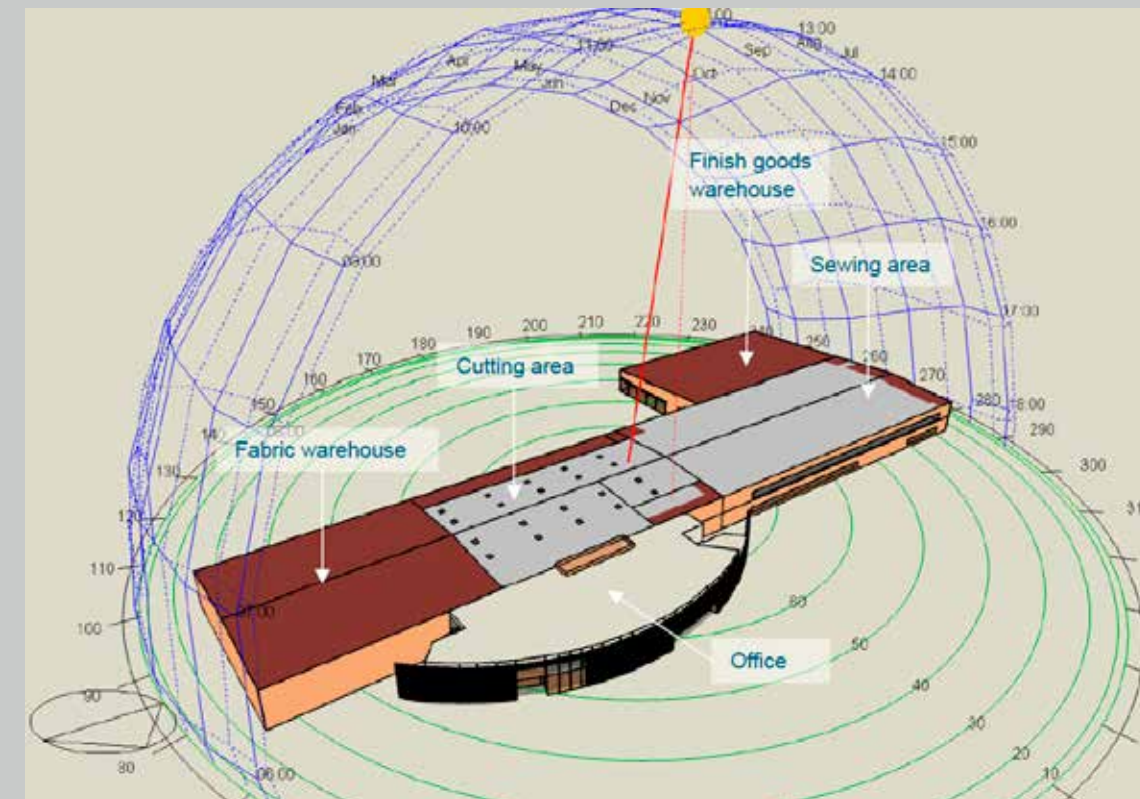
In the spotlight

Considering energy efficiency from the outset

The new An Giang factory is the first greenfield factory construction project we have done instead of adapting existing buildings. It was an opportunity to truly optimise the design for an optimum production flow as well as a high focus on employee well-being and energy efficiency.

The design phase included energy modelling to reduce the heating effect from sunlight, selection of building envelope materials with improved thermal insulation properties and energy efficient interior and exterior lighting.

*In a year with average rain fall

Spectre factory, Latvia

Energy and GHG emission
Switch to renewables within reach

Business operations and manufacturing inevitably require the use of energy. To mitigate climate change, we work towards reducing the energy expended per garment and reducing the use of energy produced from fossil resources.

Key performance indicators

Area	Unit	22/23	21/22	20/21	22/23 on 21/22 change
Energy consumption, Scope 1 & 2	GJ	34,123	22,591	16,758	51%
Energy intensity, Scope 1 & 2	GJ/ mil.min	128	122	157	5%
Share of renewable energy	%	51%	55%	58%	-8%

*The data indicator has been subject to limited assurance, covering the columns 'Area', 'Unit', '22/23'

In our own operations, most of energy was consumed in Vietnam as electricity for production processes, air conditioning, lighting, ventilation and other equipment. That is why our focus has been on increasing renewable energy use in our facilities in Vietnam. Our Denmark offices and the two facilities in Latvia owned by Spectre (out of our four production sites), purchase certified renewable electricity. Our Denmark offices receive district heating produced predominantly from woodchip burning which is a renewable heat source.

By launching our new factory, our energy consumption rose proportionally to the increase in production output while energy intensity (energy per minute produced) stayed almost unchanged. We had planned to increase the share of renewables in 2022/23 and those plans included launching rooftop solar system in the new An Giang factory. However, due to delays in bringing the rooftop solar system in An Giang online actually resulted in a decrease in the share of renewables groupwide.

GHG emissions from fuel combustion in our own vehicles and facilities make up 0.3% of total emissions. We are addressing that by gradually switching to electric vehicles (fully electric and plug-in hybrids) and expect to see reductions in the coming year. Our facilities in Latvia are heated by renewable energy produced in wood pellet-fuelled boilers.
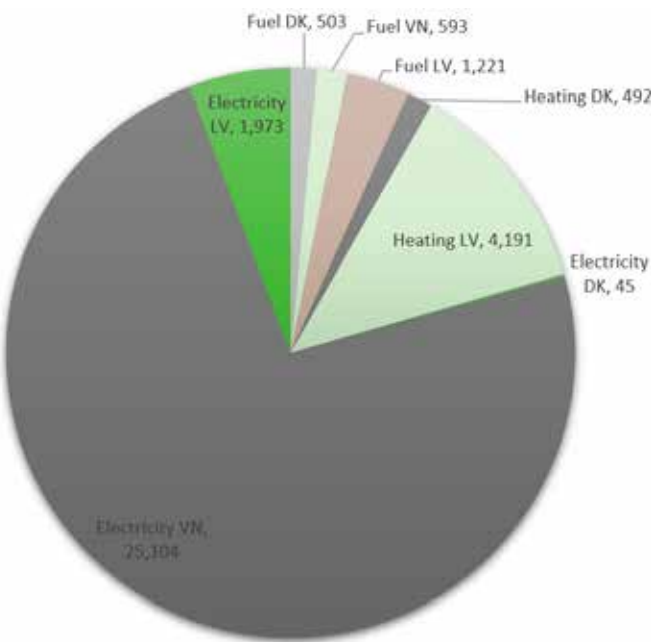
Energy consumption within Spectre (Scope 1&2), GJ
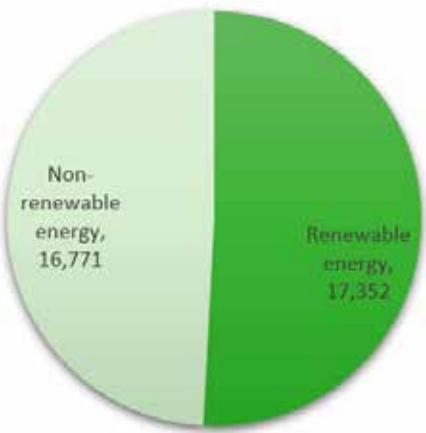
Renewables consumption, GJ
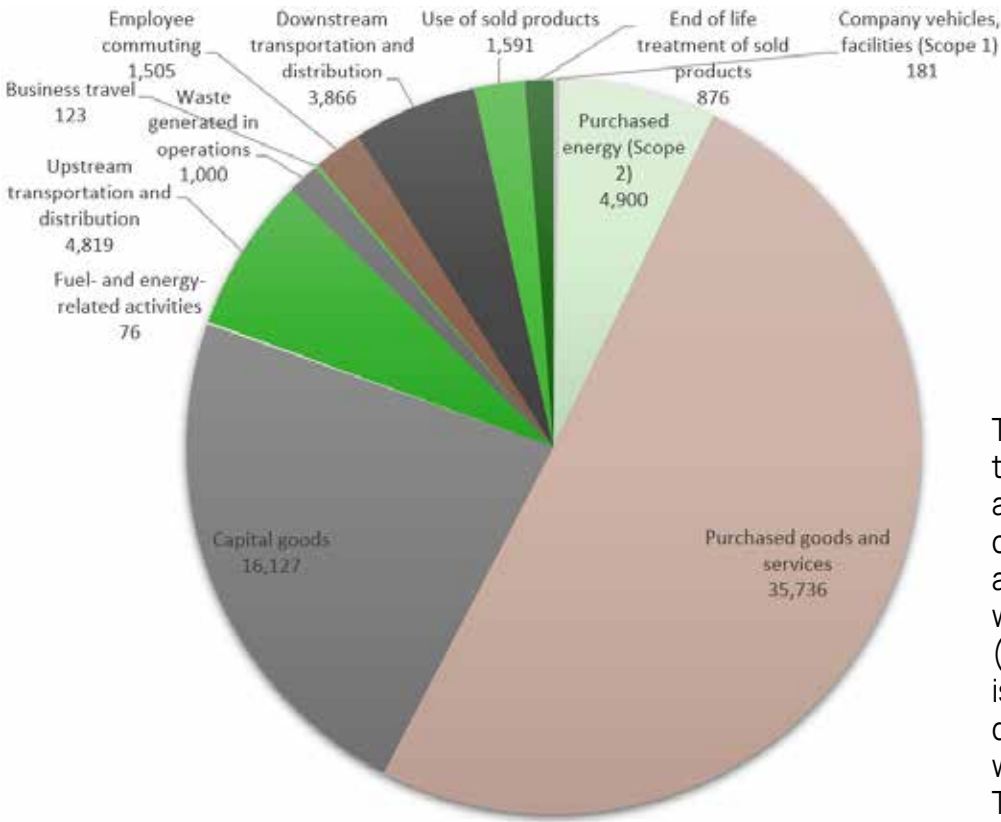
Spectre's GHG emissions, t CO2e

Getting the full picture of our GHG emissions

The 2022/2023 financial year was the first time we did an emissions assessment including value chain emissions (called Scope 3 according to GHG Protocol) as well as from our own operations (Scopes 1 & 2). The only exception is the assessment of outbound deliveries of readymade products which we are still implementing. This helps put into perspective what would be the most efficient steps to reduce our impact.

Key performance indicators

Area	Unit	22/23	21/22	20/21	22/23 on 21/22 change
GHG emissions, Scope 1 & 2	t CO2e	5,082	2,620	1,849	94%
GHG emissions intensity, Scope 1 & 2	t CO2e/ Mmin	19.1	14.2	17.4	35%
GHG emissions, Scope 3	t CO2e	65,719	-	-	-
GHG emissions intensity, Scope 3	t CO2e/ Mmin	247.0	-	-	-

*The data indicator has been subject to limited assurance, covering the columns 'Area', 'Unit', '22/23'

"Committed to set near-term company-wide emission reductions targets by 2025 in line with climate science with the SBTi.

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Our climate goals must align with the 1.5 °C scenario. Our GHG emission assessment was our first step to setting reduction targets. We have committed to set near-term (5-10 year) company-wide emission reductions targets by 2025 in line with the SBTi. Over the coming year, we will be developing the carbon emissions targets and validating with the Science Based Targets initiative.

Vietnam. The rising powerhouse of renewables

Vietnam has made great strides towards increasing the share of renewables in the national grid, becoming a leading nation in Southeast Asia.

We utilised the roof area of our Nam Dinh factory to install a rooftop solar system which now produces about 8% of our total consumption. We have also installed rooftop solar system in our An Giang plant, which is expected to produce about a third of total electricity consumption when connected to the grid.

Due to limited roof area suitable for panel installation and the variability of output, we will never be able to cover all our electricity consumption with on-site solar systems.

Therefore, we are exploring purchasing renewable energy certificates (RECs) to cover the remaining amount, which would allow us to switch to 100% renewable electricity. The broader benefit of purchasing RECs is that it additionally incentivises green energy development in Vietnam providing additional profit from sale of RECs.

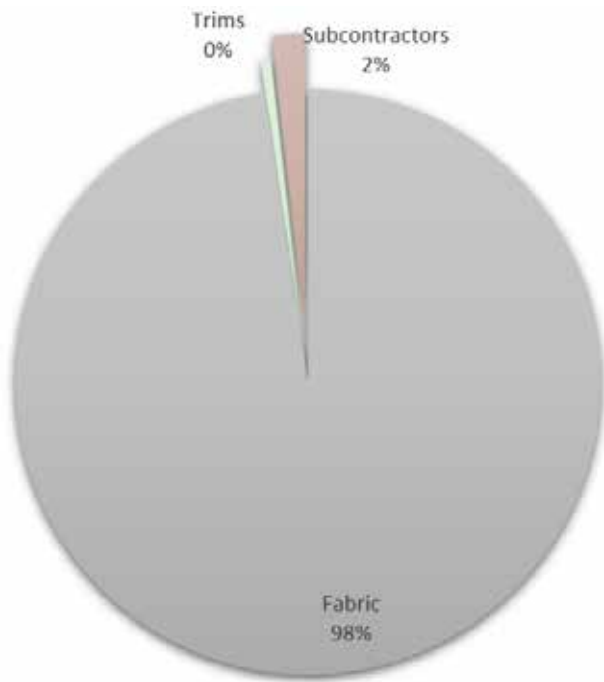Spectre factory, An Giang Vietnam

Materials matter

Major role of fabrics and trims

As is characteristic for a manufacturing company, the majority of emissions stem from purchased goods and services, more specifically the fabrics and trims that account for up to 98% of GHG emissions in the purchased goods and services category, with subcontractors making up the rest.

The fabrics and trims to be used in the garments are determined by our customers, which means that the climate and environmental impacts of the products largely depend on the brands we partner with and their targets and ambitions.

Several of our customers have set targets on circularity of materials in use or labelling denoting the use of preferred materials such as made of recycled or otherwise responsibly sourced raw materials. 3,151 tons of fabric were purchased in the reporting year.

Purchased goods and services, t CO2e

Fabric composition types

Recycled fabric made up

42%

This is well above the expected requirements of future EU initiatives.

However, renewable materials like wool, cotton, lyocell etc. make up only 3% of the total purchased amount.

Waste for some, a resource for others

In terms of GHG emissions, non-hazardous waste accounts for 1.4% of our total emissions including the value chain. We use waste emissions intensity as our KPI as a great aggregate of all waste handling improvement activities. Any improvements in reducing the amount of waste or switching to a better waste treatment method will show in the KPI. The reduction in this indicator has been achieved mainly through improved documenting of waste recycling volumes.
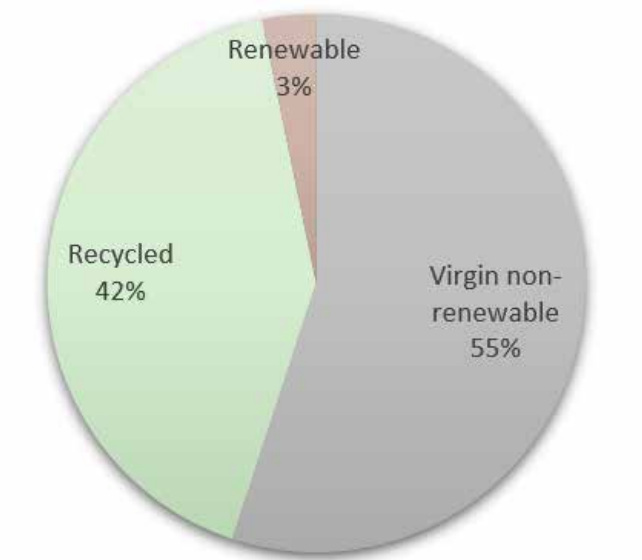
Key performance indicators

Area	Unit	22/23	21/22	20/21	22/23 on 21/22 change
Waste GHG emissions intensity	t CO2e/ Mmin	3.76	3.82	4.90	-2%

*The data indicator has been subject to limited assurance, covering the columns 'Area', 'Unit', '22/23'

Our main source of waste is fabric scraps. Currently, most of the waste is disposed either for landfilling or incineration. There are few possibilities to reuse them, so for many years we have been exploring possibilities for recycling them, as new technologies are developing and becoming more accessible. We are working with potential recyclers both in Asia and Europe to set up recycling of the fabric scraps.

In the past year, we have trialled chemical recycling which could be a turning point. Chemical recycling can separate dyes in the process, which means that fabrics would not have to be separated by colour as in mechanical recycling. A quarter of all fabric were made of 100% polyester, which lends itself to chemical recycling and is the share that we can aim to recycle in the coming years. Energy recovery treatment remains as an option for the fabric waste where recycling is not yet feasible.

In case of leftover fabrics, the larger part is being destroyed. However, we regularly find opportunities for reusing the materials by donating them.
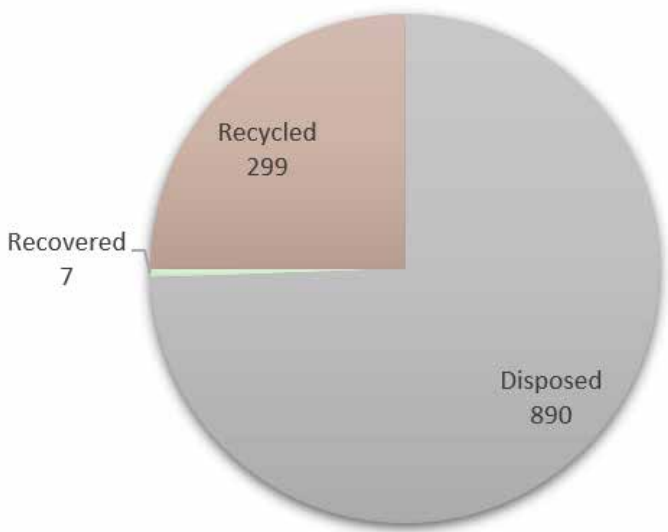

Non-Hazardous Waste, t

Applying learnings from fabric recycling trials

Textile waste from production has high potential for recycling in a way that retains more of the value embedded in the material compared to post-consumer waste. That is because contamination can be eliminated, and the source and raw material content is known.

Early in 2023, we trialled recycling fabric scraps from the cutting process with New Retex, a Danish company. Our learning was that the applicable method of recycling (chemical, mechanical) and resulting raw material are determined by the type of textile recycled. While recyclers can process pure polyester fabrics free of charge, there is low demand for lower-value recycled fibres. Hence, costs for recycling fabrics with a blend of fibres or laminate fabrics with a membrane can be high. Therefore, we intend to initially roll out recycling of pure polyester fabrics.

As opposed to fabric waste from the garment manufacturing process, most recyclers are geared to process post-consumer waste, so apparel manufacturers must set up their own processes for sorting and shipping fabric scraps.
Due to current recycling restraints, we believe that if brands were to consider recycling costs in the design phase of the product, they would be more motivated to make more circular material choices.

Putting leftover fabrics into crafty hands

We always try to prevent waste, but leftover fabrics or trims that cannot be used in production do occur as an unavoidable consequence of the production process.

Spectre Latvia has always looked for ways to donate the materials for charity purposes. In the past year, we have donated materials to the Latvian Academy of Arts where they are made into apparel by future designers studying there. Materials are also donated to schools and kindergartens across in Latvia, where children use the materials for various crafts. Some of the materials were donated to animal shelters in Latvia, to be made into bedding and mattress covers for pets left without owners.

Handle with care – hazardous waste and chemicals

Our production process does not involve the use of specific chemicals. We use chemicals for tooling and maintenance, R&D and some spot cleaner. These are managed according to legal and Higg FEM best practices for health and safety and waste management, as well as the requirements of our customers to ensure consumer safety. Additionally, we control any possible impacts on the environment, and we provide regular training for our workers on safe and proper handling. This involves procedures for evaluating and approving any of the chemicals used in maintenance and tooling.

Sources of hazardous waste are also limited to maintenance (expired, used chemicals, empty cans, used rags), regular office appliances (batteries, electronic waste, ink cartridges) and spent or expired first aid medical supplies. In the past year, the total amount of recycled hazardous waste was 550 kg and 294 kg incinerated by authorised waste treatment companies.
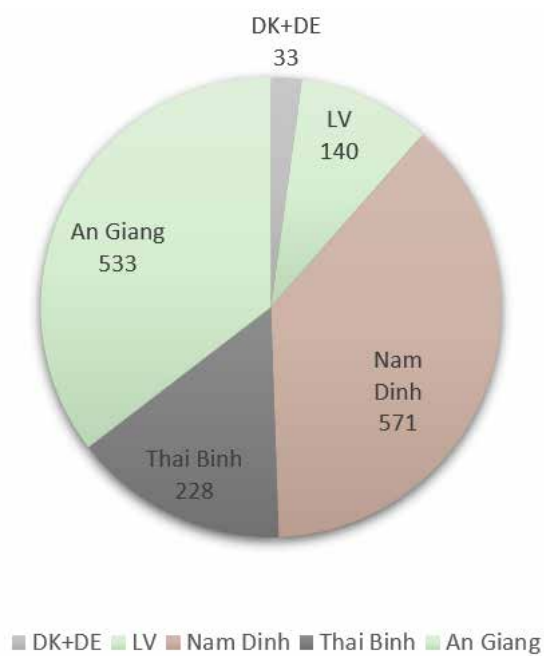
Emissions on the move
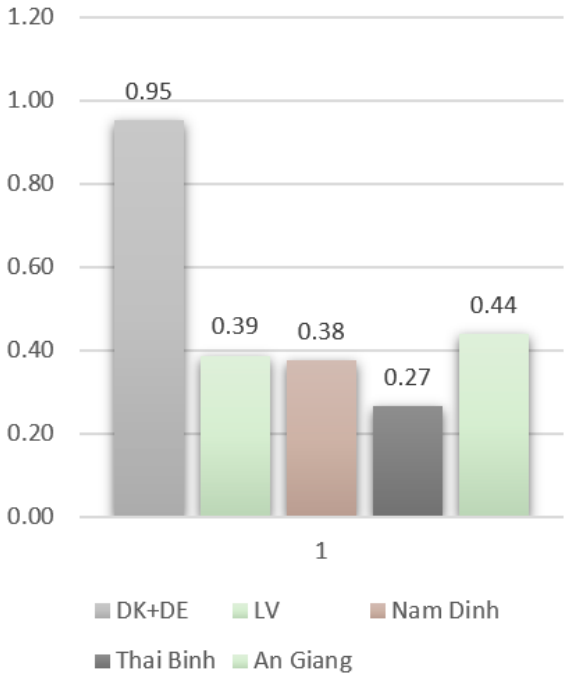### Special delivery – Greener solutions for logistics

Getting the materials to the factories and delivering the finished product to customer warehouses is the fourth-most significant source of GHG emissions. Inbound, outbound and internal deliveries account for 6.8% of our total GHG emissions. Together with our logistics partner we offset GHG emissions from our sea freight deliveries amounting to 48.8 tons of CO_2e by purchasing marine biofuel. This is our way of contributing to the shift to renewable fuels in shipping. HVO fuel is produced from used cooking oil and other fatty waste products.

Air freight deliveries have outsized impacts

Expedited deliveries by air freight have the largest impact on emissions as the speed of delivery is paid for not only in dollars, but also by the environment in roughly 100 times more GHG emissions than an equivalent sea freight delivery. This emphasises the always present trade-off between reducing climate impacts and ensuring work for the production lines, which calls for meticulous planning and a transparent dialogue with the customers.

Employee commute GHG emissions, t CO2e

DK+DE 33 · LV 140 · Nam Dinh 571 · Thai Binh 228 · An Giang 533

■ DK+DE ■ LV ■ Nam Dinh ■ Thai Binh ■ An Giang

Commute emissions per employee, t CO2e/FTE

DK+DE 0.95 · LV 0.39 · Nam Dinh 0.38 · Thai Binh 0.27 · An Giang 0.44

■ DK+DE ■ LV ■ Nam Dinh
■ Thai Binh ■ An Giang

The commute matters for employees and environment

Sewing requires a lot of manual labour, which means that worker commuting is also a source of emissions, accounting for 2.1% of total GHG emissions. We did our first-ever employee commute survey to find out what ways the employees see for Spectre to improve their commute and reduce environmental impacts. Our approach to encouraging employees to choose more sustainable transport for their daily commute is tailored to the local context.

We have installed charging for EVs at our Danish headquarters and main facility in Latvia, we have installed charging spots for electric motorbikes in An Giang and we provide company bus services for employees in Latvia on several routes not covered by public transit.
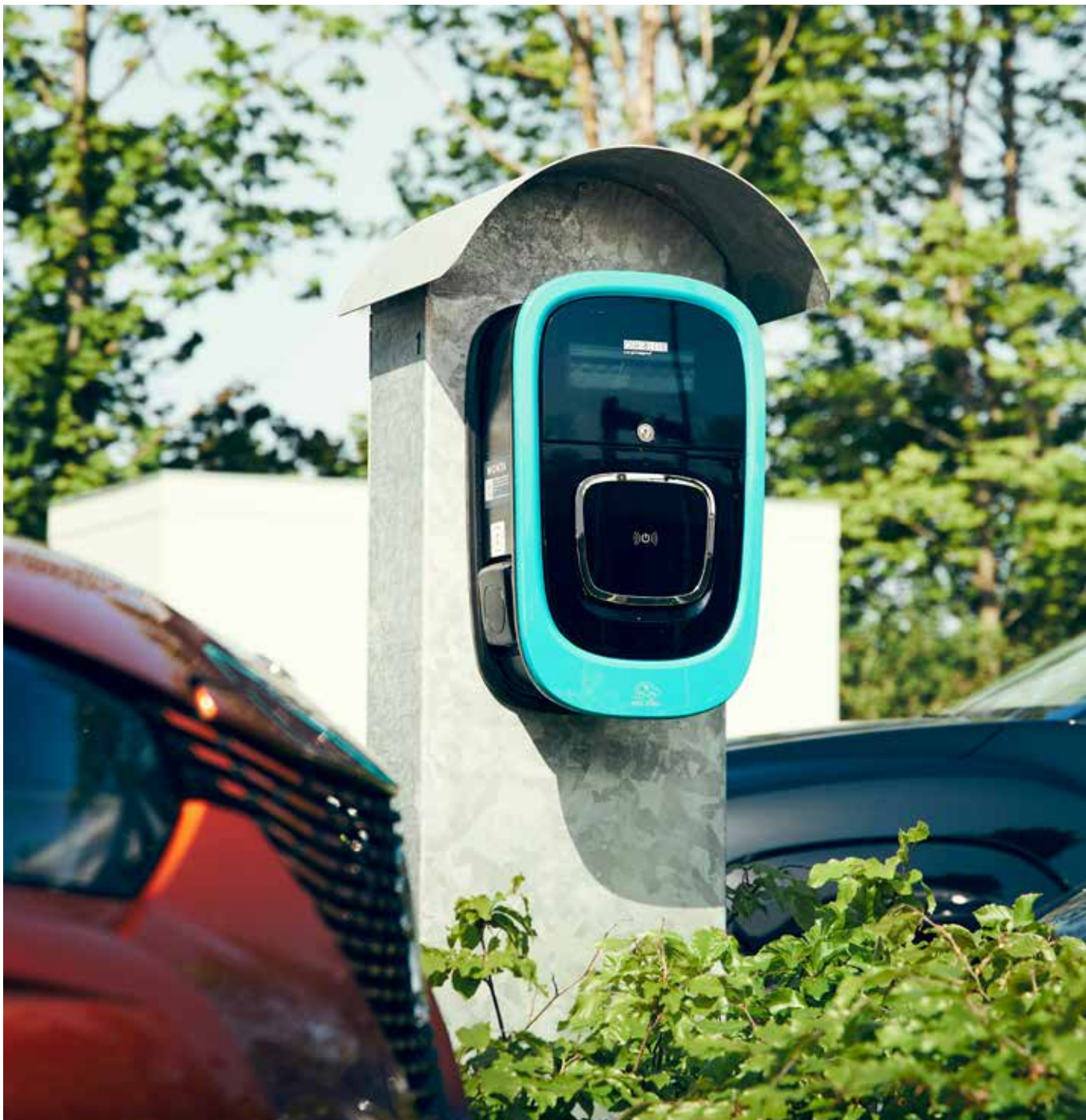
Charging spots at Spectre HQ, Ikast Denmark

Reducing our impacts based on risks
Water consumption improvements in An Giang will show next year

In our own operations water is used mainly for household purposes (hygiene, drinking, cleaning etc.) therefore we have limited direct impact on water resources.

Key performance indicators

Area	Unit	22/23	21/22	20/21	22/23 on 21/22 change
Water consumption	m3	48'983	17'542	11'999	179%
Water intensity	m3/ FTE	12.3	6.8	8.0	81%

*The data indicator has been subject to limited assurance, covering the columns 'Area', 'Unit', '22/23'

In the past year, water intensity considerably increased, as we accounted also for water consumed in the construction process of our An Giang factory and for watering of greenery, as South Vietnam experienced an extraordinarily dry season, while the grass and trees were establishing in the new site. We expect this metric to drop significantly in the following year as the one-off factors will diminish. On the positive side, the rainwater harvesting system installed in An Giang will keep producing substantial savings.

Evaluation of water risks helps to focus on the right impacts

An assessment using the World Resource Institute Aqueduct Water Risk tools has revealed that the North and South Vietnam, where our factories are located, are exposed to flooding risks and pollution due to untreated wastewater. Moreover, there may be seasonal drought in South Vietnam and Latvia. That requires us to ensure high standards for wastewater management and defining our approach to mitigating possible flooding damage in the communities in the future, especially considering potentially rising sea levels due to climate change.
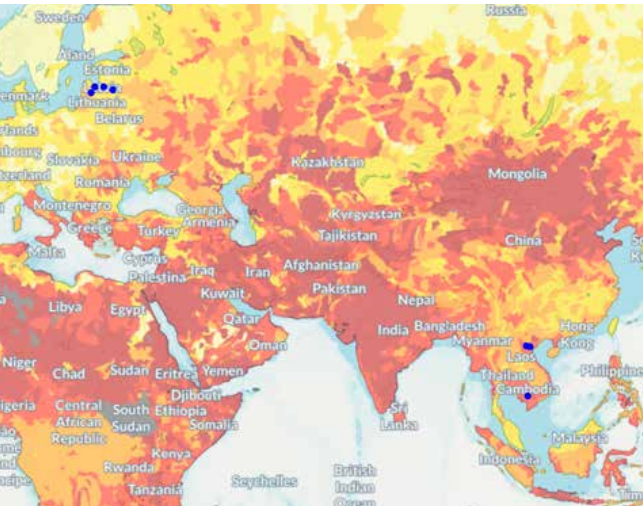
Locations of Spectre's facilities on the overall water risk map. Source: Aqueduct Water Risk Atlas

Our business model's main impacts on water resources lie in the supply chain, especially the dying process. We have yet to establish a process to ascertain the specific impacts on water resources of our material suppliers. As members of Sustainable Apparel Coalition (SAC), we plan to utilise Higg FEM assessments and promote the adoption of this tool among our suppliers to increase transparency and improve our due diligence process.

Wastewater treatment

The amounts of wastewater produced are assumed be equal to water consumption, as we have not established a way to account for water spent on watering greenery instead of going into sewage system. All locations except the Kalnciems factory in Latvia received water from municipal services (and water harvesting in An Giang), and wastewater was diverted to municipal wastewater treatment sites. The Kalnciems factory also was connected to municipal services in January 2023.

Expansion of production capacity at Thai Binh site also requires reconstruction of the sewage system which will be done in the coming year. Our goal for the coming year is to develop our wastewater monitoring by requesting wastewater testing.

In the spotlight

Water Harvesting for Self-sufficiency

In designing the new An Giang factory, we decided to install a water harvesting system so the rainfall could be collected in an underground tank and used in grey water applications such as flushing toilets and watering greenery.

41% of all water used last year in An Giang or 11,221 m3 has been harvested on site, making the factory environmentally more self-sufficient.

Social

Social impacts throughout
the value chain

This year we took a more nuanced view of assessing the impacts of our business model throughout the value chain. There are many important impacts we address in our operations however we see that the biggest challenges lie in our supply chain. These conclusions will inform our approach in the coming years as we set out to define our social goals and action plans until 2030

### Labour standards are key for a fair and safe workplace

Eliminating excessive overtime and ensuring compliance with other working time regulations (3, A) is the most common challenge across the apparel industry and one we have aimed to eliminate in our operations this year. Although there are low risks of severe trauma in our operations, the extensive use of manual labour in apparel making means that health and safety (1, B) should always be the key concern, which requires a systematic approach to training and equipment to minimise such risks. Employers throughout the supply chain must pay wages that can provide a decent standard of living for the workers (2, D).

Advancing respectful values and responsibility to local communities

In societies without firmly established social norms on gender equality (5, E) and zero tolerance towards harassment or violence (4, C), the employer is responsible for ensuring that all employees are treated with respect. Due diligence is necessary to ensure that human rights such as no forced or child labour (F, G) are fully respected across the supply chain. Having suppliers in different countries means that we must always ensure that our internal company policies are in place on civil, political, collective bargaining and other rights of people (H, J, L) in our supply chain and in our own operations (7).

Markets are dynamic and swings in demand or political decisions on duties or tariffs can boost or decrease the number of orders. That is why job security also can become an issue for workers across the value chain (K). Being the main employer in several local communities, Spectre offers job opportunities, but also can impact communities negatively (6) in case of downsizing. when the industry faces demand downturns.

The following paragraphs outline our approach to addressing these material issues in our operations and the value chain as well.
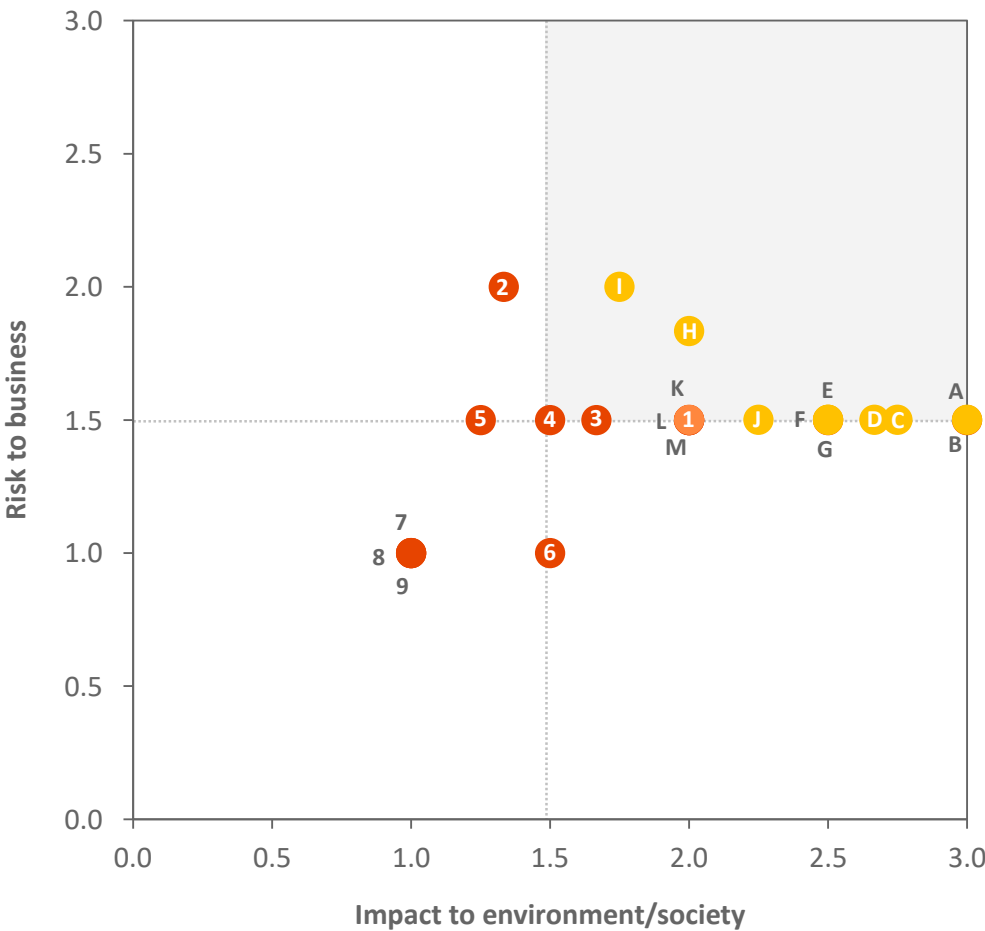
Own operations

1. Health and safety

2. Fair compensation

3. Working time

4. Measures against violence & harassment

5. Diversity & equal pay

6. Surrounding com-munities

7. Workers' rights

8. Parental leave

9. Data privacy

Value chain

A. Working time

B. Health and safety

C. Measures against violence & harass-ment

D. Adequate wages
E. Gender equality and diversity

F. Child labour

G. Forced labour
H. Communities' civil and political rights

I. Health and safety of consumers

J. Social dialogue

K. Secure employment

L. Collective bargain-ing

M. Adequate housing and sanitation

Life at Ukraine partner factory continues after a month under siege

This year was a stark reminder that above all, peace is the prerequisite for the most fundamental social accountability and sustainability principles. We started cooperation with a partner factory in 2021 to expand the cooperation and set up permanent production in Chernihiv, a city in the Northeast of Ukraine, where our partner factory is located. These plans, and most importantly the lives of all Ukrainians, were struck down by Russia's full-scale invasion of Ukraine on February 24, 2022. Chernihiv suffered intense bombardment and a siege with no safe routes to flee the city until the battle in the North of Ukraine ended and Russian forces retreated. Since end of April 2022 production has been running stable, and road transport has been functioning quite well.

Spectre's management has been in regular contact with the director of the partner factory since the breakout of the war, looking for ways to provide help for the workers. Our main way of helping was to work hard to ensure production orders, so the employees could ensure their livelihoods and somewhat normal lives while their country was at war.

All aspects of cooperation were impacted by the war, from the logistics of delivering materials and receiving the finished product through difficult routes to providing technical assistance remotely. The factory management has shown strong determination in keeping the production running and care about their employees during these extremely difficult circumstances.

Even in extraordinary circumstances, we are committed to working with our partner factory on sustainability and social responsibility issues. We have onboarded the factory to use the Higg Index tools to carry out a self-assessment, as we have halted on-site visits for the duration of the war. Our customers are also seeking to do their own due diligence and have conducted a remote social audit.

Spectre's support for Ukraine

Spectre donated a total of 25,000 hospital gowns, produced by Spectre, to be distributed to medical and treatment facilities in Chernihiv and to the children's hospital in Kherson. 900 metres of fleece fabrics were shipped to our partner factory to be made into clothes and blankets and distributed among citizens in the area.

Spectre's employees were active in self-organising in support of the Ukrainian people, including fundraising by employees in Denmark. Spectre Latvia organised volunteering to prepare masking nets for the Ukrainian armed forces using leftover fabrics. Our employees volunteered their spare time, and about 400 children from local schools visited to lend their hand in tying the fabric scraps to the nets and send supporting thoughts to the Ukrainian people in their struggle.

Spectre Latvia also opened the doors to Ukrainian refugees willing to make their own living during their stay in Latvia. 14 Ukrainian women received training and worked as sewing workers until they deemed it safe to return to Ukraine. Employees organised donations of household goods needed for everyday use to help the refugees settle in during their stay.

In the spotlight

Donations at inauguration of An Giang factory

As part of the celebration and to give back to the local community for its support on the establishment of production in the local area, Spectre together with Mammut donated gifts for the local government of An Giang.

Mammut donated equipment to enable digital learning to a local school and Spectre donated funds for a roof over a playground, clean water drinking fountains, and 20 tricycles to a local kindergarten.

Employee diversity and development

Area	Unit	20/21	21/22	22/23	YoY Change
Gender diversity	%	77%	72%	70%	-2%
Gender diversity management	%	50%	46%	46%	1%
Employee turnover	%	36%	37%	41%	11%

Spectre has a clear non-discrimination policy for people of any locality, religion, gender, sexuality etc. Twice a year SA8000 audits check our compliance with this policy in all our factories. Our non-discrimination policy applies also to hiring decisions in management positions. However, we do observe differences among genders in terms of gender distribution in management and overall.

Gender distribution management

Gender distribution - All employees
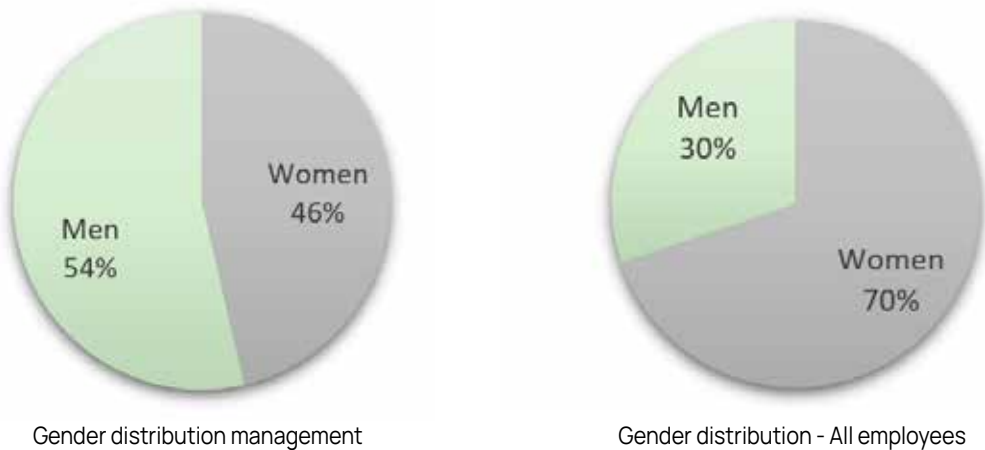
We also see more training hours received by men than women, a difference observed across all countries of operation. We plan to conduct a thorough analysis to identify the best approaches Spectre could take to promote more equal career outcomes.

Temporary employment is practiced only in rare cases (1 employee in Latvia) when a position is filled until the return of an employee on a longer-term leave such as maternity leave. According to company policy all benefits apply equally to full-time and part-time employees.

Our employee satisfaction survey reveals that 4% of employees in Latvia and 2 % in Vietnam express that they have experienced some form of discrimination or harassment, which is close to the results last year. We provide numerous channels to all employees for airing grievances, including anonymously and confidentially through our whistle-blower reporting channel. The cases we have reviewed have been concerning rivalry between departments, disrespectful behaviour and harassment of subordinates and they have been addressed involving management.

Employees receive regular performance appraisals depending on the nature of their work. Production workers in Vietnam receive a monthly 6S appraisal, and most other employees receive an annual appraisal.

As our contribution to the local communities, Spectre Latvia participated in a government programme to provide on-the-job-training for registered unemployed persons. Spectre Latvia provided theoretical and practical training with qualified and experienced supervisors who provided the skills training necessary to do the job well. 17 trainees completed the programme and received documentation verifying the acquired skills. Five of these trainees became Spectre employees after the conclusion of the programme.

Health and safety
Major accidents halved compared to last year
This year saw fewer major accidents (with resulting absence of more than 3 days) both in Vietnam and Latvia (1 each). We did not have any instances of occupational disease in the period.

Health and safety indicators, 2022/23

Location	Injury rate	Lost day rate	Absentee rate
	Major accidents per employee	Lost days due to injury per employee	Days of absence per employee
Vietnam	0.0031	0.009	1.2
Latvia	0.0055	0.036	22.5
Denmark/Germany	0	0	16.1
Group average	0.0033	0.011	3.3

The return to normal after end of the COVID restrictions has also meant a return to normal in absentee rate, and less down-time due to lockdowns have greatly improved capacity planning which was a significant problem in Vietnam in the previous year. Absentee rate in Denmark this year rose due to non-work-related long-term sickness of two employees. The sickness absence in Latvia remained about the same as last year with non-work-related long-term sickness absence among older employees making up a significant part.

Key performance indicators

Area	Unit	20/21	21/22	22/23	YoY Change
Absentee rate	Days/ FTE	7.6	9.2	3.3	-65%

> " Within the framework of our Spectre Factory Model, we set up our facilities to provide a safe and comfortable working environment.

Safe work is about having the right procedures and mindset
We manage occupational health and safety according to local legislation and the SA8000 standard. This includes regular internal audits and external audits two times a year. We also have multiple external audits in our facilities initiated by our customers that review our procedures and practices of managing human rights, health and safety and fire safety at the facilities.

Within the framework of our Spectre Factory Model, we set up our facilities to provide a safe and comfortable working environment with modern machinery and technology, ergonomic workstations and plenty of natural light and air conditioning in our Vietnam factories, which is very important for worker well-being.

We provide frequent training with practical examples and live drills to build awareness and keep employees vigilant to the risks in their daily work, and we provide training for emergency situations as well.

Health and safety committees are set up in each subsidiary of Spectre.

The committees are responsible for:
• Conducting regular OH&S committee meetings
• Performing an annual OH&S risk assessment together with competent institutions
• Providing health and safety training (first aid brush up for first aiders, training relevant to work situation, fire and emergency drills)
• Planning mandatory health check-ups (in Vietnam, production workers will have health check-ups twice a year)
• Any other related tasks.

OH&S Committees include management and worker representatives and report to the managing director.

Of all employees, maintenance and tooling employees are exposed to higher risks performing tasks such as machining, welding and handling chemicals.

Fire and emergency drills in Thai Binh, Vietnam

Ensuring social and labour standards
Frequent external audits provide transparency, but also duplication of efforts

In the 2022/23 financial year, our facilities hosted third party social and labour audits performed according to various frameworks such as:

• SA8000
• Fair Wear Foundation Code of Labour Practices
• The FLA Fair Labor Code
• The SLCP Common Assessment Framework
• Audits from two customers checking compliance with their codes of conduct.

	Fair Wear	SA8000	Customer framework	vFSLM (SLCP)	FLA
Nam Dinh	1	1	1	1	1
Thai Binh	1	1	1	1	1
An Giang		1	2		
Spectre Latvia		2			

Due to travel restrictions in Ukraine, it has not been possible to conduct on-site audits, however, at the end of our finance year 2022/23 it was agreed with our partner factory to conduct a self-assessment during spring 2023.
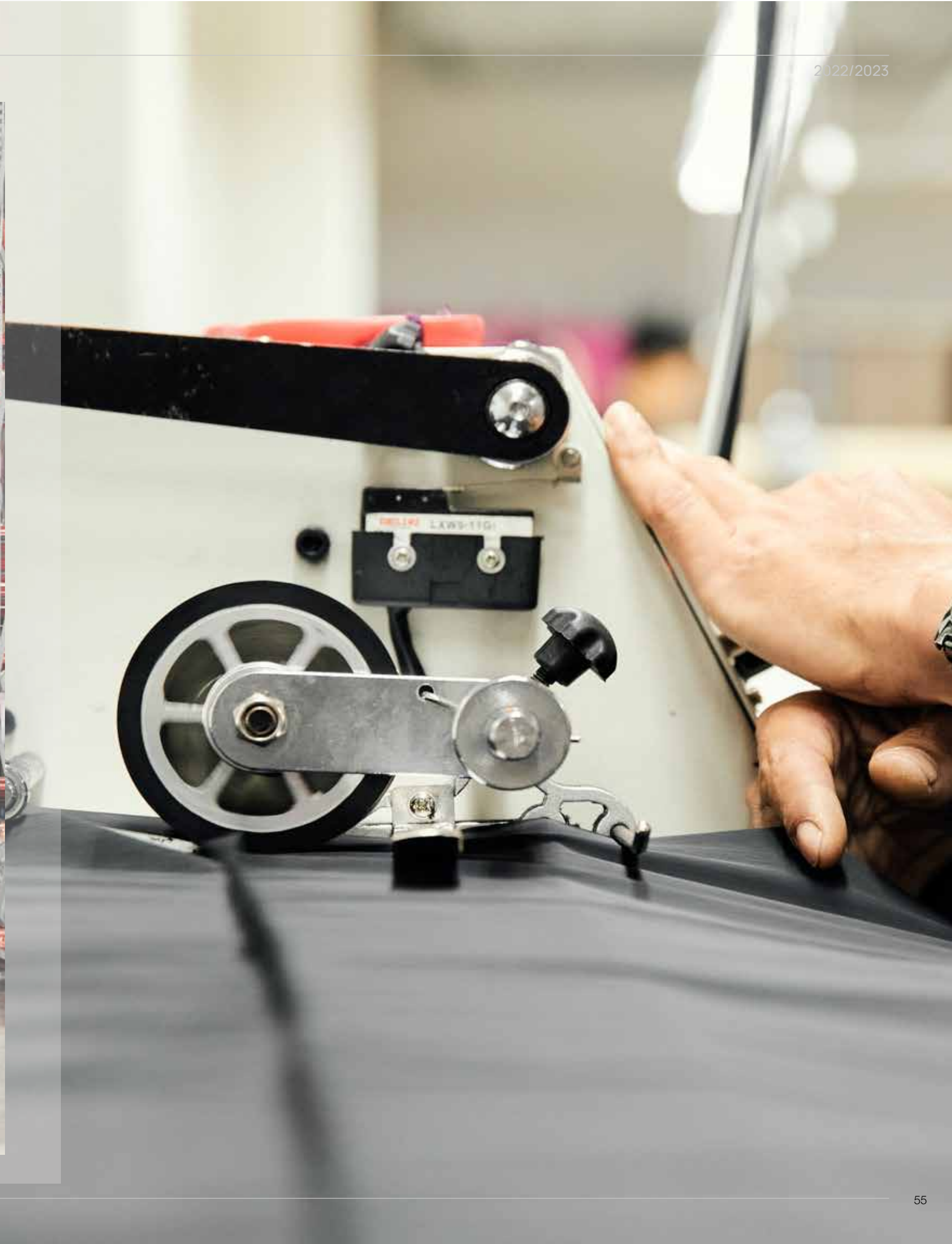
Our SA8000-certified social accountability management system ensures that we have a systematic and continuous improvement approach to managing our compliance with labour standards and responsiveness of the company to concerns voiced by the employees. Currently, only the An Giang factory is not SA8000-certified and is expected to complete the process by summer 2023.

Third-party auditing provides additional transparency for our customers. As members of the SAC, our goal is to promote the use of the SLCP Common Assessment Framework and the adoption of the Higg FSLM assessment both by suppliers and in the due diligence process of customers.

There is very little difference between the various auditing frameworks whereby findings in the various audits are generally the same which to us hints to a lot of redundancy and unnecessary strain on our resources. While we are always open to accommodate the due diligence efforts of our partners, we would appreciate more consolidation and/or mutual recognition of these audits among our customers.

Spectre factory, An Giang Vietnam

"We are happy to thereby contribute to our customer reaching their social responsibility goals.

Nam Dinh and Thai Binh factories to be fair trade-certified
Fair Trade Certified is a social accountability standard closely aligned with SA8000 and allows the brands to make direct contributions into a worker-controlled fund in each factory. The contribution is a percentage (may vary from brand to brand) of the purchase price of the finished garment. An elected worker committee will decide how to use these funds. We see this as a great way of involving workers and strengthening their self-organisation skills in an inclusive way.

We are working to complete certification for Nam Dinh and Thai Binh factories in summer 2023 and are happy to thereby contribute to our customer reaching their social responsibility goals.

Applying high standards to subcontractors
In 2022/23, sewing subcontractors accounted for 16% of the total amount of sewing minutes and print (6 subcontractors) or embroidery (2) subcontractors are used for rarer occasions when we cannot perform the operation in-house. Therefore, the part of work we outsource is relatively small and we maintain a very high degree of control over the production processes. Even so, we make sure that any core subcontractor (sewing, print or embroidery) use is approved by the customer and that the subcontractor meets requirements of customer's code of conduct and other guidelines.

As a SA8000-certified company, we continuously monitor how our subcontractors respect legal obligations and human rights. In case a subcontractor holds an SA8000 certification, we review the audit reports and monitor remediation of non-conformities. For core subcontractors that have not certified a labour, H&S or social accountability management system, we perform annual audits to monitor their compliance with Spectre's Code of Conduct and appropriate legal requirements or review audit reports of other credible social accountability standards, and track remediation of non-conformities.

Remuneration
Living wage is our benchmark to make sure no one falls behind

According to our Employee Satisfaction Survey, 95% of our employees in Vietnam fully or partially agree that their salary is appropriate for the work they do. However, there are some categories of unskilled labour, like cleaning staff, who earn less than most workers. We care just as much about them, since paying the legal minimum wage is not a guarantee for earning enough for a decent living.

We perform monthly monitoring to identify any cases that an employee would receive less than the living wage benchmark. We use a Wage Indicator Foundation benchmark in Vietnam and our own calculation based on the SA8000 guidance for Latvia. We compare employee wages, excluding any irregular bonuses and overtime pay, as employees should be able to earn a living wage within standard working hours.

On average in 2022/23 we had 0.8% average monthly instance of employees receiving below living wage. Most employees earn well above living wage without working overtime. Some exceptions to this occur, but we aim for zero incidence. The factory management reviews cases when employees receive less than living wage to define appropriate steps to avoid this in future.

Wages are transparent to our customers
In addition to this, we submit data to our customers for Fair Labour Association (FLA) wage analysis, and our remuneration is reviewed in Fair Wear Foundation (FWF) audits, which makes our wages transparent to our customers. The feedback we have received in these assessments performed by one of our large, international customers is that the wages are well placed compared to other Tier 1 suppliers.

Working hours
Excess overtime cases reduced by 85%

Outdoor apparel industry is subject to high seasonality which is a consequence of the old traditions in the industry defining specific, critical market launch dates for the new products. To ensure we can deliver products timely to our customers, we use e subcontractors and overtime (OT) work, primarily in Vietnam. This also provides an opportunity for workers seasonally to make an extra income at a higher rate than regular working hours.

Local legislation sets specific limits to how much overtime is allowed in specific periods (day, week, month) as well as restrictions for specific groups such as pregnant women and women with small children and other provisions with daily working hours being limited and OT being restricted. Whenever OT is necessary, we develop OT plans, and we make sure that employees voluntarily agree to participate in these.

However, the culture of utilising OT to solve urgent issues and employee willingness to work more OT to earn more at an increased rate meant that we still had too high number of cases of excessive OT. In June 2022, we tackled this issue by tying the bonuses of managers to an overtime KPI, so they have a very tangible incentive to avoid any excess OT cases. As a result, we have decreased excess OT cases by 85% which showed the effectiveness of such an approach.

Employee involvement and social impact
Survey helps to focus efforts on employee satisfaction improvements

We are continuously working to establish DRIve – Spectre's Core Value Model – as the backbone of our employee culture. We conduct an annual satisfaction survey to track our progress and identify what sources of stress affect employee satisfaction the most.

This year we see that employees feel less secure about their jobs due to some downsizing both in Latvia and Vietnam. The survey shows that these changes have also spilled over into lower trust between employees and less team spirit. That said, overall, the engagement score and overall satisfaction remain high although having decreased compared to last year.

The survey is part of a process for the management team to analyse employee satisfaction, review employee suggestions to decide on measures to address employee concerns. This also includes discussions with the Social Performance Teams which include elected employee representatives.

Location	Engagement score*
Spectre Vietnam	83%
Spectre Latvia	77%

*The engagement score is calculated from a subset of questions that reflect motivation and satisfaction according to a shortened version of Utrecht methodology.

Employee representation and collective bargaining
Trade unions are represented and involved in labour relations in our Vietnam operations and Denmark. In Vietnam, a Trade Union Committee is voluntarily elected by our employees to represent the employees' interests and legal rights in a dialogue with factory management. The trade union is financed by member contributions and payments from the factory equal to 2% of social insurance payments to the government. These funds are used by the trade union for the benefit of employees (e.g. support in case of difficulties and bonuses for life events) and also cover superior trade union dues.

We have not implemented a unified policy across all sites on issues that should be included in collective bargaining agreements with our employees, as trade union membership levels and local legislation differ. Trade unions are involved in adopting our company labour regulations which, among other topics, include provisions on H&S. Workers can volunteer to be appointed to a H&S committee to participate in monitoring H&S management.

Social Performance Teams are our way of following SA8000 guidelines on how to involve elected employee representatives into monitoring performance of our social accountability management system and labour issues and provide their opinion in discussions with management.

Social activities build team spirit
In November 2022, Spectre's employees united in the celebration of Spectre's 75th anniversary. With cultural and geographical differences, we celebrated the anniversary in several different ways. Dinner and dancing, theatre events, banquets, artistic performances and raising the Spectre voice across social media.

Spectre produces performance apparel, so our employees love participating in sports events like the Royal Run event in Denmark, the Riga Marathon in Latvia and the football tournament for employees in Nam Dinh, Vietna.

This Christmas, our employees in Latvia competed for which department would craft the nicest Christmas tree made from leftover or waste materials to encourage a circular no-waste thinking among our employees.

The largest social events in Vietnam take place at the end of the year which saw a celebration at all three factories in Nam Dinh, Thai Binh and An Giang. End of the year is the time when the employees living Spectre's values the most are honoured, and all employees gather in a fun celebration.

Every year, our employees in Latvia volunteer to donate to the national blood bank to help people facing medical emergencies. A mobile blood donor service bus came to our factories to provide the opportunity to donate on-site.

Peak partnership with Emma Østergaard

Spectre teamed up with Emma Østergaard in her goal to climb Mount Everest. Emma became the youngest Danish female to summit Mount Everest. The cooperation with Emma was an opportunity for us to build understanding about the performance of garments in extreme conditions.

Another expedition to Kilimanjaro is planned for August 2023 involving our production and innovation team which is also a great opportunity to gain additional knowledge about athlete requirements in different climatic conditions.

"I have selected jackets, fleece and hiking pants from Spectre. As their athlete, I have tested the clothes at home in my training, and now it's time to bringthem for the expedition.

I have selected and focused on specific features and textiles, such as fleece grid, stretch, breathability and wear resistance. A bit of nerdiness, which is really great! When the expedition is over, Spectre and I will use the feedback and develop together. A fantastic collaboration."

- Emma

Photos by Jacob Urth / Emma Østergaard

Governance

Sustainability cannot be summed up only in our impact on the environment or people. It is also about how we address this as a company.

Considering stakeholders, providing transparency, engaging with others, setting goals and defining responsibilities are all prerequisites to sustainable management of a business.

Becoming B Corp-certified

We have been looking for a framework to measure how well we are doing as a responsible business. We found the answer in B Corp. B Corp certification is a designation that a business is meeting high standards of verified performance, accountability, and transparency on factors from employee benefits and charitable giving to supply chain practices and input materials.

Based on the B Corp assessment framework, we held multiple workshops to identify improvement opportunities and define action plans. Such actions included commitment to responsible company management included in the company articles of association, increased transparency and data gathering, and overall improved policies that affect employees and the environment.

We submitted a B Impact Assessment in the summer of 2022 and have now reached the long-awaited verification. We thus hope to become B Corp certified in the coming months. B Corp certification is a great learning experience that due to its holistic approach has been an opportunity for us to discover impacts on material issues

Global challenges cannot be solved alone

In September 2022, we joined the leading sustainability association of the apparel industry: Sustainable Apparel Coalition (SAC). The membership gives us access to tools and peer learning opportunities that are key for further progress on sustainability. Being an SAC member comes with a set of requirements specific to manufacturers. Key among these requirements is: setting science-based targets and the deployment of Higg Index tools such as the Factory Environmental Module (FEM) and the Factory Social and Labor Module (FSLM), both at own operations and with suppliers.

We also became European Outdoor Group (EOG) members in late 2022. This industry association combines mostly brands that sell their products in Europe, and we were the first manufacturer to join the group. Besides providing market insights and organising industry events, EOG also engages members in multiple sustainability-related projects and provides a platform for peer learning on regulatory policy in the sustainability area.

Since 2010 we have been members of the UN Global Compact which is a movement based on 10 principles within human rights, labour standards, environment and anti-corruption. These principles are fully embedded in our CSR-strategy and day-to-day business. Membership includes submitting a Communication on Progress report annually.

Spectre is a member of the Danish Fashion and Textiles Industry Association (Dansk Mode & Tekstil or DM&T) with Spectre co-owner Jacob Klausen serving on its board. The association represents more than 375 companies and provides industry-specific and personal advice in HR law, trade law, CSR, technology and more. Spectre is also a member of Business Council Herning & Ikast-Brande (Erhvervsrådet), representing interests of 660 businesses in Central Jutland, Denmark, with co-owner Jesper Klausen as deputy chairman. The organisation is involved in lobbying on a local, regional and national level to improve the business environment for local businesses. Spectre has not made any political contributions.

From the list of 17 goals

We focus our efforts to contribute to four selected Sustainable Development Goals: Climate action, Decent work and economic growth, Responsible consumption and production, Partnerships for the goal.

SDG#08:
Decent Work and Economic Growth

SDG#12:
Responsible Production and Consumption

SDG#13:
Climate Action

SDG#17:
Partnership for the Goals

NO. 08: Decent work and economic growth
"Motivated and satisfied employees are, in our opinion, closely related to driving a successful business with a healthy economy. We are constantly evaluating working conditions and work processes to find ways of improving"

NO. 12: Responsible production and consumption
"Where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation"

NO. 13: Climate action
"We are aware of the fact, we are consuming considerable amounts of energy every day and our long-term success is depending on stable and sustainable sources of energy. Using more sustainable and green energy is therefore a natural choice to us"

NO. 17: Partnership for the goals
"Displaying Spectre's ethical codex in all our interaction with our customers, suppliers, employees and other stakeholders is key in our understanding of a good and sustainable partnership"

# CSRD readiness assessment sets path toward improved governance

The EU is in the process of adopting and implementing the many initiatives that make up the EU Green Deal, the purpose of which is to accelerate a green and just transition. The most immediate part of this European regulation landscape is the Corporate Sustainability Reporting Directive (CSRD) and the associated standards – ESRS. Strengthened EU regulation on sustainability reporting will rapidly change the reporting landscape for companies operating in Europe. Spectre welcomes a regulatory and standardised reporting framework, and we have performed a readiness assessment which includes three tracks:

- ESRS materiality assessment
- ESRS data gap assessment
- EU taxonomy maturity

The main findings of this assessment will steer our approach to improving our ESG data management, strategic CSR goal setting and addressing our value chain impacts.

ESRS compliance informs strategy and data needs

The assessment was a very valuable exercise to outline the steps we need to take not only to set up the data needed for reporting, but also to identify gaps in our approach to strategically address sustainability and have the proper governance structure in place.
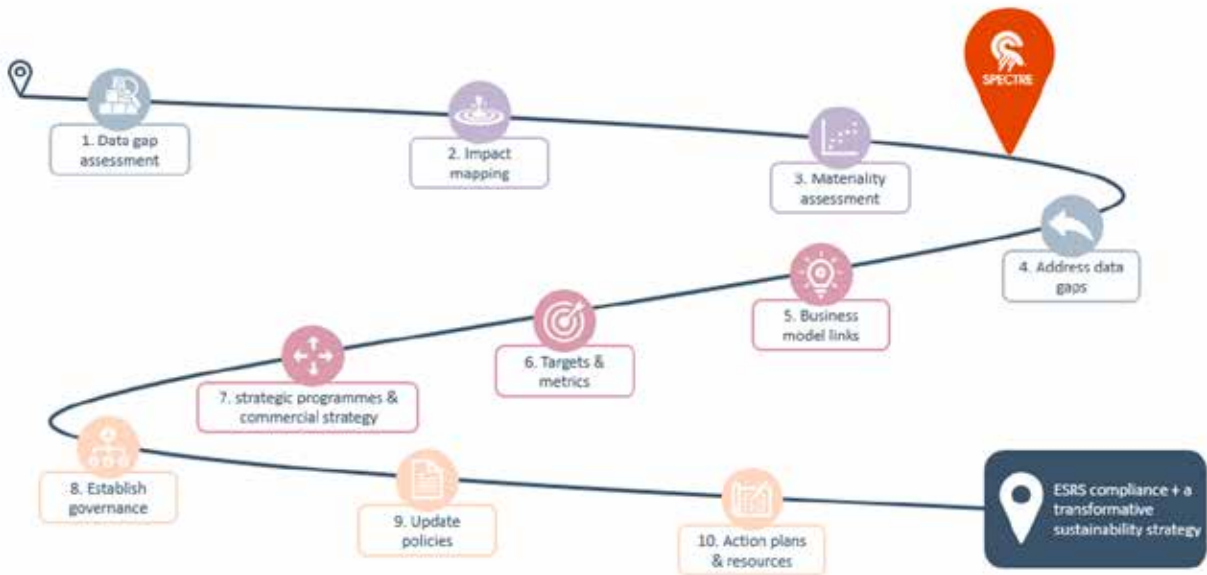

Management bonuses tied to sustainability progress

2022/23 was the first year when Spectre management bonuses were tied to sustainability progress. We see this as an important step to properly communicate and incentivise collective action and responsibility in the company towards achieving our goals. We see remuneration tied to sustainability progress as an effective and important way to anchor sustainability across the business and empower the organisation to execute effectively.

Strengthening roles, responsibilities and accountability

The assessment highlighted the need for a renewed approach to governance. Therefore, during 2023/24 we plan to review our current governance set-up to further strengthen roles, responsibilities and accountability throughout our organisation. CSR is embedded in the company values and responsibilities across departments. Our current governance set-up is as follows:

- One of Spectre Group's **board members** has several years of experience as a sustainability executive and is part of the company's quarterly CSR Advisory Committee meetings (see below). Spectre Group's BoD also receives a quarterly CSR report which is integrated in the financial report.
- Currently, the **Chief Manufacturing & Sustainability Officer** is responsible for the CSR strategy development and oversees the execution of CSR plans.
- **The Group CSR manager** executes the CSR strategy, ensuring alignment of CSR procedures, policies and reporting across the group, coordinating groupwide initiatives and communicates progress on them to top management and local managing directors through a CSR Advisory Committee, CSR Team meetings and quarterly reports, as well as ensures public reporting on CSR topics.
- The **ESG data analyst** is responsible for ensuring sustainability data quality, and development of sustainability reporting.
- The **CSR Advisory Committee** meets quarterly to Report on KPIs, progress in the last quarter, plans for the next quarter and discuss the overall direction of CSR activities and new initiatives.
- **Local HR & CSR managers** together with relevant local departments ensure management of CSR according to set procedures and policies in compliance with management standards (SA8000, ISO 14001, ISO 9001), and employees as well as employee representatives are involved in decision making.
- **The Chief Commercial Officer** oversees the CSR activities related to customers.
- **Key Account Managers** together with Group CSR Manager and local HR & CSR Managers respond to and coordinate fulfilment of customer requests related to CSR. This cooperation is part of alignment of customer CSR goals and requirements with Spectre's policies.
- The **Chief Supply Chain Officer** is responsible for supplier policies on due diligence and sustainability initiatives in the supply chain, while the Sourcing Manager carries out the supplier due diligence and manages supplier sustainability data.
- The **Chief Financial Officer** oversees alignment with financial reporting and the business controller works on improving the integration of data from financial department into ESG reporting.
- The **Process & IT Manager** together with the **BI & Data Manager** assess the data management needs and implications on information systems and processes.
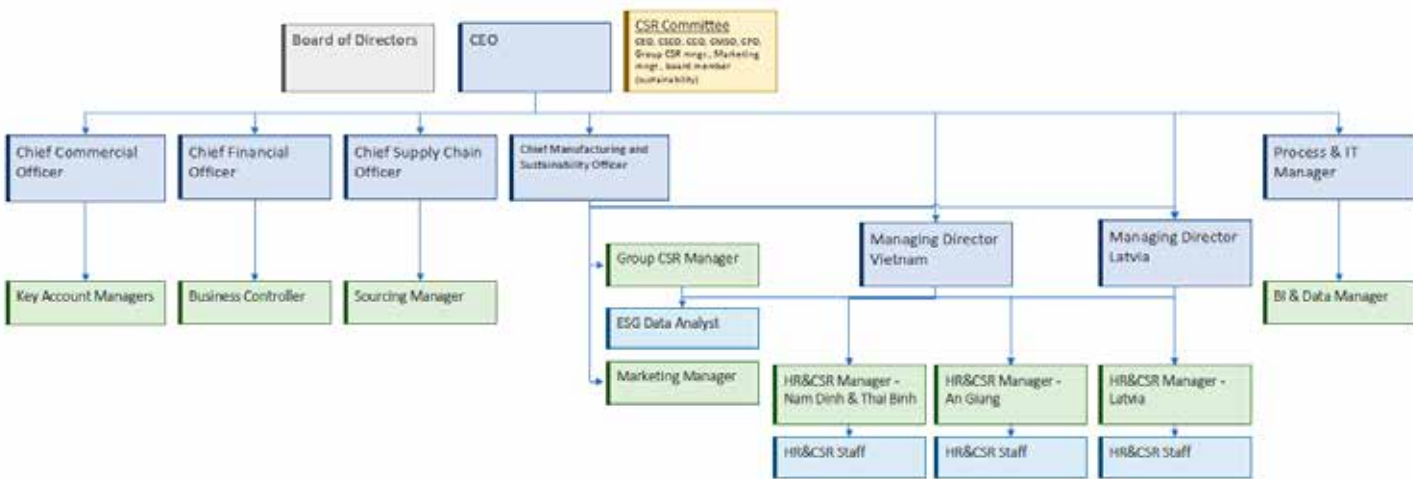
Since the 1980s, Spectre has had an Executive Board consisting of professional board members supplementing the owner representatives. The Executive Board consists of six members: five men and one woman who meet quarterly with full attendance.
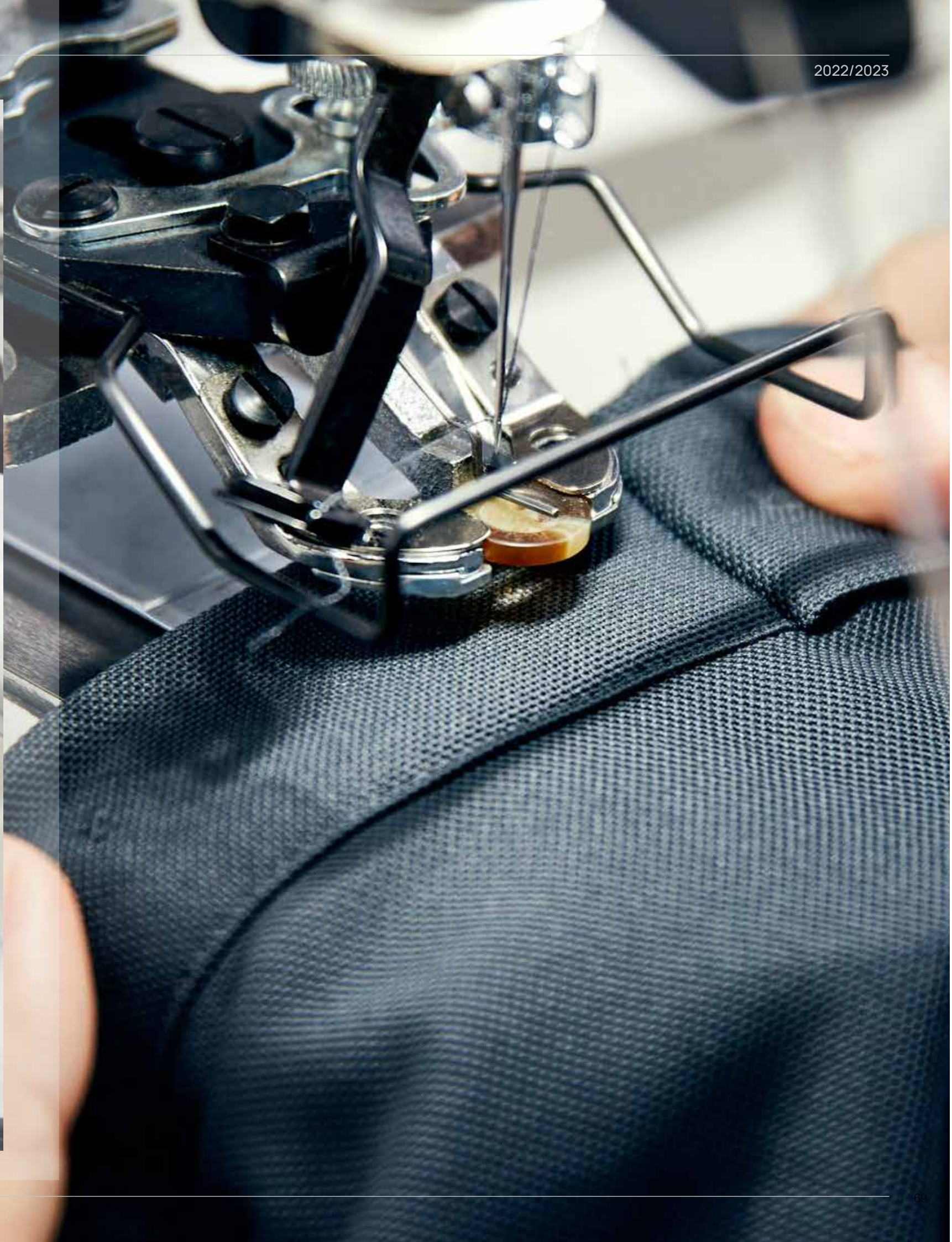
Supplier relations – an area of growing importance

Our goal is to continuously build an even better value chain that minimizes negative environmental impact and ensures proper working conditions. Our criteria for selecting suppliers are:

- Quality performance;
- Delivery performance;
- Cost level (total cost);
- Service level and
- Ability to meet social accountability requirements and level of environmental management.

We recognise that supplier management is an important part of minimising risks in the supply chain. The main group of suppliers for Spectre by number and purchase volume are fabric and trim suppliers. In the year 2022/23 Spectre have purchased fabric and trim from 292 suppliers. Half of those were fabric suppliers while they account for 75% of purchased value.

In light of the EU Green Deal, EU based companies will likely need to assume a more proactive role vis-à-vis the impacts of suppliers going forward. This might also have implications on our role as a Tier 1 supplier to brands. We will be monitoring these developments closely.

Currently, we do a general sustainability assessment of suppliers when starting cooperation. Based on performance data of Worldwide Governance Indicators, of the top countries of origin of materials we purchase, we consider China and Vietnam as higher-risk countries which account for 12.4% of total purchases.

Country	Share by purchased value
Taiwan	38%
Hong Kong	19%
Italy	12%
China	6%
Vietnam	6%
Denmark	4%
Japan	3%
Switzerland	3%
Germany	2%
United States	2%

Spectre material purchase Top10 countries

We realise that we need to further improve the way we monitor and manage our suppliers to be able to accurately identify and address potential negative environmental and social impacts.

We consider materials produced in the countries of our operations as locally sourced. Local sourcing for materials included in the final product is limited to 7% in Vietnam and 3% in Latvia. However, we expect the Vietnam sourcing to increase in the future. The vast majority of materials are nominated by our customers.

This does not include auxiliary production and packaging materials and supplies which predominantly are locally sourced.

Challenges as a Tier 1 supplier

We request suppliers to sign Spectre's Code of Conduct (CoC) which outlines our expectations about the management practices, policies and the products the suppliers produce. In 2022/23, we updated our CoC to better align it with the frameworks that our customers are using, such as those of Fair Wear Foundation (FWF) and Fair Labour Association (FLA) as well as following the development of EU's Corporate Sustainability Due Diligence Directive (CSDDD). The Danish Fashion and Textile Association (DM&T) supported us in this process.

However, the deployment of the CoC with our suppliers showed how we will have to change the conventional approach to successfully assume an active role in managing supplier due diligence. 50% of suppliers signed our CoC and 19% more presented a brand CoC compliant with our requirements. The remaining 31% did not agree to sign the CoC referring to the fact that the brands choose them as suppliers. As a result, we will seek to engage the purchasing teams of our customers to cooperate more directly in the Tier 2 supplier due diligence.

Anti-corruption and whistle-blower protection

As a signatory of the United Nations Global Compact, we are committed to its principles including Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery. As a company operating globally with suppliers in Europe, Asia and North America, we have a zero-tolerance approach towards bribery and corruption, and we comply with the UK Bribery Act and the national legislations of the countries we operate in.

We have set out an Anti-Corruption and Whistle-blower Protection Policy, regularly reassessing corruption risks and training employees subject to those risks. Clauses on anti-corruption are also included in Spectre's Code of Conduct which is communicated to core suppliers and subcontractors. In 2022/23, we have not found any violations of our anti-corruption policy.

Report details

The reporting period is the business year starting 1 April 2022 and ending with 31 March 2023. The report also discloses information on material ESG topics as well as information on key events from the previous years for additional context and comparison. Data on previous years is provided on KPIs and other performance indicators where possible. Previous CSR report covering year 2021/22 was published in June 2022. For further inquiries on CSR at Spectre, feel free to contact group CSR manager Krišjānis Dzalbe via email krisjanis.dzalbe@spectre.lv.

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board has today considered and approved the 2022/23 CSR Report ("the Report") of Spectre A/S for the financial year 1 April – 31 March 2023. The ESG data and key performance indicators presented on pages 8-83, has been pre-pared in accordance with the ESG accounting policies stated on pages 80 to 82.

In our opinion, the Report gives a true and fair presentation of Spectre A/S' sustainability activities and results of the Group's sustainability efforts in the reporting period, as well as a balanced presentation of Spectre A/S' environmental, social and governance perfor-mance in accordance with the stated ESG accounting policies.

Ikast, 27 June 2023
Board of Directors

_____
Thomas Villum Folmann
Chairman

_____
Jacob Lundhøj Stubkjær Klausen

_____
Dan Højgaard Jensen

_____
Michael Storm

_____
Jesper Lundhøj Stubkjær Klausen

_____
Dorthe Scherling Nielsen

Executive Board

_____
Ole René Graversen
CEO

_____
Kenneth Bach Pedersen

_____
Kenneth Rønne Jensen

Independent Auditor's Assurance Report

Deloitte.

To management and broader stakeholders of Spectre A/S
Spectre A/S ("Spectre") engaged us to provide limited assurance on the selected Envi-ronmental key performance indicators marked with * for the year ended 31 March 2023, presented on pages 32, 33, 37, and 42 in the 2022/23 CSR report of Spectre.

Management's responsibility
Management of Spectre is responsible for designing, implementing, and maintaining inter-nal controls over information relevant to the preparation of the ESG data and information in the ESG statement, ensuring they are free from material misstatement, whether due to fraud or error. Furthermore, Management is responsible for establishing objective ac-counting policies for the preparation of ESG data, for the overall content of the ESG statement, and for measuring and reporting ESG data in accordance with the ESG accounting policies included on pages 80 to 82 in the CSR report.

Auditor's responsibility
Our responsibility is to express a limited assurance conclusion based on our engagement with Management and in accordance with the agreed scope of work. We have conducted our work in accordance with ISAE 3000 (Revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information and ISAE 3410 Assurance Engagements on Greenhouse Gas Statements, and additional requirements under Danish audit regulation, to obtain limited assurance about our conclusion. Greenhouse Gas emissions quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emission factors and the values needed to combine emissions of different gasses.

We are responsible for:
- planning and performing the engagement to obtain limited assurance about wheth-er the ESG statement is free from material misstatement, whether due to fraud or error, and prepared, in all material respects, in accordance with the ESG account-ing policies;
- forming an independent conclusion, based on the procedures we performed and the evidence we obtained; and
- reporting our conclusion to the Management and broader stakeholders of Spectre.

Deloitte Statsautoriseret Revisionspartnerselskab applies International Standard on Quality Management 1, ISQM1, which requires the firm to design, implement and operate a sys-tem of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory require-ments.

We have complied with the requirements for independence and other ethical requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and profes-sional behaviour, and ethical requirements applicable in Denmark.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance en-gagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

Work performed
We are required to plan and perform our work in order to consider the risk of material
misstatement in the ESG statement. To do so, we have:
- conducted interviews with data owners and internal stakeholders to understand the key processes and control activities for measuring, recording and reporting the en-vironmental data;
- performed limited substantive testing on a selective basis to check that data has been appropriately measured, recorded, collated and reported;
- performed analysis of data, selected based on risk and materiality;
- made inquiries regarding significant developments in the reported data;
- considered the presentation and disclosure of the ESG statement;
- assessed that the process for reporting greenhouse gas emissions data follows the principles of relevance, completeness, consistency, transparency and accuracy out-lined in The Greenhouse Gas Protocol Corporate Standard Revised edition (2015); and
- evaluated the evidence obtained.

Our conclusion
Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the selected Environmental key performance indi-cators marked with *, presented on pages 32, 33, 37, and 42 in the 2022/23 CSR report of Spectre A/S for the year ended 31 March 2023, have not been prepared, in all material respects, in accordance with the ESG accounting policies on pages 80 to 82.

Copenhagen, 27 June 2023

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No. 33 96 35 56

_____   _____
Jacob Nørmark   Mads Stærdahl Rosenfeldt
State Authorised Public Accountant   Lead Reviewer
MNE no mne30176

Annexes
GRI Content Index

GRI Standard disclosure		Reference
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GRI 102-3	Location of headquarters	Page 20
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GRI 102-5	Ownership and legal form	Page 80
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GRI 102-8	Information on employees and other workers	Page 83
GRI 102-9	Supply Chain description	Page 16, 17
GRI 102-10	Significant changes to the organization and its supply chain	Page 4, 5
GRI 102-11	Precautionary principle or approach	Omitted
GRI 102-12	External charters, principles or initiatives	Page 64
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GRI 102-18	Governance structure	Page 66, 67
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GRI 102-44	Key subjects and concerns raised during stakeholder engagement	Page 22, 23
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GRI 102-45	Entities included in the consolidated financial statements	Page 80
GRI 102-46	Defining report content and topic boundaries	Page 80

GRI 102-47	List of material topics	Page 26, 27, 46, 47
GRI 102-48	Restatements of information	Omitted
GRI 102-49	Changes from previous reports	Omitted
GRI 102-50	Reporting period	Page 80
GRI 102-51	Date of most recent report	June 2022
GRI 102-52	Reporting cycle	Page 80
GRI 102-53	Contact point for questions regarding the report	Page 72
GRI 102-54	Claims of reporting in accordance with the GRI standards	N/A
GRI 102-55	GRI content index	Page 74
GRI 102-56	External assurance	Page 73
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GRI 103-1	Explanation of the material topic and its boundary	Page 26, 27, 46, 47
GRI 103-2	The management approach and its components	In respective descriptions of material topics
GRI 103-3	Evaluation of the management approach	Omitted
Economic Performance		
GRI 201-1	Direct economic value generated and distributed	See Annual report
GRI 201-2	Financial implications and other risks and opportunities due to climate change	Page 26, 27
GRI 201-3	Defined benefit plan obligations and other retirement plans	See Annual report
GRI 201-4	Financial assistance received from government	See Annual report
Market Presence		
GRI 202-1	Ratios of standard entry-level wage by gender compared to local minimum wage	Omitted
GRI 202-2	Proportion of senior management hired from the local community	Omitted
Indirect Economic Impacts		
GRI 203-1	Infrastructure investment and services supported	No such activities in reporting year
GRI 203-2	Significant indirect economic impacts	Omitted
Procurement Practices		
GRI 204-1	Proportion of spending on local suppliers	Page 70
Anti-Corruption		
GRI 205-1	Operation assessed for risks related for corruption	Page 71
GRI 205-2	Communication and training about anti-corruption policies and procedures	Page 71
GRI 205-3	Confirmed incidents of corruption and actions taken	Page 71
Anti-competitive behavior		
GRI 206-1	Legal actions for anti-competitive behavior, anti-trust and monopoly practices	No incidents

Materials		
GRI 301-1	Material used by weight or volume	Page 36
GRI 301-2	Recycled materials used	Page 36
GRI 301-3	Reclaimed products and their packaging materials	Omitted
Energy		
GRI 302-1	Energy consumption within the organization	Page 32
GRI 302-2	Energy consumption outside the organization	Omitted
GRI 302-3	Energy intensity	Page 32
GRI 302-4	Reduction of energy consumption	Page 32
GRI 302-5	Reductions in energy requirements of products and services	Omitted
Water		
GRI 303-1	Water withdrawal by source	Page 42
GRI 303-2	Water sources significantly affected by withdrawal of water	Page 42
GRI 303-3	Water recycled and reused	Page 42
Biodiversity		
GRI 304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	N/A
GRI 304-2	Significant impacts of activities, products, and services on biodiversity	Page 26, 27
GRI 304-3	Habitats protected or restored	Omitted
GRI 304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	N/A
Emissions		
GRI 305-1	Direct (Scope 1) GHG emissions	Page 33
GRI 305-2	Energy indirect (Scope 2) GHG emissions	Page 33
GRI 305-3	Other indirect (Scope 3) GHG emissions	Page 28, 33, 36, 37, 40, 41
GRI 305-4	GHG emissions intensity	Page 33
GRI 305-5	Reduction of GHG emissions	Page 33
GRI 305-6	Emissions of ozone-depleting substances (ODS)	Omitted
GRI 305-7	Nitrogen oxides (NOx), sulfur oxides (SOx) and other significant air emissions	Omitted
Effluents and waste		
GRI 306-1	Water discharge by quality and destination	Page 42
GRI 306-2	Waste by type and disposal methods	Page 42
GRI 306-3	Significant spills	Omitted
GRI 306-4	Transport of hazardous waste	N/A
GRI 306-5	Water bodies affected by water discharges and/or runoff	Page 42

Environmental compliance		
GRI 307-1	Non-compliance with environmental laws	Omitted
Supplier Environmental Assessment		
GRI 308-1	New suppliers that were screened using environmental criteria	Page 70
GRI 308-2	Negative environmental impacts in the supply chain and actions taken	Page 70
Employment		
GRI 401-1	New employee hires and employee turnover	Page 83
GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Page 50
GRI 401-3	Parental leave	Omitted
Labor/Management Relations		
GRI 402-1	Minimum notice periods regarding operational changes	Omitted
Occupational Health and Safety		
GRI 403-1	Workers representation in formal joint management-worker health and safety committees	Page 58
GRI 403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Page 51
GRI 403-3	Workers with high incidence or high risk of diseases relating to their occupation	n/a
GRI 403-4	Health and safety issues covered in formal agreements with trade unions	Omitted
Training and education		
GRI 404-1	Average hours of training per year per employee	Page 83
GRI 404-2	Programs of upgrading employee skills and transition assistance programs	Omitted
GRI 404-3	Percentage of employees receiving regular performance and career development reviews	Page 50
Diversity and Equal Opportunity		
GRI 405-1	Diversity of governance bodies and employees	Page 67
GRI 405-2	Ratio of basic salary and remuneration of women to men	Omitted
Non-discrimination		
GRI 406-1	Incidents of discrimination and corrective actions taken	Page 50
Freedom of association and collective bargaining		
GRI 407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Page 70
Child Labor		
GRI 408-1	Operations and suppliers at significant risk for incidents of child labor	Page 70
Forced or compulsory labor		
GRI 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Page 70

Security Practices		
GRI 410-1	Security personnel trained in human rights policies or procedures	Omitted
Rights of indigenous peoples		
GRI 411-1	Incidents of violations involving rights of indigenous peoples	Omitted
Human Rights Assessment		
GRI 412-1	Operations that have been subject to human rights reviews or impact assessment	Page 53
GRI 412-2	Employee training on human rights policies and procedures	Page 53
GRI 412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	N/A
Local Communities		
GRI 413-1	Operations with local community engagement, impact assessments, and development programs	Omitted
GRI 413-2	Operations with significant actual and potential negative impacts on local communities	Omitted
Supplier Social Assessment		
GRI 414-1	New suppliers that were screened using social criteria	Page 53
GRI 414-2	Negative social impacts in the supply chain and actions taken	Page 53
Public Policy		
GRI 415-1	Political contributions	Page 64
Customer Health and Safety		
GRI 416-1	Assessment of the health and safety impacts of product and service categories	Omitted
GRI 416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Omitted
Marketing and Labeling		
GRI 417-1	Requirements for products and services information and labeling	Omitted. Products are marketed by our customers and therefore they bear all responsibility for labelling
GRI 417-2	Incidents of non-compliance concerning product and service information and labeling	
GRI 417-3	Incidents of non-compliance concerning marketing communications	
Customer privacy		
GRI 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Omitted
Socioeconomic Compliance		
GRI 419-1	Non-compliance with laws and regulations in the social and economic area	Omitted

ESG accounting policy

Organisation

Spectre Group is a privately held company with headquarters in Ikast, Denmark. Founded in 1947 as a garment manufacturing workshop, the company has become a functional apparel manufacturer operating in Europe and Vietnam. Unless otherwise stated, data have been calculated by consolidating data for the parent company (Spectre Holding A/S) with data from all subsidiaries. Spectre Holding A/S is owned by Jacob Klausen (33,3%), Jesper Klausen (33,3%) and Dansk Ejerkapital Forvaltning ApS (33,3%) – a capital investment company. Spectre Holding A/S and its subsidiaries constitute the Spectre Group.

Materiality and Reporting Standards

GRI Standards (2016) or European Sustainability Reporting Standards (ESRS) are used to determine definitions used in ESG accounting as we are gradually transitioning from GRI to ESRS based reporting. A materiality assessment was carried out in March 2023 to determine the topics that are material to our company and ESG accounting will be expanded by 2025 to include all ESRS disclosures identified as material. The scope of this ESG accounting policy is limited to indicators that are part of Environmental KPIs included in Spectre's CSR Report 2021/2022. The scope will be expanded to include social and governance indicators in subsequent updates. Since the office in Germany is rented, and is limited to a space of. 130m2 and the share of consumed resources in total consumption is deemed immaterial, therefore these data are excluded from this ESG accounting policy and calculated data.

All the above-mentioned environmental data are collected by legal addresses and calculations are made separately by country for the fiscal year. The conversion factors used for the calculations are checked and revised at least once a year. More detailed information and links to source are available at ESG indicators spreadsheet that is integral part of this document.

Financial information on company revenues, operating costs, employee wages and benefits, payments to providers of capital, payments to government by country, and community investments are available in the annual financial report.

Competency and Control

All data is collected by qualified employees working in finance, HR or technical department directly in each location who gets trained before his duties come into effect. Further calculations are performed by Group CSR Manager and/or CSR Data Analyst. Most data at some levels are also used for the company's accounting purposes, therefore all the controls listed in the accounting policy are applied. The data obtained in the calculations is being analysed and repeatedly reviewed, thereby any remaining errors are detected and eliminated. All employees of the company are trained on the Environmental Management System and environmental aspects of the Company.

Indicators
Energy consumption within the organisation

Applied standards:
GRI 2016 Standards, Disclosure 302-1 Energy consumption within the organisation, e)

Calculation:
The KPI includes energy consumption within Scope 1 and Scope 2 as defined by GHG Protocol such as wood pellets for heating, petrol and diesel for company cars, purchased electricity and purchased heating. It is a sum of component parts from companies within the organisation boundary as described below expressed in GJ. Data in different units are converted into GJ using conversion factors.

Used conversion factors:
Electricity data originally collected in kWh is converted to GJ by using conventional conversion factor 1 kWh = 0.0036 GJ. To convert purchased fuel from litres to GJ, Energy density factors are used from UK government publication: Greenhouse gas reporting conversion factors, 2022. Pellets from tonnes are converted to GJ by calorific value from supplier's website.

Energy intensity, scopes 1 & 2
Applied standards:
GRI 2016 Standards, Disclosure 302-3 Energy intensity a); b); c), 102-7 Scale of organisation a) v.

Calculation:
Energy intensity is Scope 1 and 2 energy consumption (as describer in KPI 1 Energy consumption within the organisation) in GJ per million minutes produced in the same period in all production sites.

Share of Renewable Energy
Applied standards:
GRI 2016 Standards, Disclosure 302-1 Energy consumption within the organisation, b)

Calculation:
The share of renewable energy is calculated from both – Scope 1 and Scope 2 collected energy data (as described in KPI 1 Energy consumption within the organisation). The result is obtained by calculating declared share of renewable energy in each source as explained below by location.

GHG emissions, scopes 1 & 2

Applied standards:
GRI 2016 Standards, Disclosure 305-1 Direct (Scope 1) GHG emissions, a); 305-2 Energy indirect (Scope 2) GHG emissions, a)

Calculation:
The KPI includes GHG emissions within Scope 1 and Scope 2 as defined by GHG Protocol based on energy consumption as described in KPI 1 Energy consumption within the organisation. Carbon emissions within Scope 1 (tonnes CO_2e) are calculated by multiplying energy consumption with energy type specific emission factors (Source: Greenhouse gas reporting conversion factors, 2022).

Emissions from electricity within Scope 2 are calculated by multiplying consumed electricity with supplier or country specific emission factor. Emissions from solar electricity and renewable electricity are 0. The emissions from heating in DK are calculated by multiplying consumed heat with supplier specific emissions (as from declaration).
Total Scope 1& Scope 2 emissions are calculated by adding up all GHG emissions in all locations.

GHG Emissions Intensity, scopes 1 & 2
Applied standards:
GRI 2016 Standards, Disclosure 305-4 GHG emissions intensity a), b), c)

Calculation:
The KPI includes GHG emissions intensity for all locations within Scope 1 and Scope 2 as defined by GHG Protocol. Emissions intensity is calculated by dividing total GHG emission within Scope 1 and Scope 2 with total produced minutes per same period as described in 2 Energy and intensity, Scopes 1 & 2.

Water intensity
Applied standards:
GRI 2016 Standards, Disclosure 303-5 Water consumption, a)

Calculation:
The KPI is calculated by dividing total consumed water with total number of employees (as described on chapter 8 of this document).

Waste GHG emissions intensity
Applied standards:
GRI 2016 Standards, Disclosure 305-4 GHG emissions intensity a), b); 306-2 Waste by type and disposal method.

To identify hazardous and non-hazardous waste definition from How to Higg FEM Guide is used. Hazardous waste is waste that could cause harm to public health and/or the environment because of its chemical, physical, or biological characteristics (e.g., it is flammable, explosive, toxic, radioactive, or infectious). Non-Hazardous wastes include all additional waste that are not covered by this definition.

Calculation:
The KPI GHG emissions from non-hazardous waste within Scope 3 as defined by GHG Protocol. It is a sum of CO_2e emissions from waste generated in operations from companies within the organisation boundary as described below divided by total produced minutes. Emissions for each waste type are calculated separately.

Number of employees
Applied standards:
GRI 2016 Standards, Disclosure 102-7 Scale of the organisation a), i; 403-2 Types of injury and rates of injury, occupation diseases, lost days, and absenteeism, and number of work -related fatalities, a)

Calculation:
The total number of employees per period is expressed as Full Time Equivalents (FTE) as average of reported period. Total number of employees excludes employees on maternity or paternity leave.

Production output
Definitions:
Spectre measures production output in Standard Allowed Minutes (SAM) as is the standard practice in apparel manufacturing. SAMs, more simply called 'minutes', are used to measure the work content of a garment, so the time taken for an operator or machine to complete a specific task when working at 100% efficiency.

Calculation:
For the sake of getting better understandable numbers we convert these into units of million minutes (x1 000 000) or production hours (x60) in some indicators.

Gender diversity data
Employment Types by Gender

Location	Temporary contract		Permanent contract		Full-time		Part-time	
	Men	Women	Men	Women	Men	Women	Men	Women
Vietnam	0	0	1158	2427	1158	2427	0	0
Latvia	0	1	31	329	31	330	0	0
Denmark/Germany	0	0	14	21	11	12	3	9
Group total	0	1	1203	2777	1200	2769	3	9

Employee Hire and Turnover

Location	New hires		New Hire rate		Turnover		Turnover rate	
	Men	Women	Men	Women	Men	Women	Men	Women
Vietnam	893	1736	0.25	0.48	522	835	0.15	0.23
Latvia	4	41	0.01	0.11	15	129	0.04	0.36
Denmark/Germany	5	7	0.15	0.20	1.00	0	0.03	0
Group Total	902	1784			538	964		
Group Average			0.23	0.45			0.14	0.24

Employee training

Location	Person-hours		Person-hours per employee		Turnover		Turnover rate	
	Men	Women	Men	Women	Men	Women	Men	Women
Management	542	2589	12.3	6.8	522	835	0.15	0.23
Non-management	4327	7785	3.7	2.8	15	129	0.04	0.36
Total	4869	8044			1.00	0	0.03	0
Average			4.1	2.9	538	964		

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