

Acne

Studios



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# Introduction

We believe that being proud of our products includes being proud of the conditions in which they are made. Since 2008 we have been a member of Fair Wear Foundation (FWF), who help us to monitor and improve labour conditions at the factories that manufacture our products. Fair Wear Foundation also provides us with knowledge and advice on social issues within the fashion industry, as it is a multi-stakeholder initiative directed by trade unions, business associations and NGOs and with a broad network of relevant stakeholders.

FWF has developed our 'Code of labour practices' that all our suppliers need to agree to work towards. As a member, we are also obligated to follow several requirements. These include providing FWF with a list of all factories we use, monitoring these factories' labour standards, and annually reporting our progress and results. Every year, FWF does a 'Brand Performance Check' on each member brand to evaluate and grade performance. In the last three years, Acne Studios has received FWF's highest grade 'Leader' for our achievements.

This social report covers our work for the financial year starting from September 2016 to the end of August 2017.

## Acne Studios Code of labour practices

1. Employment is freely chosen
2. No discrimination in employment
3. No exploitation of child labour
4. Freedom of association and the right to collective bargaining
5. Payment of a living wage
6. No excessive working hours
7. Safe and healthy working conditions
8. Legally binding employment relationship

## Sourcing strategy

Acne Studios' product range includes high end men's and women's clothing, shoes, bags and accessories that are produced by suppliers in Europe, China, Turkey, South Korea, Morocco and Tunisia. Below chart shows the distribution of order value per production country in the financial years of 2016–17 and 2015–16. In comparison to the previous year, the distribution in 2016–17 remained relatively stable. The most significant changes are increased order value for Portugal and Romania and a reduction of order value in Italy and Turkey. Tunisia is a new production country but for such a small order quantity that it is represented in the bar 'other high', referring to remaining high risk production countries.

### Production department

Our production department is organised into five main departments: menswear, womenswear, Blå Konst (denim), shoes and accessories & leather goods. The production departments for shoes and accessories & leather goods are based in Italy but the other departments are located at our head office in Stockholm. Every department consists of product managers and product developers and is led by a head of department. The head of each department reports directly to our collection/production director. It is their responsibility to ensure our sourcing strategy is implemented correctly, to evaluate current suppliers, and to source new ones when needed.

Our CSR & quality manager is responsible for the implementation of CSR & quality management in our production process and works in close cooperation with the head of each department. The CSR & quality department consists of three quality coordinators and a quality controller who performs quality inspections at our suppliers during production. A CSR coordinator joined the CSR & quality team this year and is responsible for CSR activities including our social compliance programme.

### Production cycle

Each year we produce two 'main collections' for menswear and womenswear respectively, as well as two 'pre collections' for womenswear. In addition to these seasonal collections, we also have other smaller projects and collaborations. The production orders are based on external wholesale orders, internal retail and e-tail orders (our own stores) and only include a small element of stock ordering. In addition to the large seasonal orders that are placed at the end of each selling period, we have re-orders within the store seasons and a 'never out of stock' programme with continuous orders for certain styles. For the large seasonal orders, factories are normally

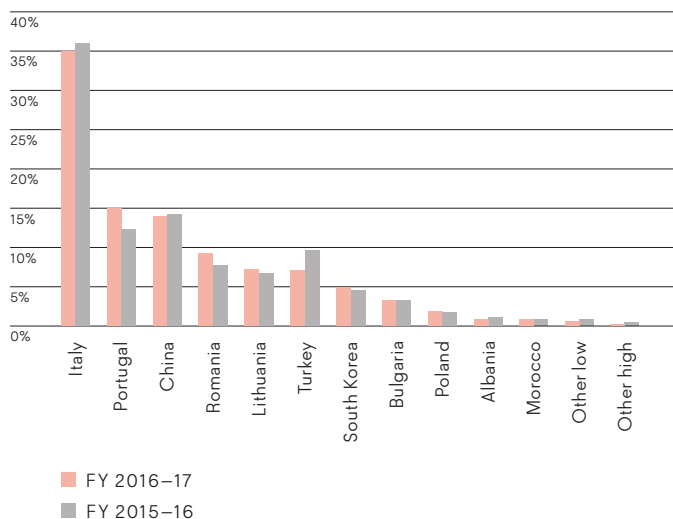
informed about orders around five months before delivery. All lead times are dependent on internal planning, the capacity of our suppliers, and material lead times.

We continuously look for ways to plan and book capacity as early as possible so suppliers have enough time to deliver our orders. We pre-book production time slots before the sales period for an increasing part of our collection and we also pre-book materials as much as possible to prevent delays due to fabric deviation or other unforeseen issues. In addition, production is spread as much as possible to reach more continuity in our orders and to minimise peak production. We do this by expanding the delivery period and the number of drops.

### Supplier relations

Our goal is to have a stable supplier base that can meet the different requirements for our various product groups. This year, we were able to maintain the stability of our supply chain and currently half of the order value is with factories that we have been working with for more than five years. In general, we have a direct business relationship with our suppliers, and in some cases we work through agents. Our orders are placed mostly on full price terms and sometimes on CMT or CM-terms. Price negotiations take place both at an early development stage and with the order figures in hand. Even though we are naturally always looking for value for money, we are never willing to compromise on our design and product quality and we always strive for reasonable prices from both parties' perspectives.

### Order value per production country



# Monitoring program

We follow the FWF guidelines on monitoring of suppliers to make sure our products are made in line with our Code of labour practices. We also continuously evaluate how we, on our part, can shape our sourcing practices in such a way that it facilitates suppliers' compliance with our requirements.

## Self-assessment questionnaire

The first step in our monitoring programme is that a new supplier signs our 'self-assessment questionnaire', which includes questions about and commitment to our Code of labour practices. At this stage, we also put a lot of effort into understanding the supplier's production set up, specifically to find out whether they will use more than one production location for our orders. We always stress that unapproved subcontracting is not allowed. If applicable, we also ask for and evaluate social audit reports done by other customers. Most new suppliers are also visited by someone from our production department before we place any orders to have a good understanding of their performance and capacity. When a new supplier has signed our self-assessment questionnaire the supplier data is uploaded in the FWF supplier data base.

## Social audits and CAP follow up

The next step in our monitoring programme is to perform a 'social audit' that is in most cases executed by FWF auditors. In countries where FWF does not have any audit teams we work together with local external auditors. The purpose of the social audit is to investigate compliance of the production facility with our Code of labour practices and local labour law and includes interviews with workers and factory managers, inspection of health and safety conditions on the factory floor, and a check of relevant labour documentation. Our CSR team accompanies most audits and, if an agent is used, their representative is also present. After the audit, a 'Corrective Action Plan' (CAP) is established and agreed with the supplier. This CAP describes in detail what should be improved and in what time frame and gives guidelines hereto. Follow up on improvements is conducted via email or via 'follow up audits' that are conducted by FWF auditors or local external auditors to verify progress. When we are working through an agent they normally also help to follow up on improvements as they are visiting the factories more frequently. Every year, FWF conducts so called 'verification audits' at different suppliers to verify our follow up efforts and achievements. The outcome of these verification audits is part of FWF's annual performance check of Acne Studios.

## Complaints mechanism

An important tool in our monitoring system is the 'complaints mechanism'. All suppliers need to post a worker information sheet on a visible spot in the factory. This document shows our

## Our monitoring program

1. Self-assessment questionnaire
2. Social audits and CAP follow up
3. Complaints mechanism
4. Training and capacity building

Code of labour practices and includes a phone number and email address to a local FWF complaints handler. Through this channel, workers can anonymously inform us of work-related issues in the factory that they have not been able to solve with their managers or the local authorities. All our suppliers are required to send us a photo by email of the posted worker information sheet so we can ensure that it is present in the factory. During an audit, it is checked whether the worker information sheet is posted and when employees from the production department visit a factory they check this on behalf of the CSR team. Information about the complaints procedure is also communicated to workers during FWF audits by handing out information cards with a description of our code and FWF's contact details. We take all complaints that we receive seriously and evaluate if they are valid and how they can be solved. However, we do not consider receiving a complaint solely as a negative occurrence as it also means that workers are aware of their rights and the content of our code.

### **Training and capacity building**

In addition to the self-assessment questionnaire, social audits, CAP follow up and the complaints mechanism, we encourage suppliers and agents to attend 'training and capacity building' events offered by FWF. This could either be FWF seminars in certain countries focusing on specific topics or the FWF Workplace Education Programme (WEP) that is held at individual factories. The purpose of this training programme is to improve communication within factories on labour issues, aimed at both management and workers. Sometimes we also arrange our own trainings, for example in countries where FWF is not represented.

### **Integration of monitoring and sourcing**

Our CSR team is working together with the head of each department to ensure that the results of monitoring our suppliers are factored in our sourcing decisions. The CSR team informs the head of the relevant department and the responsible product manager about the results after a FWF audit has taken place and they are often included in email communication on CAP follow up. Our collection/production director is also regularly updated on monitoring results, especially for key suppliers or if we have a critical audit outcome. When new employees are on-boarding the production department they have an introduction meeting with the CSR team and get information on our monitoring programme and how it is related to their new position.

To formalise this information sharing between the CSR and production team, this year we have implemented a schedule of regular meetings between the CSR department and the

production department. Before order placement, the CSR team has an update meeting with each head of department and with the product managers of each product group to be updated on the sourcing plans and monitoring results per supplier. Throughout the season, the CSR team is kept up-to-date on possible changes or future plans.

This year, we have updated our CSR Sourcing Policy that explains all steps and responsibilities in our monitoring process. This policy now also includes a rating system for suppliers on CSR performance. We have started to rate all current suppliers and factories and will implement and evaluate the rating method in our new PLM system that we start working with end 2017/beginning 2018. At that time, we are planning a CSR training for all teams in the production department. During that training, we will give detailed information on our standards and monitoring method, explain the new CSR Sourcing Policy and rating system, and discuss their responsibilities and tasks.

We do not immediately terminate a business relationship with a supplier based on audit findings that conflict with our code. We always give our suppliers a chance to improve. However, if we realise that after repeated requests a supplier is still not willing to make improvements, we will terminate the business relationship. Issues such as transparency or usage of unapproved subcontractors, failure to pay minimum wages and critical health & safety findings are examples of findings on which we need to see immediate improvements. If not, the process of finding a replacement for that supplier will be initiated by the head of the concerned department.

### **Supplier overview**

During the financial year of 2016–17 we placed orders with 72 suppliers, using a total of 167 production locations (including subcontractors) located in 14 countries. Our top ten suppliers stand for over 65% of the order value. An important reason for the high number of factories is our efforts to map all subcontractors that our suppliers are using. In Italy and Portugal especially, production tends to be spread out over several production locations that are responsible for different production steps, rather than having one large factory do all production in-house.

80% of the total order value is placed with suppliers where Acne Studios has a leverage of at least 10%, meaning that our orders stand for 10% or more of their total capacity. This is positive because the more important we are as a customer the easier it is for us to request improvements in terms of working conditions.

Fair Wear Foundation makes country studies on labour right violations and consequently classifies countries as 'high risk' or 'low risk'. According to their monitoring requirements, suppliers in high risk should be audited by external auditors at least every third year and suppliers in low risk countries need to at least be evaluated by a self-assessment questionnaire and post the worker information sheet on a spot in the factory that is visible for workers. The countries we use that are classified as high risk are Albania, Bulgaria, China, Morocco, Romania, South Korea, Turkey and Tunisia. Countries used that are classified as low risk are Italy, Lithuania, Latvia, Portugal, France and Poland. In our internal risk evaluation, we also see Italian suppliers that use migrant labour (mainly Chinese workers) as a risk even though Italy is normally classified as a low risk country.

- Production value in low risk countries: ~60%
- Production value in high risk countries: ~40%

### High risk countries

#### China

- Percentage of order value: ~14% (14%)
- Number of factories: 6 (3)
- Number of full social audits: 2 (0)
- Number of follow up audits: 1 (0)
- Number of trainings: 2 (1)

The share of total production value in China is the same as last year while the number of factories has doubled. The large majority (99.5%) of our production in China still takes place at three suppliers where we have a stable, trustworthy and long term business relationship with. All three factories have been audited by FWF at least twice during our business relationship and we conduct regular follow up audits to verify progress. Because of our long term relationship we can talk about challenges openly and work together on continuous improvements. This year we have performed a verification audit and a full social audit at two out of these three factories and a shorter follow up audit at the third factory. All these audits have been accompanied by our CSR coordinator. All three factories have participated in the FWF Workplace Education Programme (WEP). One supplier participated in the beginning of 2015 and the other two factories participated in this financial year; in September 2016 and April 2017.

Next financial year, we will evaluate how to follow up on the WEP trainings to further increase worker awareness about labour standards. We will also perform a full social audit at the factory where we have done a follow up audit this year. The main challenge remains excessive overtime. In China, 'standard' working hours tend to be up to 60 hours per week

and in peak season sometimes even more. Our suppliers have made improvements and were able to reduce the overtime considerably over the past years. It continues to be a gradual and step-by-step approach, however, partly because excessive overtime is common practice in the Chinese garment industry. This means that it is not only a matter of better planning to bring working hours down, but a change in mindset and habits of factory management as well. Wages have increased considerably over the past year in China and all three factories generally pay more than the industry average.

In addition to these three stable suppliers, we also sourced from new Chinese suppliers this year. All three suppliers produced accessories for us in small quantities. One supplier was used for one season only while with the other two we continue production in the coming year. One of these facilities has already been visited by our CSR coordinator and a FWF auditor for an informal check before production. Next financial year we will decide whether and when we will audit these two new facilities.

#### Romania

- Percentage of order value: ~9% (7.5%)
- Number of factories: 13 (10)
- Number of full social audits: 3 (4)
- Number of follow up audits: 1 (0)

Romania is steadily becoming an increasingly important production country for us and this year production increased in Romania again. Even though we have been sourcing for some years from Romania now, our supplier base is not as stable as in China yet. We continuously re-evaluate our suppliers and, even though we aim to reach long term cooperation with our suppliers, this might lead to the phase out of some of our current suppliers in Romania the future.

We audited three suppliers for the first time this year and conducted a follow up audit at another supplier that was audited before in 2015. The CSR coordinator joined two of these four audits. Another follow up audit was planned but postponed to next year since construction work is taking place at the factory that will be finished end 2017. After that we will audit the supplier in the remodelled facility.

The findings of the audits were mainly minor health and safety issues, incomplete documentation and workers' lack of awareness of the FWF complaints procedure. All audited suppliers had elected worker representatives and there were no issues in terms of transparency during the audits. In Romania, a rest period of 48 hours per week is required. At one of our suppliers it was found that some workers work two Saturdays a month and therefore do not reach this legal rest period. The supplier is now working to change the working



schedule in order to reach the 48-hour rest period. In general, excessive overtime is less common in Romania than in other high risk countries such as Turkey and China. At the supplier where we made the follow up audit, several findings from the first audit had been improved. In total, 8 of the 13 factories in Romania have been audited by FWF. Since most non-compliances in Romania are not critical and have a longer time line for remediation, we are planning follow up audits to speed up the remediation process.

During the audits of last year, we noticed a lack of knowledge among management and workers about the FWF Code of labour practices and complaints procedure. That is why, with the help of the local audit team in Romania, we have explained the content of the Worker Education Programme (WEP) to our suppliers during audits and gauged their interest in participating in these trainings. Next year we will continue to discuss this with our suppliers and try to plan as many WEP trainings at our suppliers in Romania as possible.

We continued our internal study on wage levels in Romania to identify differences between suppliers and regions. However, we also learned that it is a challenge to draw conclusions from these mappings due to continuously changing minimum wage levels, living wage estimations that vary per source and suppliers that are diverse in their products and production processes. We informed FWF about our findings and gave feedback to improve the content and consistency of the FWF wage ladder.

#### **Turkey**

- Percentage of order value: ~7% (9.5%)
- Number of factories: 5 (5)
- Number of full social audits: 2 (3)
- Number of follow up audits: 1 (0)

Just like last year, we only had production with two suppliers in Turkey, using a total of 3 subcontractors. With both suppliers we have been working together for several years. In the course of the year, however, we decided to cease production at one of these suppliers due to insufficient improvements in quality and transparency. We still did a full social audit at one of the two subcontractors used by this supplier before we stopped production with them.

Currently, we have production at one supplier that also uses one subcontractor for our orders. The supplier has been audited by FWF in 2014 and in 2016. Despite these two recent audits, we decided to do a verification audit this year as well due to the many challenges we came across during the previous audits and because we received a worker complaint via the FWF complaints mechanism on excessive overtime. The CSR coordinator joined this audit. Where we had a lot

of issues with transparency and openness during the audit in 2016, we saw a big change in mindset of the supplier who was cooperative and honest this time. For example, in 2016 the auditors could not hand out information cards about the FWF complaints mechanism to workers but during the latest audit the management allowed them to do so. Most other findings from the previous audits had been improved as well. However, there are still major challenges that need additional attention and follow up such as excessive overtime in peak periods. In follow up to the complaint and the audit results of this year, we have had intensive discussions with the supplier to define root causes and possible solutions for the excessive overtime. These discussions included improving their planning so it better factors in and plans for predictable causes of overtime. In addition, we looked at external factors that cannot be influenced by the supplier (i.e. delays in the shipment of raw materials). Since our orders at this supplier have increased this year, we are also evaluating both internally and with the supplier how we can support prevention of excessive overtime in our order placement.

We also did a follow up audit at the subcontractor of the Turkish supplier where the main challenge is incomplete documentation of wages and working hours. None of the audits we have done in Turkey showed the presence of Syrian refugees in the workforce, who currently risk being exploited in Turkish factories.

#### **South Korea**

- Percentage of order value: ~5% (4%)
- Number of factories: 1 (1)
- Number of audits: 2 (1)
- Number of trainings: 1 (1)

We only work with one supplier in South Korea that has been audited each year for the past three years. This supplier manufactures a product for us that requires special hand work. That is why the supplier uses skilled homeworkers in addition to the main factory.

We have been working intensively over the past years to get a better insight in the unique production set-up of this supplier and in the garment industry in South Korea. The supplier gives production orders to a number of lead homeworkers that have a direct relationship with the supplier. The lead homeworkers each have their own network of secondary homeworkers among which they divide the production orders. All homeworkers are highly skilled housewives that sew from home and have been doing this work for many years. The home workers are very independent because there is a high demand for their special skills and they can choose if they want to work and how much. Even though their work is irregular, we therefore don't see any risks of critical labour

rights violations or abuse of workers' rights. Our main concern is lack of transparency on the supply chain, the contracts of homeworkers and the payments they receive. That is why, next to regular audits and close monitoring of follow up, we organised a training with an external trainer last year for the management, workers and homeworkers to increase awareness and create understanding for the importance of a transparent supply chain. This financial year, we did two audits and the CSR manager gave a workshop to the lead homeworkers. During this workshop, we presented a self-assessment questionnaire that we developed specifically for homeworkers in Korea and that we translated into Korean.

The last follow up audit that we did this year and that was accompanied by the CSR coordinator showed that the audits, close monitoring and the trainings are starting to pay off. Even though reaching full transparency on the home worker set-up remains a challenge, we have received completed questionnaires from the lead home workers and have received the names of many of the secondary home workers. Together with the factory management, we have set up a plan to increase the home worker transparency gradually each season. Many Health & Safety issues in the main factory were also solved after the last audit. Next year we will continue to closely monitor the factory and aim to further increase transparency of the production set-up.

#### **Bulgaria**

- Percentage of order value: ~3% (3%)
- Number of factories: 3 (2)
- Number of audits: 0 (1)

In Bulgaria, we used three suppliers this year. One of these factories is a subcontractor for two of our Italian shoe suppliers and has been nominated by us. This supplier was audited with good results last year and this year we followed up on improving the correct documentation of overtime at the factory. Next year, we might do a follow up audit at this facility to verify the status.

With the other two factories, we had production for two specific products at the beginning of the year but we will not continue to work with them due to persistent quality issues.

#### **Albania**

- Percentage of order value: ~1% (1%)
- Number of factories: 1 (2)
- Number of audits: 0 (0)

We have had production in Albania via an Italian supplier for many years. However, due to company strategy to move this production to Italy, orders have been steadily decreasing during the last three years. Almost all production

for this financial year was made in factories in Italy but some production was still done at one factory in Albania. For next financial year all production via this supplier will be made with factories in Italy. The factory that we have used in Albania has earlier been audited several times with good results. Our decision to move production from Albania to Italy is therefore not related to labour conditions but based on other sourcing strategies.

#### **Morocco**

- Percentage of order value: ~1% (1%)
- Number of factories: 2 (2)
- Number of audits: 0 (1)

In Morocco, we collaborate with one factory that we have been working with for many years. We audited this facility in 2013 and 2016. No critical issues were found but some improvements related to health & safety and the workers' committee should be implemented. The supplier is working on that and depending on order values we will decide if we do a follow up audit next year to see if improvements have been made. This factory also uses a wash house for simple washes on some styles.

#### **Tunisia**

- Percentage of order value: ~0.25% (0%)
- Number of factories: 1 (0)
- Number of audits: 1 (0)

Tunisia is a new sourcing country this year, even though it only represents a very small part of our order value. The factory in Tunisia is a subcontractor of one of our Italian shoe suppliers. The factory was audited this year and it was found that there is a trade union in the factory and wages are relatively high for the garment industry. However, several Health & Safety issues were found that should be improved. Depending on the feedback we receive from the supplier on the improvements made, we will do a follow up audit next year to check for progress.

#### **Low risk countries**

##### **Italy**

- Percentage of order value: ~35% (37%)
- Number of factories: 82 (69)
- Number of audits: 11 (14)

Italy is our most important production country and since the majority of our shoes and bags are manufactured here, our production office for shoes and leather goods is located in Italy. We have production in other product groups in Italy as

well but this is handled from our head office in Stockholm. We have some important suppliers in Italy that represent a big share of our order value and where we work with for a long time. At the same time, we have many suppliers in Italy that produce small orders for special products for us that request specific skills and expertise. The main reason for the high numbers of suppliers in Italy, however, is that the Italian garment industry is fragmented and often exists of many small production facilities that each execute one step in the production process, instead of big vertically integrated factories that do everything in-house.

For this reason, our biggest focus in Italy is on getting insight in the production set-up per supplier and on style level. In the past years, we have put a lot of effort in including subcontractors in our monitoring programme, especially for shoes, leather goods and denim, that often have a relatively long supply chain.

Because Italy is classified as a low risk country, the main monitoring activities include making sure that all production facilities have filled in our self-assessment questionnaire and have posted the worker information sheet. Most of our suppliers are very professional and well organised and are often audited by other brands or organisations. Some of our suppliers are SA8000 certified as well. However, we also know there can be a risk of labour rights violations in Italy, especially if (often Chinese) migrant labour is used in lower tiers of the supply chain. Common issues in Chinese-run factories are weak health and safety standards and lack of documentation on working hours and wages.

Two years ago, we have started auditing factories in Italy that have a higher risk profile on labour right violations. We started with auditing facilities where Chinese migrant workers are hired and this year we also audited some production facilities in the South of Italy where conditions often differ from factories in the North or middle of Italy. In total, we performed 11 audits and follow up audits in Italy this year and the CSR coordinator joined 7 of these audits. Since FWF does not have an audit team in Italy we are working together with an external consultant with extensive knowledge on labour issues in the Italian industry. Our consultant is also working for other brands, including one FWF member that has production in Italy and several luxury brands that produce similar products as Acne Studios in Italy. Two shoe suppliers were unfortunately not receptive to improve critical findings found during audits of their production facilities, even after several follow up audits, discussions and guidance on how to make progress. That is why we have decided we will phase out production with these two suppliers.

We share audit reports with other brands where possible and discuss shared challenges with them. To facilitate this, we have

set up an Italy Working Group this year together with some other brands. This collaborative multi-stakeholder working group aims to support brands in the creation of sustainable improvements in their Italian supply chains. This year we have started by sharing challenges and identifying the most critical issues and regions, we also developed a common strategy and roadmap. Each brand will work on implementing the roadmap in their own supply chain but will have the support of the working group. Brands that share suppliers may decide to work together at those suppliers.

Next year, we will mainly focus on arranging trainings for our Italian suppliers to raise awareness on the importance of a transparent supply chain, good labour standards and a healthy and safe working environment. We will do these trainings either for our suppliers alone or in cooperation with other brands of the Italy Working Group.

#### **Portugal**

- Percentage of order value: ~15% (12%)
- Number of factories: 19 (16)
- Number of audits: 0 (0)

Similar to other low risk countries, the main monitoring activity in Portugal is making sure that we have full insight in our supply chain and that all factories have completed our self-assessment questionnaire and posted worker information sheet in the factory. Compared to last year our production in Portugal increased and the number of factories increased as well. At three of the four new suppliers, we only had small trial orders. We have decided not to continue with them since they did not meet our sourcing needs. We will continue to work with the other new factory and aim to increase production with them next year.

#### **Lithuania**

- Percentage of order value: ~7.5% (7%)
- Number of factories: 20 (16)
- Number of audits: 0 (0)

In Lithuania, we are working with an agent who places production with several factories they work with. Factories are chosen depending on the type of products, order sizes as well as the capacity of the factories. Most of them have been working for us for many years already. As Lithuania is classified as a low risk country, we follow the monitoring procedure of low risk countries. However, our agent arranges external audits based on the ETI labour code at own initiative at some of the factories. So far, almost half of the factories that produce for us are audited. Findings are mainly on health and safety and improvements are followed up and verified by our agent.

## **Poland**

- Percentage of order value: ~2% (2%)
- Number of factories: 11 (9)
- Number of audits: 0 (0)

Production in Poland is slowly increasing over the years and this year there was again a slight increase in order value and number of factories. Production in Poland is arranged through an Italian agent with production in mainly Italy and Poland. Until now the situation in Poland and in the factories has given us no reason to expand our monitoring activities beyond the regular monitoring procedure for low risk countries. We have agreed with the agent that production is placed as much as possible at production facilities that have been audited. Currently, eight out of the 12 factories are audited and approved by another luxury brand. The agent informs us when new audits take place.

## **Other low risk countries**

- Percentage of order value: ~0.75%
- Number of factories: 3
- Number of audits: 0 (0)

Two other low risk countries are France and Latvia. The supplier in Latvia has been phased out due to various delivery issues last year but we still had some last items arriving to our warehouse at the beginning of this year. In France, we work together with two suppliers of accessories. With one we have been working for many years, while we started working this year with the other supplier for small quantity orders of belts.