



## Spectre A/S

Orionvej 1-3  
7430 Ikast  
CVR No. 70879212

## Annual report 01.04.2021 - 31.03.2022

The Annual General Meeting adopted the  
annual report on 18.08.2022

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**Thomas Villum Folmann**  
Chairman of the General Meeting

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# Entity details

## Entity

Spectre A/S

Orionvej 1-3

7430 Ikast

Business Registration No.: 70879212

Registered office: Ikast-brande

Financial year: 01.04.2021 - 31.03.2022

## Board of Directors

Dan Højgaard Jensen

Michael Storm

Jesper Lundhøj Stubkjær Klausen

Thomas Villum Folmann

Jacob Lundhøj Stubkjær Klausen

Dorthe Scherling Nielsen

## Executive Board

Ole René Graversen

Kenneth Bach Pedersen

## Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

City Tower, Værkmestergade 2

8000 Aarhus C

# Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Spectre A/S for the financial year 01.04.2021 - 31.03.2022.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.03.2022 and of the results of their operations and the consolidated cash flows for the financial year 01.04.2021 - 31.03.2022.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Ikast, 18.08.2022

## Executive Board

**Ole René Graversen**

**Kenneth Bach Pedersen**

## Board of Directors

**Dan Højgaard Jensen**

**Michael Storm**

**Jesper Lundhøj Stubkjær Klausen**

**Thomas Villum Folmann**

**Jacob Lundhøj Stubkjær Klausen**

**Dorthe Scherling Nielsen**

# Independent auditor's report

## To the shareholders of Spectre A/S

### Opinion

We have audited the consolidated financial statements and the parent financial statements of Spectre A/S for the financial year 01.04.2021 - 31.03.2022, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.03.2022 and of the results of their operations and the consolidated cash flows for the financial year 01.04.2021 - 31.03.2022 in accordance with the Danish Financial Statements Act.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements" section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in

Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and parent financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Statement on the management commentary**

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Aarhus, 18.08.2022

**Deloitte**

Statsautoriseret Revisionspartnerselskab  
CVR No. 33963556

**Jacob Nørmark**

State Authorised Public Accountant  
Identification No (MNE) mne30176

**Nicolaj Haarup**

State Authorised Public Accountant  
Identification No (MNE) mne46613

# Management commentary

## Financial highlights

	2021/22	2020/21	2019/20	2019	2018
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
<b>Key figures</b>					
Revenue	530,679	354,163	264,215	35,699	256,631
Gross profit/loss	217,673	146,333	109,114	11,027	74,493
Operating profit/loss	71,797	35,726	13,219	(4,362)	14,210
Net financials	(3,350)	(4,152)	(4,006)	(715)	(3,656)
Profit/loss for the year	54,762	26,390	7,745	(4,290)	8,825
Profit for the year excl. minority interests	54,762	26,390	7,745	(4,015)	8,698
Balance sheet total	358,351	213,928	180,318	153,970	153,615
Investments in property, plant and equipment	22,258	4,482	5,725	21,140	4,621
Equity	136,464	94,039	51,621	44,904	50,542
Equity excl. minority interests	136,464	94,039	51,621	44,816	50,131
<b>Ratios</b>					
Return on equity (%)	47.52	36.24	16.06	(8.46)	19.18
Equity ratio (%)	38.08	43.96	28.63	29.11	32.63

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Due to a change of fiscal year the financial highlights for 2019 contain only 3 months.

### Return on equity (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Average equity}}$

### Equity ratio (%):

$\frac{\text{Equity excl. minority interests} * 100}{\text{Balance sheet total}}$



### Primary activities

The Company's primary activities is production of high quality functional outdoor garments. The Company produces at its own factories in Vietnam and Latvia.

### Development in activities and finances

The Company achieved a net revenue of 531 million DKK compared with last year 351 million DKK. Profit after tax is amounted to 55 million DKK compared with 26 million DKK last year.

The Management consider the result to be very satisfactory.

As previous financial year, the Company was operating in a very challenging year with the impact of the COVID-19 pandemic. The global freight crises had an impact on deliveries in- and out of the Company's business units and increasing freight costs. Moreover, some production lines have been shut down in both Latvia and Vietnam during the year. The financial affect had no major impact on the financial results.

The increasing demands for clothes and equipment for the Outdoor segment continues also this year. Because of this, a new factory was established in Thai Binh (Vietnam) close to our factory in Nam Dinh in May 2021.

In the last part of the fiscal year, the Company started production in Ukraine, managed by our Ukraine partner and Spectre Latvia. Due to the Russian invasion in Ukraine in February, we unfortunately had to stop the production.

The Company established "Spectre GmbH" as a sales office in Munich to future support of our customers in south.

### Profit/loss for the year in relation to expected developments

The Company expected a revenue of 440 million DKK and a profit before tax of 29 million DKK. It turns out better than expected. The cost and expenses in the Company did not increase with the same rate as the growth in the revenue, therefore this had a positive impact on the profit in the Company, compared with the budget.

### Uncertainty relating to recognition and measurement

Recognition and measurement in the consolidated financial statements are not subject to any material uncertainties.

### Unusual circumstances affecting recognition and measurement

No particular circumstances exert material influence on the financial statement.

### Outlook

The Company expects continuous increase in sales as a result of the high demands from customers. During the coming year, the Company is making significant investments in expanding its production facilities in Vietnam to deliver an expected revenue of 800 million DKK.

The building project started last year in An Giang (South Vietnam), will be ready for production during summer 2022. Due to the continuing investments and increasing fixed expenses, the Company expects a profit in level with 2021-22 fiscal year.

### **Use of financial instruments**

The Company is not exposed to particular risks apart from those generally occurring. The Company's financing is primarily based on variable interest rates, which is why any increase in interest rates will affect the Company's earnings. The Company has two main currencies (USD and EUR). Historically, there has been a balance on the USD cash flow.

Going forward, revenue in USD will increase, but can be set-off due to investments in Vietnam. By this the Company can eliminate any exchange rate risks for the coming financial year.

The Company's risk exposure can increase as a result for additional Corona outbreak which may impact on the Company's suppliers, customers, and the Company itself.

The Company has entered into an insurance contract for credit insurance of the Company's customers. The insurance implies approximate 70 % of the total engagement covering 9 months ahead of delivery to cover risk during purchase and production for customer specific products.

The Company use developed reliable IT systems, which ensure reliable performance of day-to-day operations, including strengthening of the delivery reliability and efficient supply chain. Ongoing activities to cover IT risks, including virus attack, system crashes etc.

### **Knowledge resources**

To future-proof the Company in terms of the expected growth and expansion of the numbers of employees we are working proactively and continuously on developing all human resources in the organization to be able to meet the future demands by our stakeholders and to achieve the results in our strategy.

Being an innovative and proactive partner for our customers, the Company believes that continuous cooperation with customer development team improves the skills and the competences in the Company's own organization to develop human resources.

### **Environmental performance**

Spectre is very environmentally conscious and continuously strives to reduce environmental impact from our operations.

The Company's factories are certified in environment, quality and CSR with the following certifications; ISO 14001 (environment), ISO 9001 (quality management), SA 8000 (CSR). The Company also reports to Global Impact.

The Company works with renewable energy-saving initiatives. This includes rooftop solar cells systems in Vietnam, as well as LEED certification with focus on the building's environmental conditions and impacts.

### **Research and development activities**

The Company does not have definite research activities, but we develop in a close collaboration between our develop- and technical departments and our customers.

The cost related to these activities are expensed in the income statement. The Company has not capitalized any development costs, nor have any items under intangible fixed assets been capitalized.

**Statutory report on corporate social responsibility**

**Business model**

Our vision is to be the preferred development and manufacturing partner for functional garments. As a private label garment manufacturer, Spectre is in the center of the traditional textile value chain gathering all the components for production, from fabric and trim producers worldwide, in cooperation with our transportation and logistics partners. Upon fabric and trim delivery to our own manufacturing facilities in Europe and Asia, we are manufacturing the readymade garments, and after quality audit inspection, we are delivering the finished product to the customer’s transportation and logistics partner for shipment to worldwide distribution centers.



Being at the centre of the value chain requires many daily interactions and potential tensions with the previous and subsequent stages such as coordination and ensurance of compliance issues, developing the product in time for bulk production, ensuring material deliveries, planning of delivery dates to customer and quality control on several stages from raw material to finished product.

When something does not go according to plan as it happens in a fast, global supply chain late material delivery means production schedule must be rearranged and maybe rushed with overtime or deliveries expedited with air freight. These pressures need to be carefully managed to account for their impact on workers and environment.

Spectre’s role in the value chain, from a CSR perspective, is also to monitor fabric and trim suppliers’ compliance with defined environment standards and to assure good working conditions in our own facilities and the facilities of our direct suppliers.

At Spectre we respond to stakeholders’ expectations and society’s evolving needs by implementing and emphasizing the focus on strong ESG practices as part of our business model and strategy. With our CSR 4 Corner Stones Strategy as the foundation, we seek to manage our business activities in a professional and responsible way, and at the same time to ensure a constructive and value-adding cooperation with our business partners in the value chain.

At Spectre we produce garments for customers worldwide. The current geographic core markets are West and Northern Europe (primarily being Germany, Switzerland, United Kingdom, Spain, Italy and Sweden) – and the United States and Canada. Due to demand by customers, Spectre is strengthening its involvement in growth markets in Asia, Europe and the United States. This growth is underpinned by changing global market trends, such as developing consumer megatrends, evolving market structure, and technology and category growth.

*With map: visualize where our biggest customers are located without placing their logo on the map. (indicated by colors)*



We evaluate customers we engage in business relations with for how well their values align with ours. That is critical to be able delivering not only high quality and on-time delivery but a sustainable and responsible production.

**The Spectre History Mountain – timeline of key events**

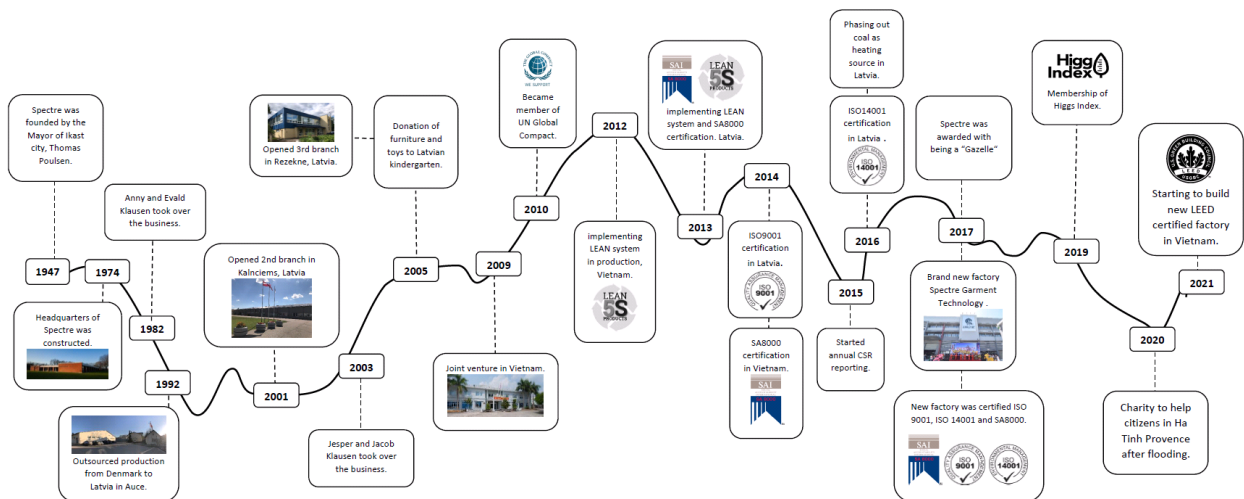


Figure 1: The Spectre history mountain - timeline of key events

Spectre was first founded as a small garment manufacturer in 1947 by the Mayor of Ikast city, Thomas Poulsen. In the beginning, his business took place in the basement of his private home. In 1974 the current headquarters of Spectre was constructed as a small garment factory.

35 years later, Anny and Evald Klausen took over the business and developed Spectre even further. At that time focus was on production of fashion, leisure and kids clothing, but the common denominator then and now has always been the focus on high quality products and throughout time Spectre has had several high-profile European fashion brands in its customer portfolio. Throughout its history, Spectre always invested massively in product innovation and new technology.

In 1989 Spectre took a strategic decision to slowly move focus from fashion to producing functional and technical garments and our first polyester fleece jackets, based on a Polartec fleece fabric, saw the light of day.

In 1992 Spectre outsourced production from Denmark to Latvia. The production was started just months after Latvia's newly declared independence, through an investment in a former state-owned garment manufacturing company. The Auce factory was included in the original company structure, and it was developed thru the end of the nineties. Although troublesome at times maneuvering in the young and fragile political system, the decision on establishing production in Latvia has never been regretted: the quality of the workmanship has been maintained at the core and over time we have built great competences and created a strong organization with many professionals with vast experience.

In 2001, the Kalnciems factory, now headquarter of our Latvian operations, was established on the ruins of an old brick factory.

2003 was the year of the official generational change to Jacob Klausen and Jesper Klausen. Since then, technological development and curiosity to improve and do better, have been drivers to make Spectre even stronger and a preferred manufacturer of functional garments for the international outdoor sports industry.

In 2004 the first Special Technology department was established and in 2005, Spectre opened its 3rd branch in the city of Rezekne, Latvia, to increase production capacity and the same year Spectre developed ultrasonic cut and heat glued pockets on a softshell jacket. Shortly after the technology was used on Gore Windstopper fabric and this marked the beginning of a large growth of products with this technology.

Another milestone was the implementation of a fully automated cutting department in Latvia in 2008 and since then, all Spectre's factories have been adopting this technology.

In 2007 the Spectre ownership started their travel in Vietnam in an effort searching for a potential Asian manufacturing base to complete the company's vision of a two-string production strategy. On multiple trips around Vietnam, the skills and the potential of the Vietnamese garment industry was discovered. The establishment of a joint venture factory was a reality early 2010. Since 2015, the production has taken place in a 100% Spectre-owned facility with local management.

In 2010 Spectre became signatory of UN Global Compact and we are still supporting this global initiative, explained by our Communication-On-Progress report (COP) that can be downloaded from the UN GC web page.

In 2010-11 major investments were done in the Kalnciems factory in Latvia to expand the capacity, install new technologies and make the factory more energy efficient.

In 2012 we introduced lean production systems in our Vietnamese factory, followed by Latvia in 2013. Key words being U-shaped production lines, multi-skill operators, team-based wage schemes and 5S principles. Another important step in our sustainability journey was the implementation of the SA8000 social management system in 2013-14.

2015 Spectre introduced a “voluntary” annual CSR report driven by a wish to be open and transparent towards stakeholders and to start a learning process for the organization to become more aware of key working environment and external environment data. Moreover, an official company report contributes to describing the real-life dilemmas and tradeoffs when dealing with the many aspects of CSR.

After a rapid growth in Vietnam, a new fully owned company was established at the end of 2015 followed by the construction of an entirely new manufacturing facility in 2016. With insulated walls, thermo-glass and a fully air-conditioned production and office area as well as the latest production technologies, the factory is a modern and efficient workplace.

In 2017, the brand new factory Spectre Garment Technologies Vietnam opened the doors and in the same year, Spectre A/S was awarded with a “Gazelle” statuette by Danish business newspaper “Børsen” – the proof of a long term continuous and profitable growth. A growth that has continued since then.

2020/21 – in the wake of the Corona pandemic, we have managed to grow into an even healthier company, with a lot of new competences. The key to success has been an intensification of our cooperation with existing business partners, customers as well as suppliers.

Today, in the Summer of 2022 Spectre has four production sites in Latvia and is just about opening its third production site in Vietnam which will mark a new level of sustainability consciousness being LEED Gold certified.

With this growth, our responsibility is growing as well. We remain transparent and strive for an ever-closer cooperation with the premise that the best results are achieved jointly between the parties in the value chain.





## **GOVERNANCE**

### **Overview**

At Spectre, we have worked on corporate social responsibility for decades, even before the concept “CSR” was created. We have always had a mindset of viewing our global operations “through Danish eyes”, demanding good working conditions and creating a healthy environment for our employees and support the local communities wherever we have operated. Embedding of CSR principles into governance practices has been growing importance year by year not only to our company but in the apparel and other industries worldwide. This has led to more reporting requirements between customer brands and us as the manufacturer, our suppliers and us and for the initiatives and certifications we have joined.

We aim to be more involved in the development of CSR in the whole industry through joining CSR related associations and initiatives such as becoming B Corp certified and a member of Sustainable Apparel Coalition. We are continuously working to raise the trustworthiness of our reporting through implementing Global Reporting Initiative standards and implementing third party verification for Higg Index reports. A renewed focus on managing supply chain risks of our suppliers will provide us a clearer picture of our supplier social and environmental performance.

## Key Performance Indicators



Indicator	Unit	Year					Target	SDG
		17/18	18/19	19/20	20/21	21/22		
Number of CSR-related certifications and memberships	#	4	6	8	9	9	11	
Annual CSR report published and compliant	YES/NO	YES	YES	YES	YES	YES	YES	
Share of suppliers in low social and environmental risk category by purchase value	%	-	-	-	-	92%	95%	
Share of suppliers signed CoC by purchase value	%	-	-	-	-	53%	80%	
Gender diversity, Board	%	0%	0%	0%	0%	0%	0%	

The number of CSR related certifications in the reporting period has remained the same since we did not plan to add new initiatives however, we are aiming at getting B Corp certified in the following year. See section CSR governance for more details on B Corp. Having worked with Higg Facility Tools since 2018, we plan to take our work with Higg Index to the next level by becoming members of the Sustainable Apparel Coalition. We are already submitting Factory Environment Module (FEM) and Factory Social and Labour Module (FSLM) reports on 100% of our operations with externally verified reports on 87% of our operations. Next year we plan to have verified FEM reports on 100% of our operations and simultaneously with becoming members roll out the use of Higg Index with our suppliers. As future members of the Sustainable Apparel Coalition we wish to play a more active role of shaping the sustainability efforts of the apparel industry.




We are also committed to publish a CSR annual report detailing our performance on sustainability and social responsibility according to all legal requirements. This year is the first when we use the GRI Standards for guidance in our report and aim to continue using best practices for our reporting.

We have set out a structured procedure for supplier risk assessment and due diligence procedure therefore we have changed the goal of the number of supplier self-assessments completed to the share of suppliers in low social and environmental risk category as a more outcomes than inputs focused KPI. Low risk suppliers make up 92% of our purchases now with the rest in moderate risk category and we aim to increase that to 95% in the following year through more active due diligence. 53% of suppliers have signed our Code of Conduct. We plan to update the Code of Conduct and revisit this result in the coming year. See section Supply Chain Impacts for more details regarding supplier management, Code of Conduct, risk assessment and supplier self-assessments.

## Goals from last year

Goal	Description	Completion	SDGs
Renew and implement Anti-Corruption policy in all branches	Since 2013, Spectre has had an official anti-corruption policy to ensure our organization is properly informed about company values, opinions, and guidelines. Updated anti-corruption policy and annual training is necessary to ensure we have taken every reasonable step to eliminate the risk of offenses and unfair competition.	Complete	
Externally verified Higg FEM, FSLM assessments on majority of operations	Being transparent about our social and environmental performance is necessary to ensure a sustainable industry in cooperation with other players in the apparel value chain. To build trust in the information we report using Higg Index tools we have sought to have our self-assessments be externally verified by independent auditors.	Complete	

## Goals for 22/23

Goal	Description	Completion	SDGs
Become a certified B Corp	B Corp 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.  Being part of a movement that promotes the values and principles of responsible business is our way to further strengthen partnerships that contribute to reaching SDGs.	22/23	
Become a Sustainable Apparel Coalition member	The Sustainable Apparel Coalition is the apparel, footwear, and textile industry's leading alliance for sustainable production. We already participate in the reporting initiative Higg Index launched by SAC and aim to play a more active role in shaping responsible and sustainable policies in the apparel industry.	22/23	
Updated Code of Conduct for suppliers and subcontractors	Code of Conduct (CoC) communicates our requirements regarding social and environmental aspects with our suppliers. We aim to review the current CoC and collect signed copies from at least 80% of suppliers by purchase volume.	22/23	



### Principles, values, and policies

Spectre has a core value set. 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 to creating the best possible results, a very 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.

Although we have redefined and refreshed our value set, the core values remain the same as they have been for decades and they are illustrated in our Core Value Model, DRive:

- **Dedication:** We show passion and commitment in what we do
- **Responsible:** We care for sustainability and act with honesty
- **Integrity:** Our performance exceeds expectations: “not just to be good, but to be the best”
- **Proactive:** We trust and help each other and live our values



*Spectre's DRive Core Value model*

Even though the Spectre Group now has more than 1800 employees, the spirit of being a small family-owned business since 1947 is still living within the company.

### United Nations Global Compact

Since 2010 we have been signatories of UN Global Compact. The UN Global Compact movement is based on 10 principles within human rights, labour standards, environment and anti-corruption. These principles are fully embedded in our CSR-strategy and on day-to-day business. These principles are fully aligned with our priorities in each of the four corner stones of CSR – People, Planet, Anti-corruption, Reporting. We annually submit our Communication on Progress (CoP) report.



### UN Sustainable Development Goals (SDGs)

Within the UN Global Compact, the Sustainable Development Goals (SDG) were formulated under the guiding principle: "Making Global Goals Local Business". From the total list of 17 goals, we have selected four specific SDGs which we are going to target and that are closely linked to our overall CSR-strategy:

- SDG#08: Decent Work and Economic Growth
- SDG#12: Responsible Production and Consumption
- SDG#13: Climate Action
- SDG#17: Partnership for the Goals

Our CSR strategy also addresses challenges related to other SDGs (such as #5 Gender Equality and #7 Affordable and Clean Energy).

### SDG No. 8 Decent Work and Economic Growth



The goal is defined by the UN as to: *"Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all."*

The goal also includes the achievement of a higher level of economic productivity through diversification, technological upgrading and innovation which is very relevant to us as manufacturers as we are in a labour-intensive sector. Furthermore, the goal targets that a company works for fair and equal rights to all no matter the sex, age and disabilities of an individual, with the overall aim of reducing unemployment in the local communities.

The UN SDG goal #8 is very closely linked to the People cornerstone of the Spectre CSR strategy.

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.

### **SDG No. 12 Responsible Production and Consumption**



The goal is defined by the UN as to: *“Ensure sustainable consumption and production patterns.”*

The goal also includes the ambition of having companies disclose and publish reports on their sustainability measures (e.g., like this present report) as well as an ambition of phasing out harmful substances, measure the material footprints and actively reduce waste generation through prevention, reduction, recycling and reuse. The UN SDG#12 relates to two of Spectre’s CSR corner stones: Reporting and Planet. For several years we have been communicating openly to our stakeholders on our CSR-related activities and about the progress as well as challenges we face. We always take a precautionary approach to environmental challenges to protect the environment. 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.

### **SDG No. 13 Climate Action**



The goal is defined by the UN as to: *“Take urgent action to combat climate change and its impacts.”* Hence, the goal implicitly requires that as a company we should target greener fuels and types of renewable energy which will lower greenhouse gases.

This goes hand-in-hand with one of the corner stones in our CSR-strategy – Planet – and some of the initiatives targeting cleaner energy sources throughout the global operations of Spectre was described earlier. As a growing manufacturing company, 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.

**SDG No. 17 Partnerships for the Goals**

The goal is defined by the UN as to: *“Strengthen the means of implementation and revitalize the global partnerships for sustainable development.”*

The goal also includes several different initiatives to strengthen the economic growth of developing countries and their position and terms in markets through cooperation, investments, knowledge sharing and technology upgrades – all of which has the aim to support a sustainable and healthy environmental growth.

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.

The UN SDG#17 partly relates to our cornerstone in the Spectre CSR-strategy, Anti-Corruption, partly to our desire bringing the parties of the value chain closer together to solve the larger, global challenges.

As a small player in the global value chain, we cannot lift the burden alone. Our ambition is to remain at the forefront in terms of social responsibility and to lift a disproportionate share of the responsibility in relation to our size. However, to create results we need to keep strengthening the cooperation across the value chain that we are all part of, thus we need true partnership thinking to succeed in the long run.

**Stakeholders**

Managing a business responsibly is complex. It requires us to be clear about how we engage with relevant stakeholders and how we prioritize their interests. We engage with various stakeholders such as employees, customers, owners, suppliers and subcontractors, government institutions, local communities, NGOs and others.

Our customers are among the stakeholders we engage most with. We maintain regular communication with various departments of our customers including dedicated CSR professionals where such positions exist in order to coordinate and gain guidance on how their sustainability and social accountability requirements should be implemented. We thoroughly study the CSR reports of our customers with special attention to their strategic goals and materiality assessments to determine how we can contribute to reach their goals, which projects to engage with.

We engage with our employees continuously in many various ways to evaluate their interests and priorities. Read more in section Involvement and Representation. Company owners communicate their interests through strategic planning which is then mainstreamed through strategy deployment plans. Company communicates its performance through Board meetings and being a family run business two of three owners are involved in day-to-day business as executives.

We have limited engagement with local communities which we aim to improve by implementing “A Day for the Local Community” in the coming year. We keep in touch with various NGOs. The most important of those are Fair Wear Foundation and Fair Labor Association which many of our customers are members of and use their services to manage their supplier social performance. We follow seminars offered by these organizations on new projects launched to be informed of future developments and what are the priorities of the member brands. We

also regularly communicate with European Outdoor Group with a member from this organization providing his input on our Sales Advisory Board. We plan to become SAC members in order to be better involved in further developing the transparency of social and environmental performance of companies in the apparel supply chain and engage with all the stakeholders.

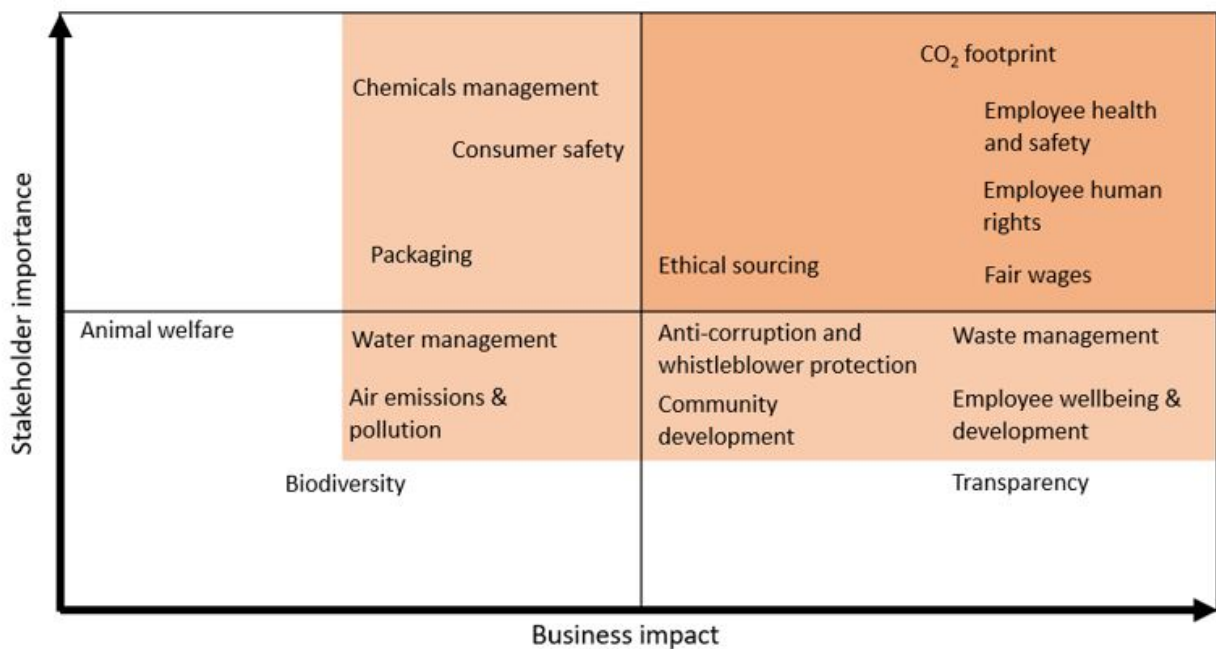
Spectre is a member of Danish fashion and textiles industry association (Dansk Mode & Textil or DM&T) with Spectre co-owner Jacob Klausen serving on its board. The association represents more than 375 companies and provides industry-specific and personal advice in HR law, trade law, CSR, technology and the environment, exports, customs and international trade, digital challenges and trends. Spectre is also a member of Business Council Herning & Ikast-Brande representing interests of 660 companies in Central Jutland, Denmark. The organization is involved in lobbying on a local, regional and national level to improve the business environment.

We produce an annual CSR Report, which provides our indirect stakeholders such as society in general, non-governmental organizations (NGOs), and competitors with extensive information on our activities and the progress we are making in terms of sustainability and social accountability. It is only by including all interest groups that Spectre can continue to develop and enjoy long-term success.

This CSR report is our main tool of communicating our environmental and social performance and priorities to our stakeholders. We publish it on our website, submit for publication as UN Global Compact Communication on Progress, share it via a newsletter for our stakeholders, mail it to our direct contacts and publish separate stories from the report on social media (e.g., LinkedIn).

**Materiality**

Trying to tackle every issue at once is a sure way to not make much progress in any of them. We mapped out our key issues with input from our stakeholders by rating them against business impact and importance to stakeholders. This leads us to identifying our key priorities. While we recognize that all the issues are important in some way, we continue to focus on the priority concerns where we believe we can make the greatest impact to address the most pressing issues of our stakeholders.

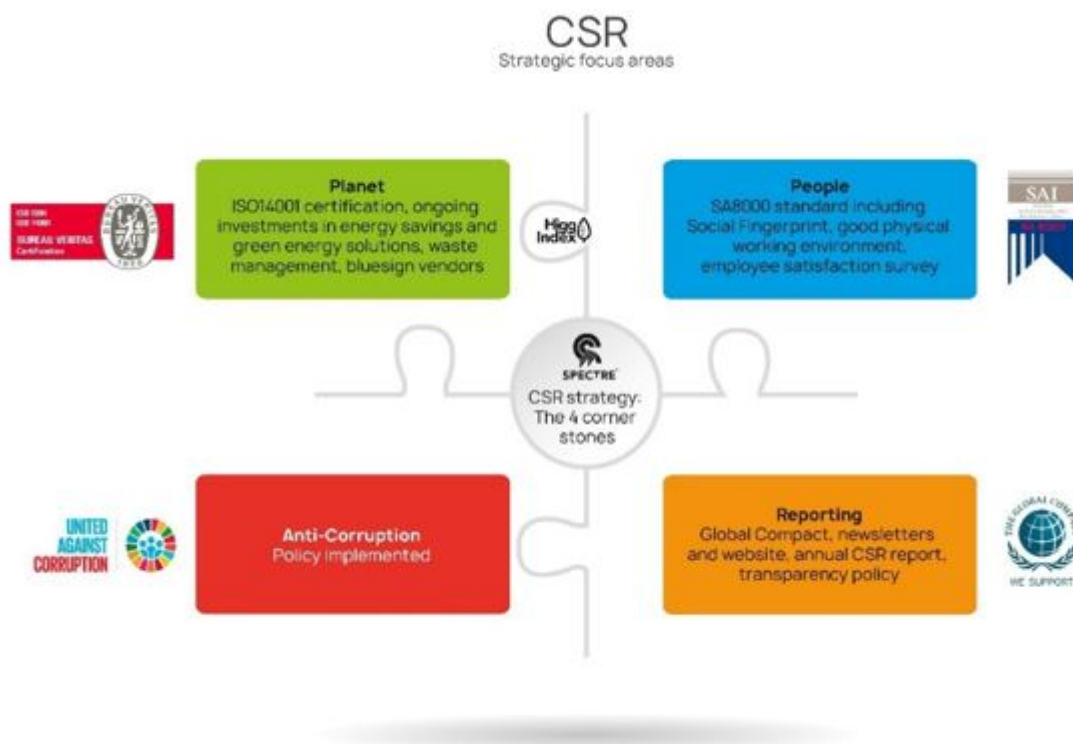


Managing our CO2 footprint is among our top priorities, and it permeates our goals and activities outlined in the Planet section. The social performance and especially in regard to our employees is a top priority with as described in the section People. We also have an ongoing program to manage the environmental performance of our suppliers and subcontractors which is addressed in section Supply Chain Relations. We also address other of higher priority issues to some extent in the report and in a limited amount on other issues. We have expanded the scope of material topics by evaluating which of the GRI Standard disclosures are material to our business.

### CSR governance

It is Spectre's policy to conduct all our business in an honest and ethical manner. Being a family-owned company is an important part of our identity. By having a strong ownership with passion and daily engagement the core values and ethics are felt by the employees, customers, suppliers, and other stakeholders in the everyday life.

Spectre's CSR strategy is built on four corner stones: Planet, People, Anti-Corruption and Reporting. This model has served as our guideline for many years.



*Spectre Strategic CSR focus areas – four cornerstones*

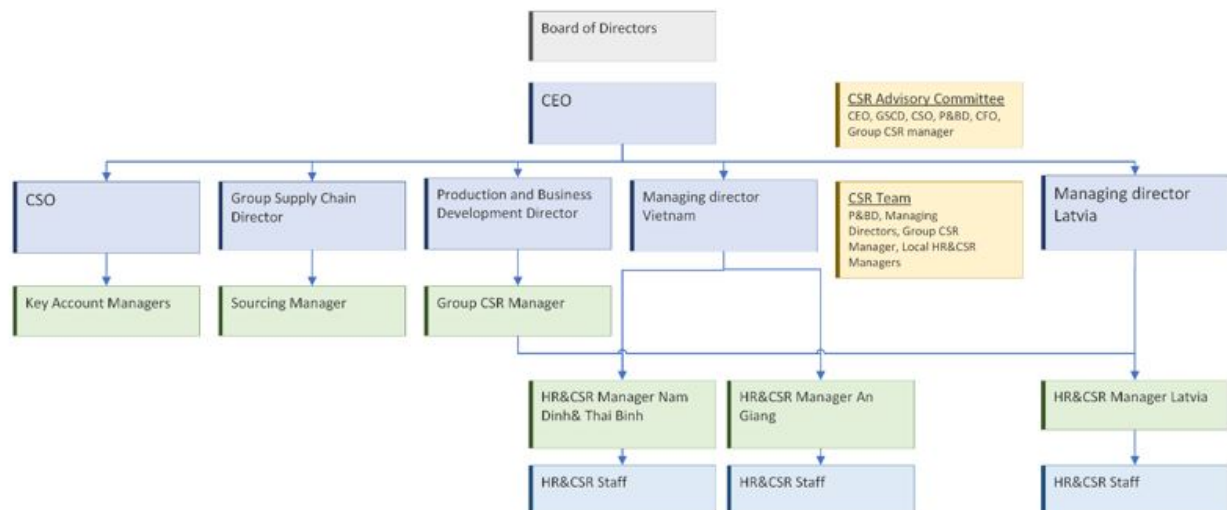
### Responsibilities

The Group CSR management develops CSR strategy, ensures alignment of CSR procedures, policies and reporting across the group, coordinates groupwide initiatives and communicates progress on them to top management and local managing directors through CSR Advisory Committee, CSR Team meetings and quarterly reports, as well as ensures public reporting and legal compliance on CSR topics.

Local HR & CSR managers 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 CSR Advisory Committee meets quarterly to Report on KPIs, Progress in last quarter, plans for next quarter, discuss the overall direction of CSR activities and new initiatives.

The CSR Team meets quarterly to align groupwide plans and priorities with local management, receive input on new necessary activities.



### CSR governance structure

The Supply Chain Management performs core supplier social & sustainability due diligence: risk assessment, onboarding and monitoring. Local HR & CSR teams perform core subcontractor social & sustainability due diligence: risk assessment, onboarding, monitoring (social audits). Read more about supplier and subcontractor management in section "Supply Chain Impacts".

The Sales Management together with CSR Management communicate with customers regarding their requirements and fulfil requests for information.

### Holistic approach to CSR

The main goal for improving CSR governance is becoming B Corp certified. 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. In order to achieve certification, Spectre has to:

- Demonstrate high social and environmental performance by achieving a B Impact Assessment score of 80 or above and passing a risk review.
- Make a legal commitment by changing corporate governance structure to be accountable to all stakeholders.
- Exhibit transparency by allowing information about our performance to be publicly available on a B Corp profile.

We are committed to reach this goal because we see that by regularly performing the B Impact assessment we can strengthen our CSR performance, further structure our CSR governance and promote maintaining a continuous focus on responsible business practices throughout all levels of the company.

**Executive board**

Since the 1980s, Spectre has had an Executive Board consisting of professional board members supplementing the owner representatives while the positions of board chair and chief executive cannot be occupied by the same person. The Executive Board meets quarterly with full attendance. Currently all board members are male, however, an additional board member has been recruited and is female and will join the executive board in fiscal year 2022/23.

**Legal Compliance****Anti-corruption and whistleblower protection**

As a signatory of 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 in a globally with suppliers from Europe, Asia and North America.

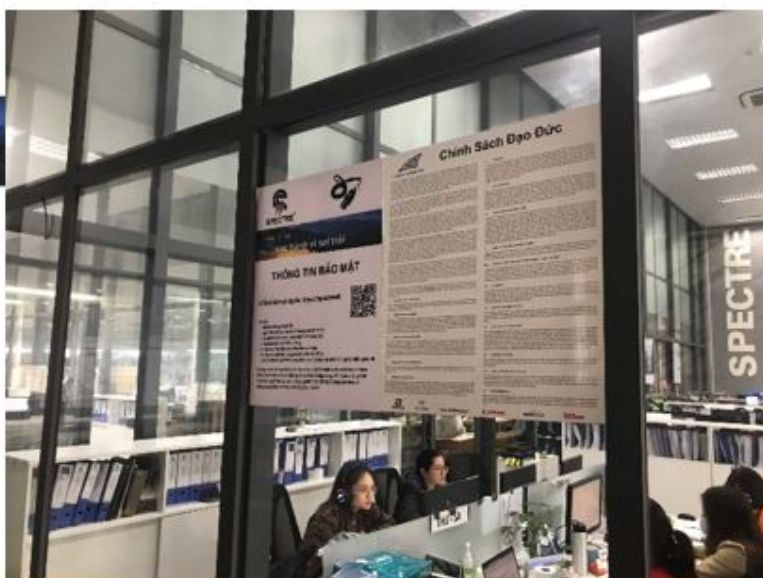
We conduct business in an honest and ethical manner. Regardless of the geographical location of our activities, Spectre has a single company spirit and business philosophy which is rooted in our Core-value Model with integrity being one of them. We have a zero-tolerance approach towards bribery and corruption, and we remain bound to the UK Bribery Act and the national legislations of the countries in which we operate.

We implemented a group-wide anti-corruption policy in 2015 and we have continuously improved. In 2021 we revised the Anti-corruption policy, further explaining issues with conflict of interest and revised procedure for dealing with gifts. Each year we reassess all our operations for risks of corruption and have identified the following activities that are exposed to risks of corruption:

- All management positions
- Import/export of goods including contact to customs authorities
- Supplier contacts/Purchasing duties
- Quality audits
- Social audits
- Price negotiations with suppliers and customers
- Financial audits
- Payments of invoices
- Payments to and contacts with tax authorities
- Salary payments
- Sales efforts aimed at customers

Together with the revised Anti-corruption Policy we implemented a Whistleblower Protection Policy to ensure compliance with EU Whistleblower directive and new local legislation in the EU Member states. The policy was communicated to all employees in Denmark, Vietnam and Latvia by publishing it on the company intranet and training was provided to all employees that are involved in any of the activities exposed to risks of corruption making up 100% of employees in Denmark, 6% of all employees in Latvia, 5% in Vietnam. Whistle-blower Protection Policy was also communicated to all employees with posters on the reporting mechanism and main points of the policy in Vietnamese, Latvian and English. Two of five Board Members received training on the policy. Next year's emphasis will be to improve the reporting mechanism and communication of the Whistle-blower Protection Policy to be applicable also to external stakeholders.





### Poster on whistleblowing

Clauses of anti-corruption are also included in Spectre's Code of Conduct which is communicated to all suppliers and subcontractors. In 2021/22 we have not found any violations of our anti-corruption policy.

### Consumer safety

Spectre does not market products directly to the consumer, but we strictly enforce the policies of customer brands on product safety to ensure that we do our part in a responsible supply chain. We make sure to annually audit conformance of the chemicals used on the garments produced or in the production process to ensure the compliance of these products to conditions of customer's restricted substances lists and Bluesign® conditions. Chemical management is not only the issue of consumer safety but also occupational health and safety and environmental protection which are addressed in the respective areas of this report. In 2021/22 we have not had incidents of non-compliance regarding chemical use in products or concerning marketing communications. We ensure strict control over how sharp objects such as scissors, needles and broken needles are handled to prevent any chance of these to accidentally get in the finished apparel thereby endangering consumers.

### Compliance in other areas

No legal actions have taken place for anti-competitive behaviour, anti-trust and monopoly practices. We have not had any complaints concerning breaches of customer privacy and losses of customer data. We have not identified any non-compliance with environmental laws and/or regulations.

However, we are involved in one ongoing litigation in Latvia regarding terms of dismissal of a management level employee the outcome of which is still to be determined but no fines and non-monetary sanctions for non-compliance with laws and/or regulations in the social and economic area have been incurred in the reporting period.

### Supplier Relations

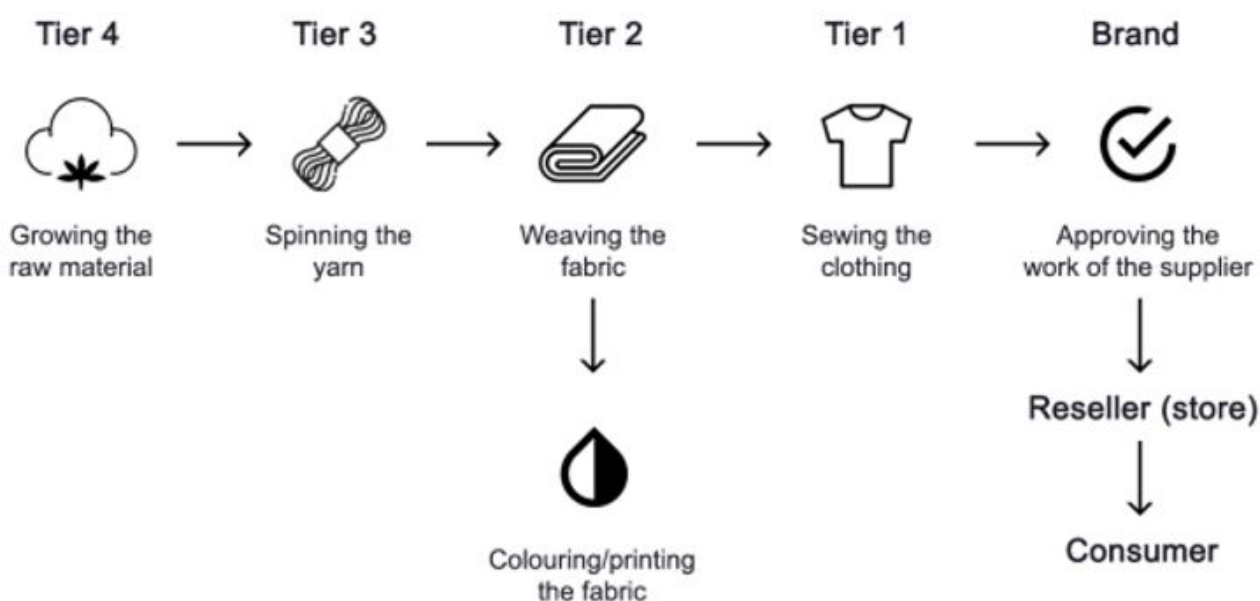
Our goal is to continuously build an even better value chain that minimizes negative environmental footprint and ensures proper working conditions. Our criteria for selecting suppliers are:

- quality;

- delivery performance;
- price; and
- ability to meet social accountability requirements and level of environmental management.

Spectre recognizes that supplier management is an important part of minimizing risks in the supply chain. Our supplier management efforts are aimed at contributing to United Nations' Sustainable Development Goal (SDG) 12: Responsible consumption and production.

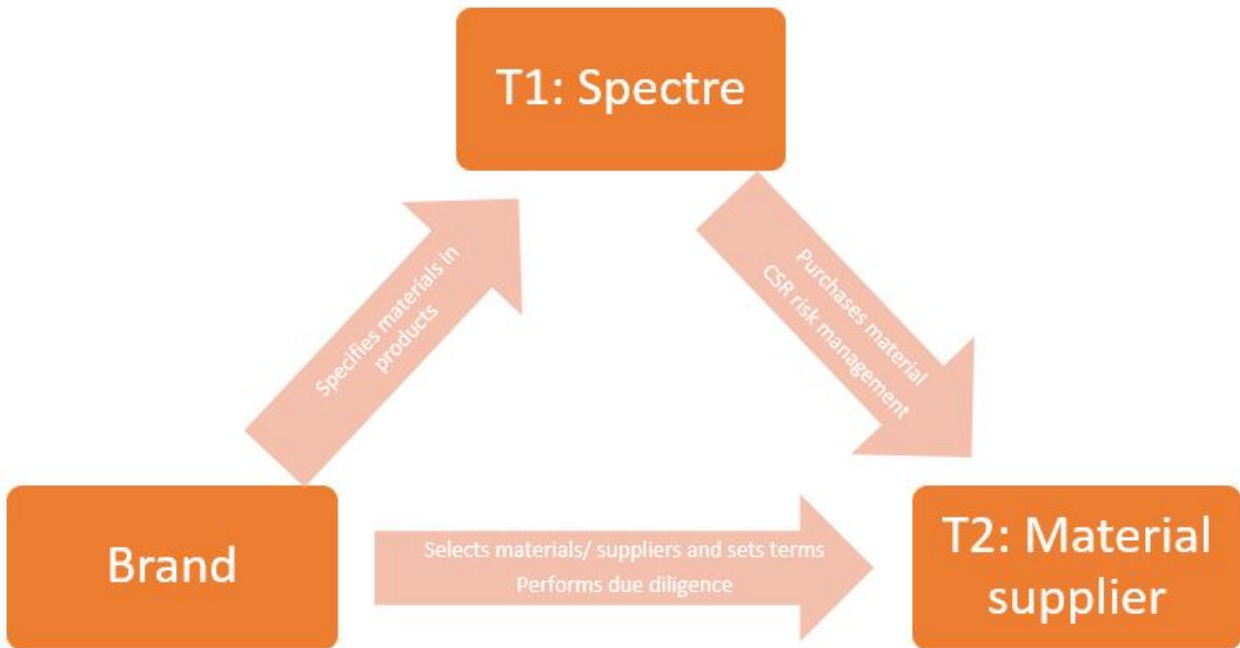
We are dealing with many different suppliers, primarily for fabric and trims and we are taking all reasonable steps to monitor and make sure that suppliers live up to our CSR requirements. In apparel industry fabric and trim producers are commonly called Tier 2 suppliers (T2), and garment manufacturers are called Tier 1 suppliers (T1).



#### *Example of supply chain for apparel*

The overwhelming part of purchase volume comes from our core suppliers and subcontractors whose products and services are directly involved in the production of goods. These are referred to as tier-2 suppliers (T2) in the textile industry. Tier-3 and tier-4 suppliers are producers of yarn and raw materials, respectively, but these are out of our scope.

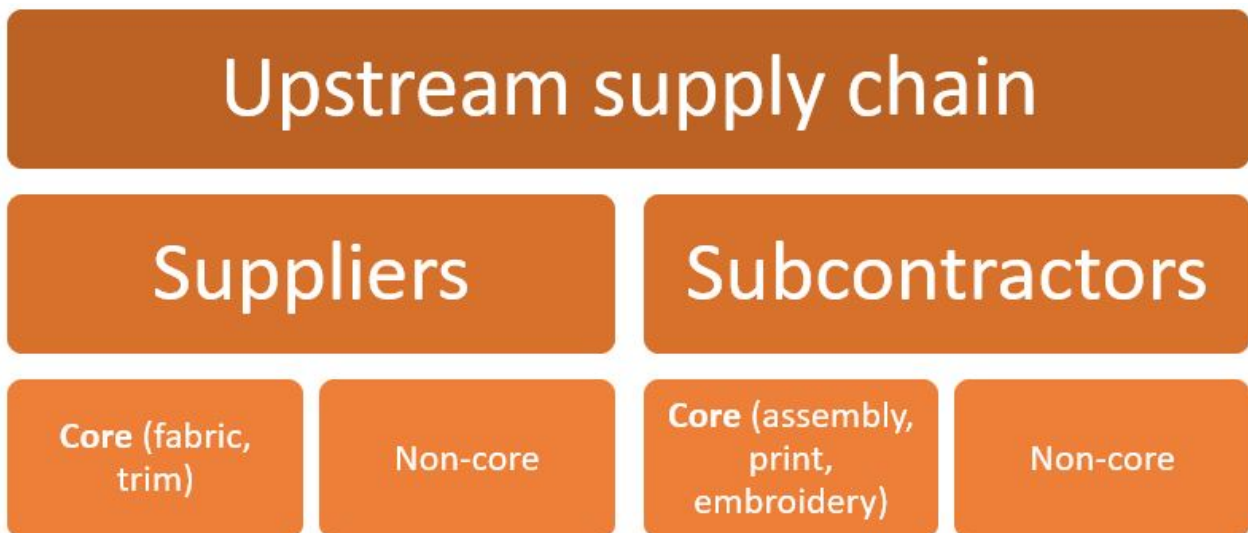
We, as garment manufacturers, are referred to as tier-1 suppliers (T1). In the outdoor industry, the T2 suppliers are predominantly nominated by the brands – i.e. our customers. This means we have limited impact on the choice of suppliers, however, strategically we see our role as a sparring partner for the brands in the selection of suppliers. We as purchasers of those materials assume our responsibility to manage the risks of responsible sourcing through our CSR due diligence programme.



*Supplier management interdependence triangle*

We therefore focus our efforts to perform full due diligence procedures to our core suppliers and subcontractors.

**Knowing our suppliers**



*Supplier classification*

The main group of suppliers for Spectre by number and purchase volume are fabric and trim suppliers. In the year 2021/22 Spectre have purchased fabric and trim from 324 suppliers. Of those 164 were fabric suppliers and 160 were trim suppliers. The TOP20 of these suppliers account for 60% of the value of purchase. This shows that we have a long tail of suppliers with small amounts which poses challenges in managing them. From the purchase value, 74% is fabric and 26% is trim. Our focus on supplier management is therefore primarily targeted at the fabric suppliers.

As Spectre grows with more styles and brands, the number of suppliers will also grow as the brands make the choices of suppliers. In order to improve the social and environmental performance of suppliers, it is important that we have a certain leverage with these suppliers. Therefore, a certain consolidation of suppliers would be preferable, ensuring we are not purchasing similar items from several different suppliers. A few of the large suppliers offer branded fabrics or trims that are only available from this specific supplier. During this period, we added 18 new fabric suppliers and 28 new trim supplier.

Of the TOP20 suppliers we have worked for more than 5 years with 18 of them. This shows that we have a long relationship with our suppliers, meaning that we have good knowledge of their production facilities and compliance.

If we look at distribution of purchase by production location, then we see that we have used 270 suppliers in Vietnam and 125 suppliers in Latvia. This means that 71 suppliers are used in both locations. In terms of value, 77% of our purchase value is done for our Vietnam production and 23% is done for our Latvia.

	Number of suppliers	Share in value of purchases
Spectre Vietnam	270	77%
Spectre Latvia	125	23%
<b>Total</b>	<b>324</b>	-

*Suppliers by production platform 2021/22*

### Supplier risk assessment

Supplier social and environmental accountability risk assessment considers the following criteria to identify the actions needed to manage those risks:

- World Bank Governance Indicators (WGI) rating for country of location;
- Presence of management systems for internal and supply chain labour standards performance;
- Certification to labour standard or adherence to rigorous corporate or industry labour code.

The WGI evaluates country performance in six categories - Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law, Control of Corruption. These are highly relevant to get an overall view of the freedoms of workers, the level of government performance to produce quality regulation, ensure rights and enforce environmental regulations. It is also the recommended method by SA8000 framework and thresholds between levels of risk are from SA8000 methodical materials are used (<https://sa-intl.org/resources/country-risk-assessment-process-for-sa8000/>).

The risk assessment also considers whether the supplier has implemented management systems for internal and supply chain labour standards performance or has obtained a certification to labour standard or can prove adherence to a rigorous corporate or industry labour code. We require documented evidence from the suppliers, such as SA8000, ISO 14001, ISO 45001 and input the obtained information in the ERP system.

Considering these criteria, companies are assigned a risk status which determines actions that need to be taken in the onboarding evaluation and monitoring. Assessment is done on all companies before starting cooperation and annually on all active suppliers.

WGI country average percentile score for country origin of supplier	Social and environmental certification, standards, systems	Supplier risk level	Share of suppliers		Share of suppliers by value	
			FABRIC	TRIM	FABRIC	TRIM
Lower risk country (more than 65%)	Not used for risk level	Low risk supplier	45%	34%	72%	20%
Moderate risk country (more than 35%, up to 65%)	Sufficient		Moderate risk supplier	8%	29%	2%
Highest risk country (up to 35 %)	None	High risk supplier		0	0	0%
	Sufficient					
<b>Total</b>			100%		100%	

#### Supplier risk assessment matrix

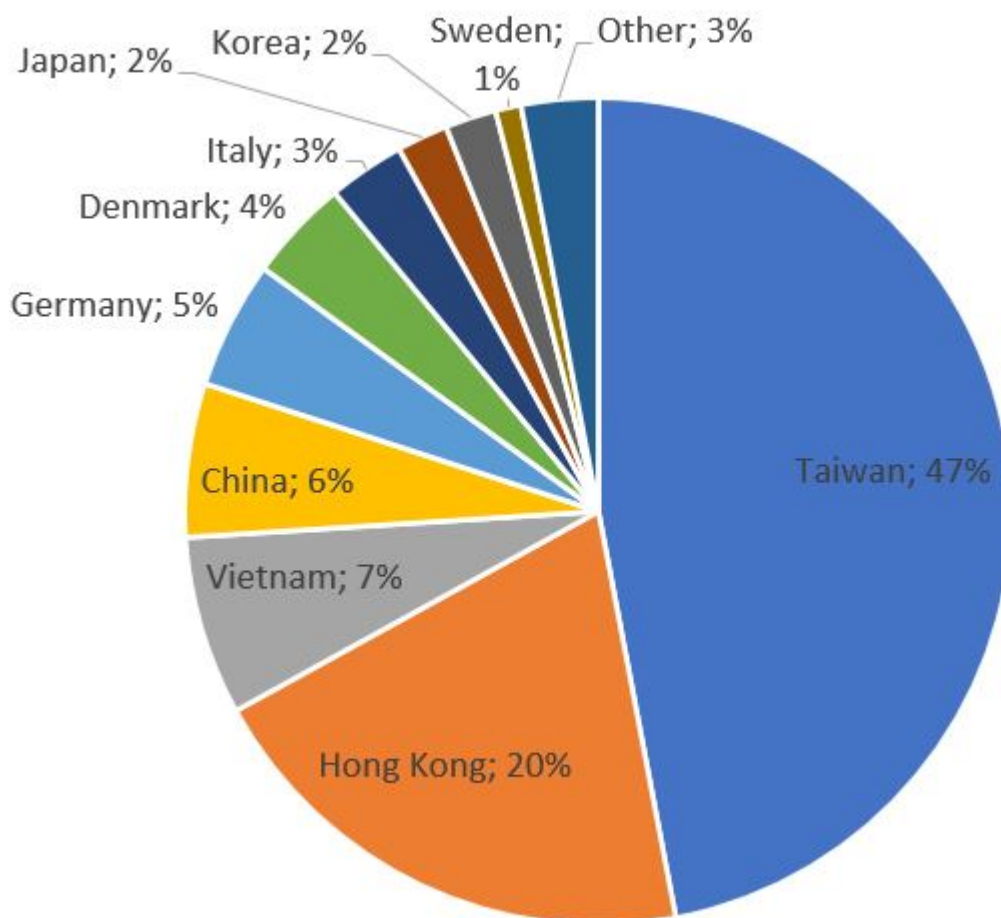
92% of our fabric and trim purchases are made from low-risk suppliers with remaining 8% made from moderate risk suppliers. Most of moderate risk purchases are from suppliers in Vietnam making up 4.1% and China with 3.5%. Trim suppliers make up a disproportionate share of moderate risk level suppliers singling out this group for focus in the following year.

	Share of vendors		Share of purchase value	
	Low risk	Moderate risk	Low risk	Moderate risk
<b>Spectre Vietnam</b>	79%	21%	91%	9%
<b>Spectre Latvia</b>	84%	16%	95%	5%

#### Supplier risk level by production platform

In terms of material for Vietnam we have purchased material in 24 countries. 16 of these sum up to +99,5% and the remaining countries are origin for an insignificant amount. Our primary source of material for Vietnam production is Asia which we consider locally sourced materials for our Asia production platform, with 85% of materials originating from the same continent promoting economic growth in the region. 9% of materials come from suppliers from moderate risk suppliers for Spectre Vietnam.

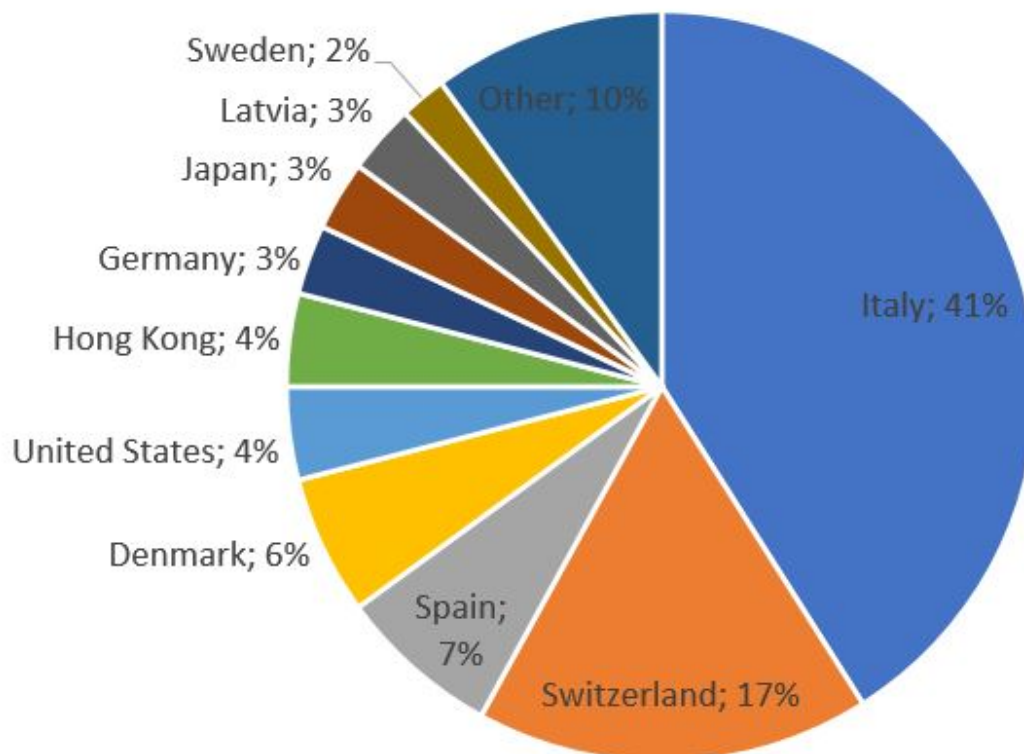
### Fabric and trim purchase by country, Spectre Vietnam



*Spectre Vietnam material purchase Top10 countries 2021/22*

We have purchased material in 29 countries for Spectre Latvia with 18 of these making up up to +99,5% while the remaining 11 countries are insignificant. 84% of materials for our European production platform are sourced from suppliers located in Europe, providing nearshoring possibilities for European brands. 5% of materials by value are purchased from suppliers from moderate risk category.

## Fabric and trim purchase by country, Spectre Latvia



*Spectre Latvia material purchase Top10 countries 2021/22*

### Code of Conduct

To clearly communicate our expectations to suppliers in terms of CSR and way of doing business, we have a Code of Conduct (CoC) for suppliers. The CoC contains key expectations about environment, safety, gender equalization, non-discrimination, chemical management, anti-corruption and other.

From the 324 active suppliers that Spectre has worked with in 2021/22, 80 have signed our CoC. This represents 25% of the suppliers in terms of quantity and 53% of suppliers in terms of purchase value. We reviewed the data reported in our previous CSR report on signed CoC and found many suppliers for which we could not verify the data with a signed document due to improper document management therefore we have found the values of the indicator for previous year invalid and not included it in the report.

The code of conduct has last been updated in 2019 so the goal for 2022/23 is to review and update the CoC and subsequently share the document with our suppliers requesting them to approve their commitment to meet the requirements with a signed copy. Brands often implement their own social and environmental requirements with the T2 suppliers. In such cases we will also accept a CoC from the brand signed by T2 supplier as evidence of commitment to Spectre's CoC. Our goal is to collect signed CoC from at least 80% of suppliers by purchase value.

### Supplier self-assessment

One of the tools we use to monitor the compliance of our suppliers to our Code of Conduct is a self-assessment through filling out a form we have developed according to our social and environmental expectations from our

suppliers. Risk assessment results and supplier management procedure define which companies are requested to fill out the self-assessment form. In case of non-conformances, we claim corrective actions within a limited period according to the character of the issue. If the supplier is nominated by our customer, then we inform them in case of very serious non-conformances.

In the FY 2021/22 we have sent self-assessment forms for 20 suppliers. Of these 20 suppliers 14 have filled out the assessment form. The 14 that have answered account for totally 23% of our purchase volume.

### **Supplier visits and observation lists**

Our practice has been to fill in a CSR observation report when representatives of Spectre visit a supplier to monitor the social and environmental performance, no matter the purpose of the trip. This visit reports are shared internally in the company and in case of any findings we, first of all, interact with the supplier to improve the conditions. If no improvement is observed within a reasonable amount of time, we may recommend our customer to nominate another supplier.

Our last supplier visits were conducted in 2019. Due to the COVID pandemic it has not been possible to conduct any visits to suppliers for two years. We have tried to have online audits, but it has proven very difficult to get this implemented. In the FY 2022/23 we expect that we will plan a supplier trip for some of the larger suppliers, however, this depends on the COVID pandemic.

### **Subcontractors**

Production planning is often fraught with challenges and customers value the flexibility to adapt to changing order volumes and delivery dates. To ensure that flexibility Spectre works with sewing subcontractors. Our target is to produce maximum 15% of our total volume with subcontractors. In 2021/22 Spectre has produced 79% of quantity of garments in own lines and 21% of garments in what can be defined as subcontractors. For Vietnam it is 78% in own lines and 22% at subcontractor. For Latvia it is 83% in own lines and 17% at subcontractors.

The subcontractors used are primarily long term partners who have specialized lines for Spectre products. In Vietnam all 22% produced externally are made in our old joint venture company. This means that lines have originally been setup by Spectre and this company generally follows the same CSR standards as we do. In Latvia of the 17% produced with subcontractors half is from our Ukraine partner factory where we have taken steps to take over the factory. This process is currently on hold due to the war in Ukraine. Due to the close cooperation with our subcontractors and the fact we have policies in place for our subcontractor management, we consider the risk related to this cooperation as low risk.

Customers follow strict procedures for on-boarding subcontractors which may be aligned with Fair Wear Foundation, Fair Labor Association or other associations. We have 100% transparency in the dialogue with customers where we produce which orders.

We carry out regular social audits at our subcontractor facilities to ensure that health and safety, fire safety, social accountabilities are up to par with our expectations outlined in the Code of Conduct. In 2021/22 our social compliance team audited 1 subcontractor and 5 subcontractors are scheduled for auditing in 2022/23. The non-conformances found during audits are followed up and resolved with Corrective Action Plans.

## **PLANET**

### **Overview**

At the UN Climate Change Conference 2021 (COP 26) participants concluded that with the current pledges of climate action our planet is on course to a 2.3 C rise in the average temperature. That is well beyond the aim of



no more than 1.5 C rise. Therefore, further increased action is necessary in every industry to change that course. The COVID pandemic has been a global factor for two years and the restrictions to prevent the spread of the disease causing many disruptions in the global supply chains have had an impact on the environment as well. A shipping crisis in late 2021 caused by decreased shipping and port capacity as well as an accident of a stranded ship blocking the route through the Suez Canal causing delays, idling and choosing other environmentally more taxing modes of transport. In addition, a global energy crisis started in late 2021 causing energy prices to surge.

As a further shock to the global economy Russia's attack on Ukraine caused a surge in energy prices as governments and businesses braced for disruptions in natural gas deliveries to Europe and sanctions against Russia's energy exports. Taking a positive outlook these events can be viewed also as a catalyst for a quicker switch to fossil free energy.




Based on these global setbacks, we continue striving to minimize the impacts on the environment and climate of our operations every step of the way. Investment in generating renewable energy, choosing more climate friendly transport options, efforts to reduce waste and water consumption are some of the steps we are taking to do our part. We further strive to improve our emissions accounting to have a clear picture of the impact of our business beyond our operations by accounting Scope 3 GHG emissions in the following year.

### Key Performance Indicators






Area	Unit	Year					Target 22/23	SDG
		17/18	18/19	19/20	20/21	21/22		
Energy intensity, Scope 1 & 2	GJ/ Mmin	212	188	175	153	<b>120</b>	101	13 CLIMATE ACTION
Share of renewable energy	%	67%	58%	57%	59%	<b>56%</b>	64%	13 CLIMATE ACTION
GHG emissions intensity, Scope 1 & 2	t CO2e/ Mmin	13.5	16.7	17.8	16.8	<b>16.6</b>	14.9	13 CLIMATE ACTION
GHG emissions intensity of waste	t CO2e/ Mmin	-	-	4.4	5.4	<b>3.9</b>	3.5	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Water intensity	m3/ FTE	8.7	11.5	8.8	8.0	<b>6.6</b>	6.3	12 RESPONSIBLE CONSUMPTION AND PRODUCTION

With a sustained growth in production capacity so grows our total energy consumption and GHG emissions and are due to increase in the following year. More importantly, with every year we manage to improve our energy performance adjusted by production volume, achieving an energy intensity decrease of 43% over a 4-year period and 21% from 2020/21 to 2021/22. The share of renewable energy and emissions depend on the energy sources available in each country of operations and with a large growth of production in Vietnam where renewable energy is less available the share has decreased while GHG emissions intensity has remained stable. To counteract this development, we are taking steps to start producing our own solar energy in Vietnam to improve these indicators according to our projections.

## Goals from last year

Goal	Description	Completion	SDGs
New Thai Binh factory ISO 14001 certified	We opened our second facility in Vietnam in 2021 and our approach is to ensure the same standards, according to Spectre Factory Model (SFM) no matter the location of the factory. . Part of SFM is management of environmental impact according to ISO 14001 which ensures that a systematic, externally audited environmental management system is in place.	In progress	
Install rooftop solar in Nam Dinh factory	The Vietnamese government has launched an ambitious and foresighted strategy to promote green energy investments.  Hence, we have decided to install a rooftop solar energy system on the factory buildings, supplying an expected 11% of our electricity consumption, which is limited by the size of available area, namely rooftops. Nevertheless, with this solar system we expect to generate 286 MWh and save 250 tonnes of CO2e per year.	In progress	
Launch Green Logistics cooperation to reduce emissions	As in any business, our environmental impact is not limited to our own operations. To decrease the GHG emissions from deliveries of materials to our facilities we partner with logistics companies to optimize routes for less GHG emissions and buy a share of renewable HVO fuel that fully off-sets the emissions from sea and road transport of material deliveries to our factories.	Complete	

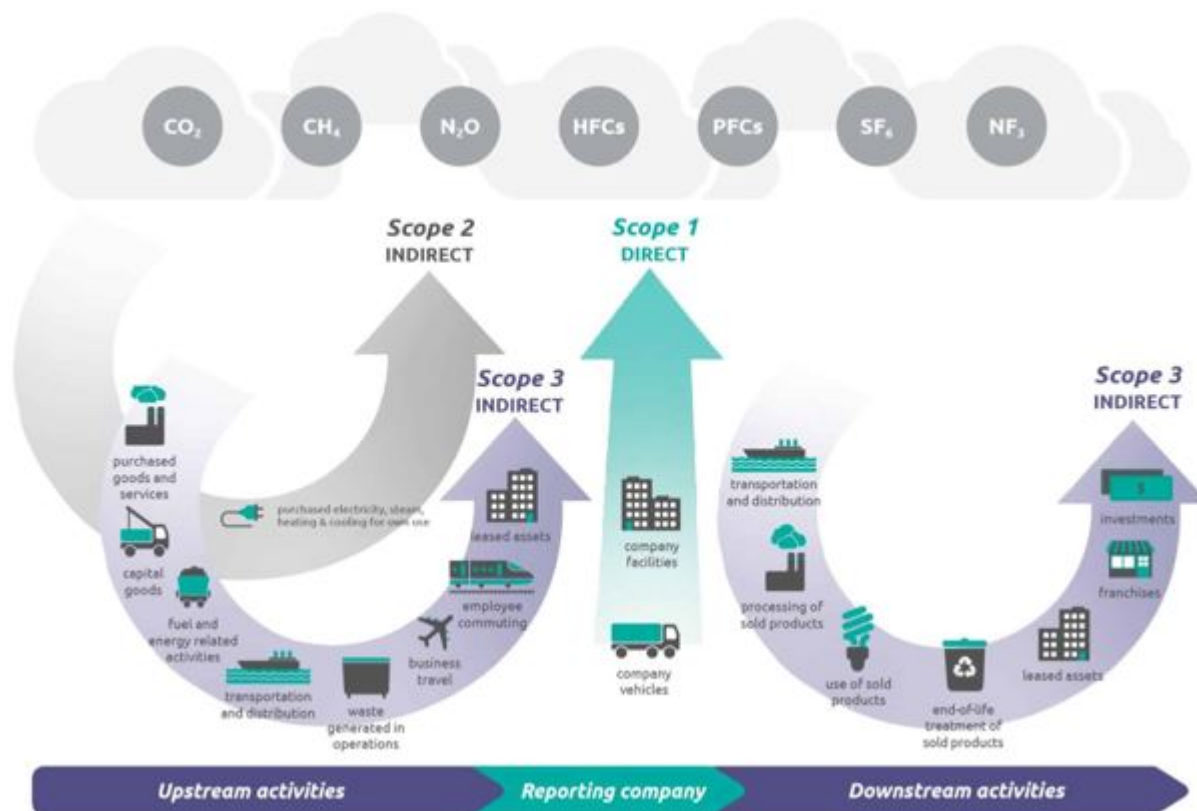
**Goals for 22/23**

Goal	Description	Completion	SDGs
LEED Certified building in An Giang	We want to certify our new Vietnam factory according to the globally most known green building standard – LEED (Leadership in Energy and Environmental Design). Achieving Gold level certification requires a sustainable approach to site selection, energy efficiency, promoting sustainable and regenerative materials cycles and reducing water consumption while caring for well-being of employees.	22/23 (in progress)	 
Green mobility	As our offices in Denmark already use renewable electricity and heating, our main source of GHG emissions are company cars. To address this, we are switching to battery electric and plug-in hybrid vehicles in Denmark and looking to promote the use of renewably powered transport in other locations as well.  We will encourage employees to switch to electric or hybrid vehicles by installing charging points for electric cars directly at company premises in Denmark and for e-bikes at the new An Giang factory in Vietnam. We are yet to plan similar steps for our facilities in Latvia and Northern Vietnam.	22/23	
Increase share of recycled plastic packaging materials	Plastic packaging materials are used for their durability, light weight, water proofness but their impact on the environment after use is apparent. As long as there aren't packaging solutions offering the necessary performance our goal is to increase the use packaging made of recycled plastic to strengthen the demand for recycling.	22/23	
Implement Scope 3 emissions accounting and set reduction targets	We have already implemented green-house gas emissions accounting for Scope 1 (our own operations) and Scope 2 (purchased energy). But as often most emissions occur beyond company's boundaries, assessing Scope 3 emissions is an important step to take a holistic approach to managing impact on the climate and set goals for improvement.	22/23	

**Energy and Emissions**

**Understanding greenhouse gas emissions**

Greenhouse gas (GHG) emissions are accounted for according to a single standard – the GHG protocol. This standard divides emissions into 3 general categories – Scope 1, Scope 2 and Scope 3. Scope 1 covers direct emissions from owned or controlled sources. Scope 2 covers indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the reporting company. Scope 3 includes all other indirect emissions that occur in a company's value chain.



*Greenhouse gas classification according to GHG Protocol*

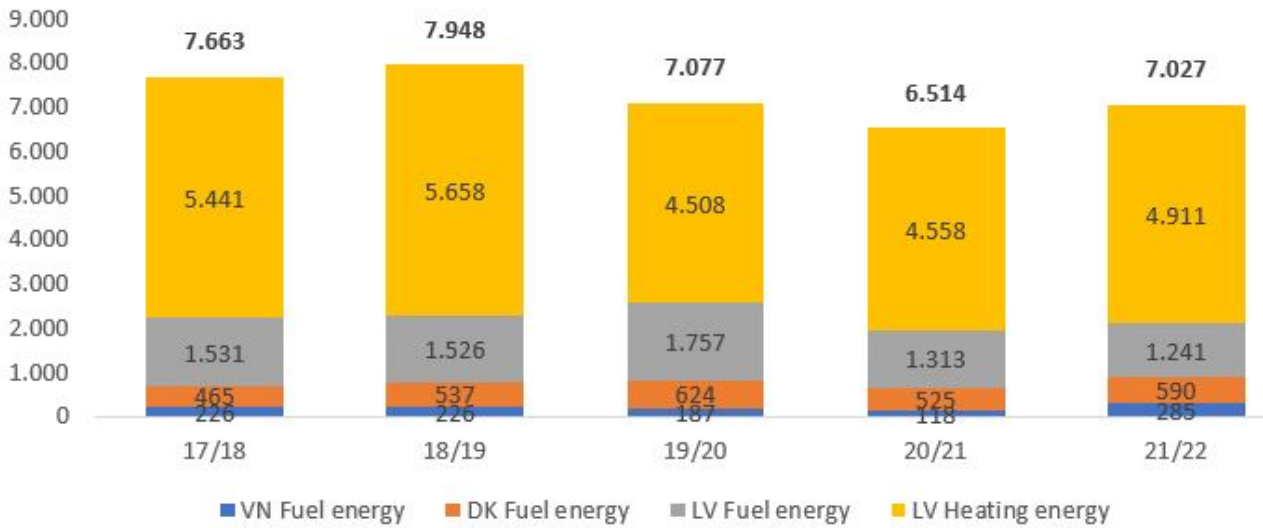
GHG emissions are usually measured in carbon dioxide equivalents (CO<sub>2</sub>e) - a term accounting for different greenhouse gases (methane, nitrous oxide etc.) in a common unit. Various gasses have different level of impact on global warming. For the sake of simplicity, the total impact of all GHGs is combined into one measure.

CO<sub>2</sub> 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.

**Scope 1 - energy consumption and GHG emissions from controlled or owned sources**

The factors of energy consumption in Scope 1 are the fuel (petrol, diesel) used for company owned cars and other engines (forklifts, lawn mowers, pumps etc.) present in all our facilities. However, the largest single factor is the heating energy produced with wood pellet boilers in company owned facilities in Latvia. Denmark offices buy district heating and Vietnam factories are concerned with cooling air-conditioning using electricity to keep a comfortable work environment which are accounted for in Scope 2. See section Facilities and Production for more details.

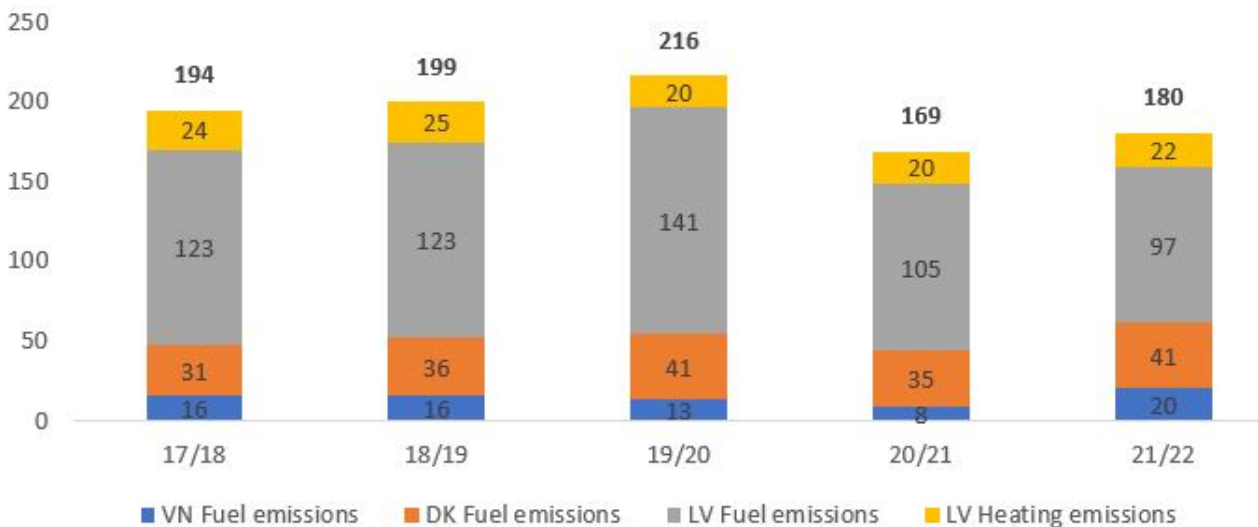
### Scope 1 Energy consumption, GJ



#### Scope 1 Energy consumption in Spectre group

The wood pellets used for heating in Latvia are a renewable biomass fuel, so CO2 emissions from burning are not accounted thereby only adding CO2 equivalents of other GHGs produced when burning. This significantly increases the importance of emissions from company cars and other engines. See section Transport for more details.

### Scope 1 GHG emissions, t CO2e

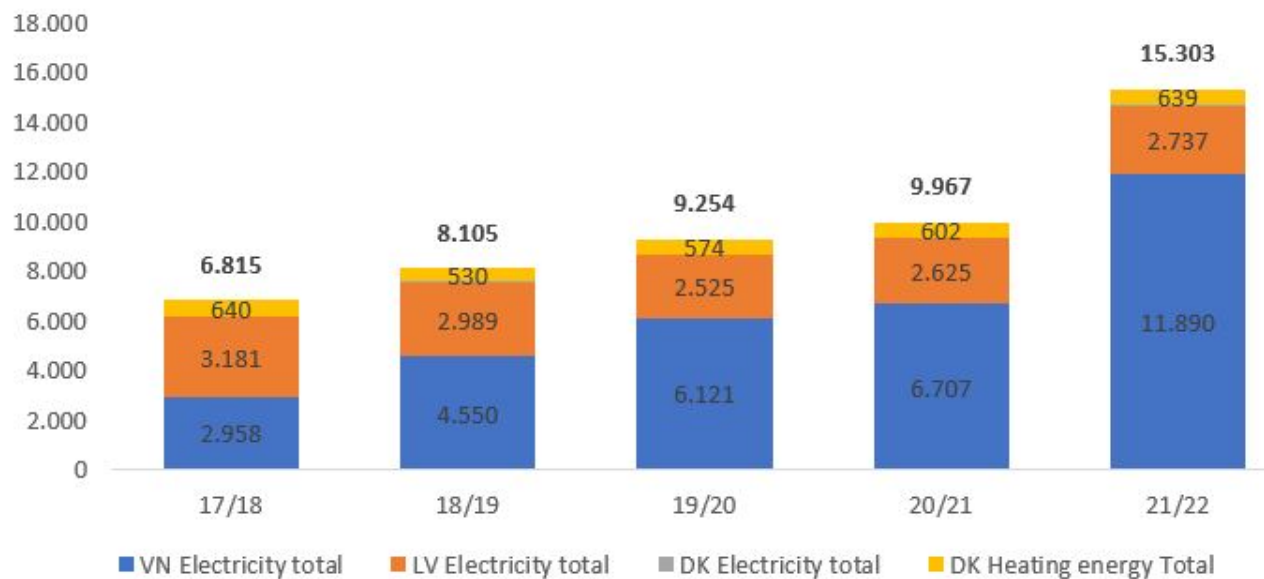


#### Scope 1 GHG emissions in Spectre group

#### Scope 2 - energy consumption and GHG emissions from purchase of electricity and heat

With rising production output energy consumption has grown as well. Most energy is consumed to power the production processes and ensuring air-conditioning for comfortable working environment in the hot and humid climate of Vietnam. See section Facilities and Production for more details.

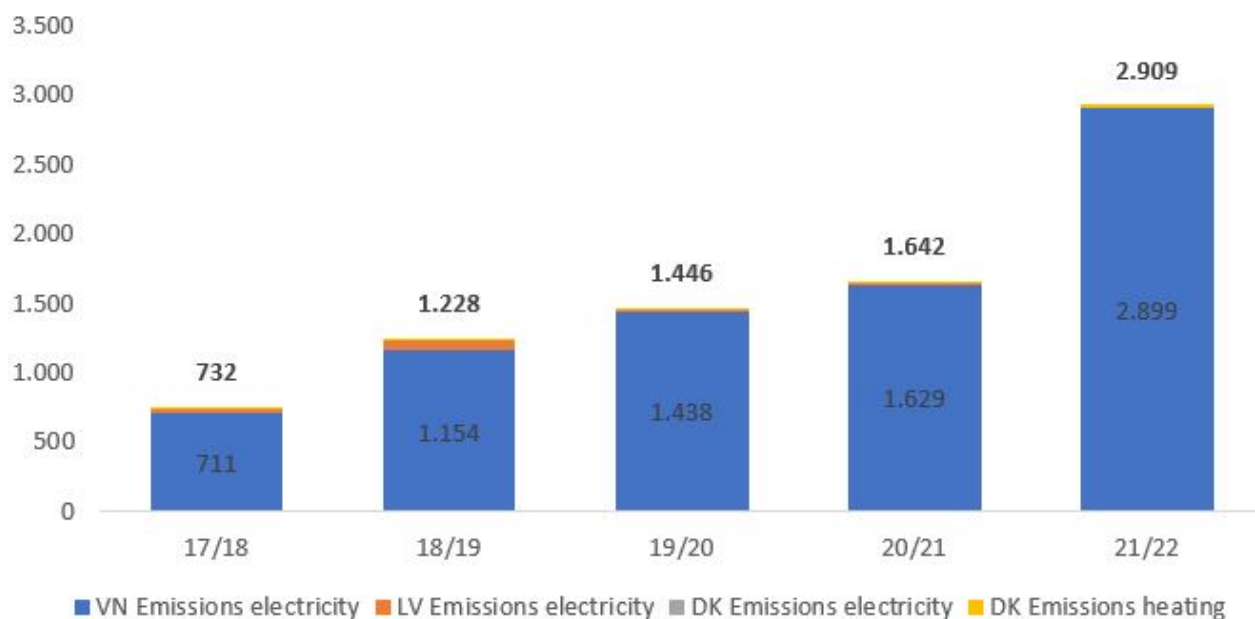
### Scope 2 Energy consumption, GJ



#### Scope 2 Energy consumption in Spectre group

Denmark offices buy emissions free electricity from the grid through a power purchase agreement and district heating which is produced from 80% renewable resources (mostly wood chips), therefore its impact on Scope 2 GHG emissions is very small. Likewise in Latvia we buy emissions free electricity from the grid. Almost all of Scope 2 GHG emissions result from electricity consumption in Vietnam. Besides installing solar power systems in facilities in Vietnam (see section Facilities and Production for more details) we aim to participate in a direct power purchase agreement (DPPA) pilot programme due to be launched by the Vietnamese government in 2022. That would allow us to purchase only emissions free electricity from the grid to make up for the rest of emissions which would bring our production to near zero emissions in Scope 1 and 2.

### Scope 2 GHG emissions, t CO2e



*Scope 2 GHG emissions in Spectre group*

### Scope 3 – other energy consumption and GHG emissions

We are developing our level of CO2 accounting year by year and are aiming to cover full Scope 3 emissions in our Annual CSR Report for FY22/23. In our 20/21 report we added calculation for emissions on incoming material shipment deliveries. In this report we are adding calculations on emissions from processing of waste produced in our operations. See section on Inbound Deliveries and section on Waste for more details on energy consumption and GHG emissions.

### Facilities and production

**Spectre’s Denmark** offices use district heating from local provider who produces 80% of heating energy from renewable resources – mostly from woodchips. The changes in the amount of energy consumed have been determined by how cold the winter is in the respective year, resulting in a rise of energy consumption compared to last year but due to more employees hired the heating energy per employee is lower than ever.



*Wood chip production in Denmark*

More employees in the same facilities through more flexible working arrangements have also resulted in less electricity consumed per person. Spectre's offices in Ikast, Denmark have a power purchase agreement for buying 100% green electricity, therefore it does not result in GHG emissions. In spring 2022 we increased the number of charging stations for electric vehicles from 1 to 6.



Off-shore wind turbines in Denmark

Spectre Denmark		Unit \ Year	17/18	18/19	19/20	20/21	21/22
<b>Heating</b>							
Heating energy consumption	GJ		640	530	574	602	<b>639</b>
Share of renewable heating energy	%		80%	80%	80%	80%	<b>80%</b>
<b>Heating energy intensity</b>	<b>GJ/FTE</b>		<b>25.6</b>	<b>20.4</b>	<b>25.0</b>	<b>25.1</b>	<b>21.3</b>
Heating GHG emissions	t CO2e		1.7	1.4	1.5	1.6	<b>1.7</b>
<b>Heating GHG emissions intensity</b>	<b>t CO2e/FTE</b>		<b>0.08</b>	<b>0.07</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Electricity</b>							
Energy from electricity	GJ		36	36	34	33	<b>37</b>
Share of renewable electricity	%		90%	90%	100%	100%	100%
<b>Electricity intensity</b>	<b>kWh/FTE</b>		<b>107</b>	<b>115</b>	<b>91</b>	<b>77</b>	<b>72</b>
Electricity GHG emissions	t CO2e		2	2	-	-	-
<b>Electricity GHG emissions intensity</b>	<b>t CO2e/FTE</b>		<b>0.08</b>	<b>0.07</b>	-	-	-

Electricity environmental indicators, Denmark

**Spectre Latvia** facilities use wood pellets as fuel for heating thereby ensuring 100% renewable energy source which do not contribute additional GHG emissions. Higher absenteeism due to COVID19 and government restrictions for non-immunized employees to work on premises from November 2021 to March 2022 in Latvia decreased the efficiency of production while number of employees rose by 6%. Consumption of wood fuel increased by 8% because of a comparably milder winter in the previous year. These two factors resulted in slightly worse heating performance with 2% increase (it has increased also compared to baseline year FY19/20).





*Wood pellets used for heating of Spectre Latvia facilities*

Electricity consumption depends on the type of garments most produced as special production operations such as laminating, and laser cutting are much more energy intensive per production unit. A more energy intensive mix of products produced resulted in 13% increase in electricity consumption per production unit. Spectre's facilities in Latvia have a power purchase agreement for buying 100% green electricity (mostly hydro) so it does not result in GHG emissions.



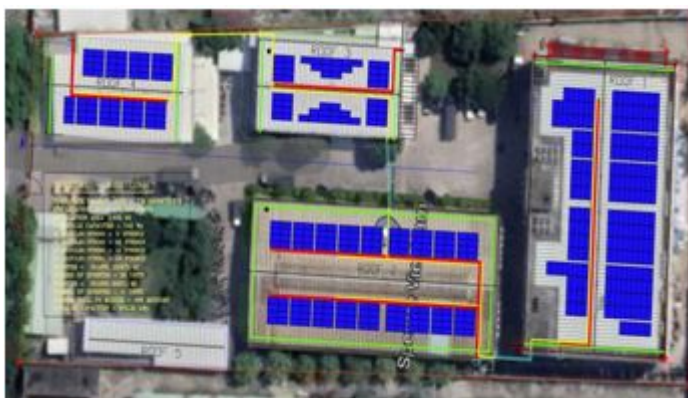
*Renewable energy is purchased from the grid in Latvia*

Spectre Latvia		Unit \ Year	17/18	18/19	19/20	20/21	21/22
<b>Heating</b>							
Heating energy consumption	GJ		5'441	5'658	4'508	4'558	<b>4'911</b>
Share of renewable heating energy	%		100%	100%	100%	100%	<b>100%</b>
<b>Heating energy intensity</b>	<b>GJ/FTE</b>		<b>16.1</b>	<b>18.1</b>	<b>11.0</b>	<b>11.3</b>	<b>11.5</b>
Heating GHG emissions	t CO2e		-	-	-	-	-
<b>Heating GHG emissions intensity</b>	<b>t CO2e/Mmin</b>		-	-	-	-	-
<b>Electricity</b>							
Electricity total	GJ		3'181	2'989	2'525	2'625	<b>2'737</b>
Share of renewable electricity	%		75%	47%	95%	88%	<b>91%</b>
<b>Electricity intensity</b>	<b>kWh/prod.h</b>		<b>1.88</b>	<b>1.77</b>	<b>1.73</b>	<b>1.69</b>	<b>1.90</b>
Electricity GHG emissions	t CO2e		18	70	6	11	8
<b>Electricity GHG emissions intensity</b>	<b>t CO2e/Mmin</b>		<b>0.6</b>	<b>2.5</b>	<b>0.3</b>	<b>0.4</b>	<b>0.3</b>

*Electricity environmental indicators, Latvia*

**Spectre Vietnam** managed a 98% increase in production volume in terms of minutes produced in FY21/22. This was achieved by opening another factory in Thai Binh and reaching maximum capacity of facilities in Nam Dinh. Consequently, electricity consumption also rose by 77% in absolute terms but normalized for production volume electricity consumption has decreased in the reporting period by -11% over FY20/21.

Spectre plans to reduce GHG emissions from electricity consumption in the coming year by completing the installation of rooftop solar panels in Nam Dinh factory by end of July 2022. The solar energy system is estimated to provide energy equal to about 11% of current total consumption which is estimated to reduce GHG emissions by about 250 t CO2e per year.



*Solar rooftop system project for Nam Dinh*

The share of renewable electricity used depends on the overall mix of electricity of the countrywide grid. We are also exploring the possibilities to join a direct power purchase agreement pilot program to be launched in 2022 by the Vietnamese government to reach 100% renewable electricity consumption for our factories.

<b>Spectre Vietnam</b>	<b>Unit \ Year</b>	<b>17/18</b>	<b>18/19</b>	<b>19/20</b>	<b>20/21</b>	<b>21/22</b>
<b>Electricity</b>						
Electricity consumption	GJ	2'958	4'550	6'121	6'707	<b>11'890</b>
Share of renewable electricity	%	46%	40%	31%	36%	<b>38%</b>
<b>Electricity intensity</b>	<b>kWh/prod.h</b>	<b>1.23</b>	<b>1.33</b>	<b>1.48</b>	<b>1.37</b>	<b>1.22</b>
Electricity GHG emissions	t CO2e	711	1'154	1'438	1'629	<b>2'899</b>
<b>Electricity GHG emissions intensity</b>	<b>t CO2e/Mmin</b>	<b>18</b>	<b>20</b>	<b>21</b>	<b>20</b>	<b>18</b>

Electricity environmental indicators, Vietnam

**Raising the standards for buildings**

Spectre’s Strategic plan for 2025 includes improvement of energy efficiency for owned facilities. We are implementing our concept of Spectre Factory Model to ensure that no matter where we set up a production facility, it will be done according to our specific business model and values. This involves applying the same social and environmental standards that we have implemented such as SA8000, ISO 14001, reporting with Higg Index tools and B Corp impact assessment.

It is equally about having a common quality management standard (inspections on raw material, cut panels, inline and end-of-line, AQL and ISO 9001 certification), applying Lean manufacturing concepts (one-piece-flow, U shaped line configuration, 6S) and raising the standard of building environmental and societal impact and working environment within the LEED framework.

The first step towards implementing the LEED certification is concerned with the construction of our new factory in An Giang, Vietnam. In order to achieve LEED Gold certification, the factory in An Giang will have optimized energy efficiency, rooftop solar panels covering almost half of electricity consumption, charging stations for employee transport, capturing of rainwater for use as grey water and other features for improved environmental impact, work environment and accessibility.



An Giang factory project render

Second step towards reaching the strategic goal is performing energy efficiency audits for existing buildings across Spectre Group. We expect to considerably decrease energy consumption and GHG emissions with these activities.

## Transport

### Company owned transport

With the growth of number of employees in the DK office, the fuel consumption of company cars has increased. Share of renewable fuel has decreased with higher share of company cars now being with petrol engines while diesel fuel is legally required to have 5% biodiesel drop-in in Denmark. We plan to switch company cars to either battery electric vehicles or plug-in hybrid vehicles in the next year to reduce the emissions created from this source.

<b>Spectre Denmark</b>	<b>Unit \ Year</b>	<b>17/18</b>	<b>18/19</b>	<b>19/20</b>	<b>20/21</b>	<b>21/22</b>
Fuel energy consumption	GJ	465	537	624	525	590
Share of renewable fuel	%	5%	5%	5%	5%	3%
<b>Energy intensity, fuel</b>	<b>GJ/FTE</b>	<b>18.6</b>	<b>20.6</b>	<b>27.1</b>	<b>21.9</b>	<b>19.7</b>
GHG emissions from fuel	t CO2e	31	36	41	35	41
<b>Fuel GHG emissions intensity</b>	<b>t CO2e/FTE</b>	<b>1.2</b>	<b>1.4</b>	<b>1.8</b>	<b>1.5</b>	<b>1.4</b>

#### *Transport environmental indicators, Denmark*

Spectre Latvia has decreased fuel consumption on company cars by 6% which is a continuation of a trend since the beginning of Covid pandemic when fuel consumption dropped by 25% from FY19/20 to FY20/21. The decrease in the last year was a result of more widespread use of hybrid or remote work for office workers commuting in company cars. CO2e emissions from cars has decreased by 8% in the reporting period because in addition to decrease in overall fuel consumption, Latvian government implemented regulation that from 2021 diesel fuel retailers must sell diesel fuel blend with 6.5% to 7% drop-in biodiesel from April 1 to October 31 each year.

<b>Spectre Latvia</b>	<b>Unit \ Year</b>	<b>17/18</b>	<b>18/19</b>	<b>19/20</b>	<b>20/21</b>	<b>21/22</b>
Fuel energy consumption	GJ	1'531	1'526	1'757	1'313	1'241
Share of renewable fuel	%	0%	0%	0%	0%	3%
<b>Energy intensity, fuel</b>	<b>GJ/Mmin</b>	<b>54.3</b>	<b>54.1</b>	<b>72.3</b>	<b>50.6</b>	<b>51.7</b>
GHG emissions from fuel	t CO2e	123	123	141	105	97
<b>Fuel GHG emissions intensity</b>	<b>t CO2e/Mmin</b>	<b>4.4</b>	<b>4.3</b>	<b>5.8</b>	<b>4.1</b>	<b>4.1</b>

#### *Transport environmental indicators, Latvia*

With a nearly doubled number of employees in our Vietnam factories the fuel consumption and resulting GHG emissions also have increased by 142%. The fuel consumption comes from company cars transporting employees between factories and domestic transport of guests and business partners visiting the factories). To compensate for this tendency, we are going to install charging spots for employee vehicles in our new factory in An Giang. However, with a much higher density of people and size of factories there is much less need for company owned transport therefore fuel consumption per production unit is much smaller.

<b>Spectre Vietnam</b>	<b>Unit \ Year</b>	<b>17/18</b>	<b>18/19</b>	<b>19/20</b>	<b>20/21</b>	<b>21/22</b>
Fuel energy consumption	GJ	226	226	187	118	285
Share of renewable fuel	%	0%	0%	0%	0%	0%
<b>Energy intensity, fuel</b>	<b>GJ/Mmin</b>	<b>5.6</b>	<b>4.0</b>	<b>2.7</b>	<b>1.4</b>	<b>1.8</b>
GHG emissions from fuel	t CO2e	16	16	13	8	20
<b>Fuel GHG emissions intensity</b>	<b>t CO2e/Mmin</b>	<b>0.4</b>	<b>0.3</b>	<b>0.2</b>	<b>0.1</b>	<b>0.1</b>

*Transport environmental indicators, Vietnam*

### Logistics

In our selection of logistics partners, our main criteria are cost, reliability, service, communication, international business setup and not least CSR standards and strategies. As for any other supplier we are asking our logistics partner to comply with our CSR standards and sign our Code of Conduct. Although cost is admittedly an important parameter, CSR is becoming an increasingly important parameter and we now ask our logistics partners to present their CSR strategies to demonstrate they can contribute to the reduction of GHG emissions and provide reliable and specific GHG data for our transport of goods.

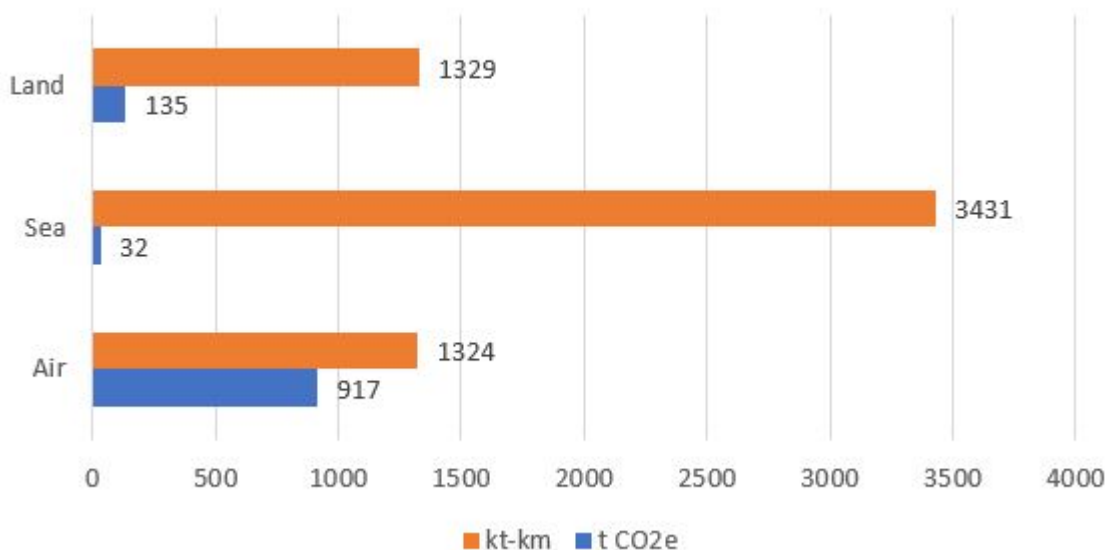
Year by year we are working to get more detailed carbon footprint emission reports from our logistics partners to collect data and set goals as we are moving towards the aim of having complete Scope 3 GHG emissions accounting. In time this will allow us to continuously measure the carbon footprint for each garment type with regards to transportation and work on reductions.

### Inbound freight

Our value chain has a considerable environmental impact in terms of transportation of raw material to our factories and transportation of garments from our factories to customers. An estimated 3% of GHG emissions in the textile value chain are derived from transportation (*According to McKinsey's Fashion on Climate Report*). The EU materials are mainly transported by truck to the factory in Latvia and the parts originating from Asia and the US are delivered by sea freight. All materials are delivered to our production site in Vietnam by sea. To save on both freight cost and to limit the carbon footprint, we consolidate shipments from suppliers. In this manner, we make sure that containers and trucks are fully loaded, thereby eliminating empty space in the containers and transport vessels.

For moving cargo across long distances there is no rival for sea shipping in terms of GHG emissions per distance of cargo weight travelled. The very disproportionate impacts on global warming between different modes of transport is very apparent when we compare the volume of cargo (measured in thousands of tons of cargo travelled kilometres) to GHG emissions for our inbound shipments.

### Emissions vs cargo volume by transport mode



The shipping crisis of 2021 caused serious disruptions in the supply chain which increased the total emissions from material deliveries to our operations almost sevenfold while total production volume rose by 75%. Our policy is to use air freight only in exceptional situations to meet customer delivery dates. The shipping crisis caused us to extensively use air freight at a cost to the environment and financially to avoid collapsing production plans and delivery deadlines to the customer en masse.

Although only 9% of incoming cargo was delivered with air freight, this transport mode accounted for 87% of total GHG emissions. Our policy and goal remain to limit the use of air freight to extreme situations as it has a highly disproportionate impact on the environment and the bottom line. With the aim of balancing this, we have expanded our participation in Green Logistics programme of our main logistics partner by committing to buy renewable marine HVO fuel made mostly of waste cooking oil for our shipments to reduce our emissions by 149t CO2e – an amount of emissions equal to what our land and sea shipping together in 2021 produced.



#### Outbound freight

The outbound freight covers shipment of garments from our factories to our customers.

From our facilities in Latvia almost all of the garments are transported by road to customer distribution centres in the EU with insignificant exceptions of some prototype samples to headquarters or customer office. We optimize the environmental impact striving to consolidate full truckloads in the distribution of goods to our customers.

For our facility in Vietnam the freight is usually done by sea in 85-90% of the cases and by air transport in the remaining 10-15%. The roughly 110 km from our factory site to either the Haiphong harbour or container terminal or the Hanoi Noi Bai airport is covered by lorry transport.

Disruptions in transcontinental shipping cause a chain of challenges for our Vietnam operations – the delays have to be caught up with in the following stages - from rushed production causing overtime work to delivery to customer by air freight instead of sea shipping. Our approach to balance the environmental and people impacts with customers' needs is to actively communicate the effects of these decisions as many of our customers also have responsible business targets to meet.

We also continuously discuss production levelling with customers so that we avoid some of these challenges - keeping our lines fully loaded in order to keep our employees working evenly year-around, versus following the customers' request for early deliveries (leading to overtime work followed by regular sea freight). We often prioritize even workload over more sustainable shipping option, leading to an increased volume of air freight. This priority compromises our aim for reducing our carbon footprint in shipping.

Several customers have an increasingly solution-oriented approach whereby we have succeeded in achieving more production levelling however global shipping disruptions have shown the fragility of such plans by quickly undoing a lot of forward thinking in production planning and increasing environmental impact.

Another factor in our outbound freight consideration is the shipping destination itself. In the past, garments were only shipped to customer distribution centres in e.g. Europe after which our customers forwarded the goods to all parts of the world (primarily Asia and US). The latest trend requires us shipping directly to the customers' final destinations. In this way we limit the carbon footprint, lower lead-times and at the same time provide a value-adding service to our customers.

### **Materials**

The main materials used in apparel produced in our factories are fabric and trim. As a private label producer, the fabrics are chosen by the customer. Being in the segment of functional garments a large share of fabric that we use is synthetic. We aim to improve data on materials in our ERP system so we can present a breakdown of materials and the share of recycled materials used in our next report.

Our goal for the next year is also to increase the share of recycled packaging material by focusing on polybags which will require aligning the suitable materials with the requirements of customers. Therefore, in next year's report we will also publish the data on packaging materials to further improve our reporting.

### **Waste**

Sustainable waste management is an important part of our environmental policy. Besides ensuring responsible procedures of waste handling we strive to reduce the impact throughout all stages of waste management.



*Waste management stages*

Our strategic goal is to reduce the share of non-hazardous waste disposed (landfilled or incinerated) and gradually move up in the waste treatment hierarchy with the waste that is produced in Spectre's operations wherever that is possible. This ambition involves not only close inspection of our processes but continuous improvement and engaging with research projects outside our company where the challenges require developing new technology. We intend to get much more involved in searching for cooperation partners and new technologies that may help us move up the waste treatment pyramid.

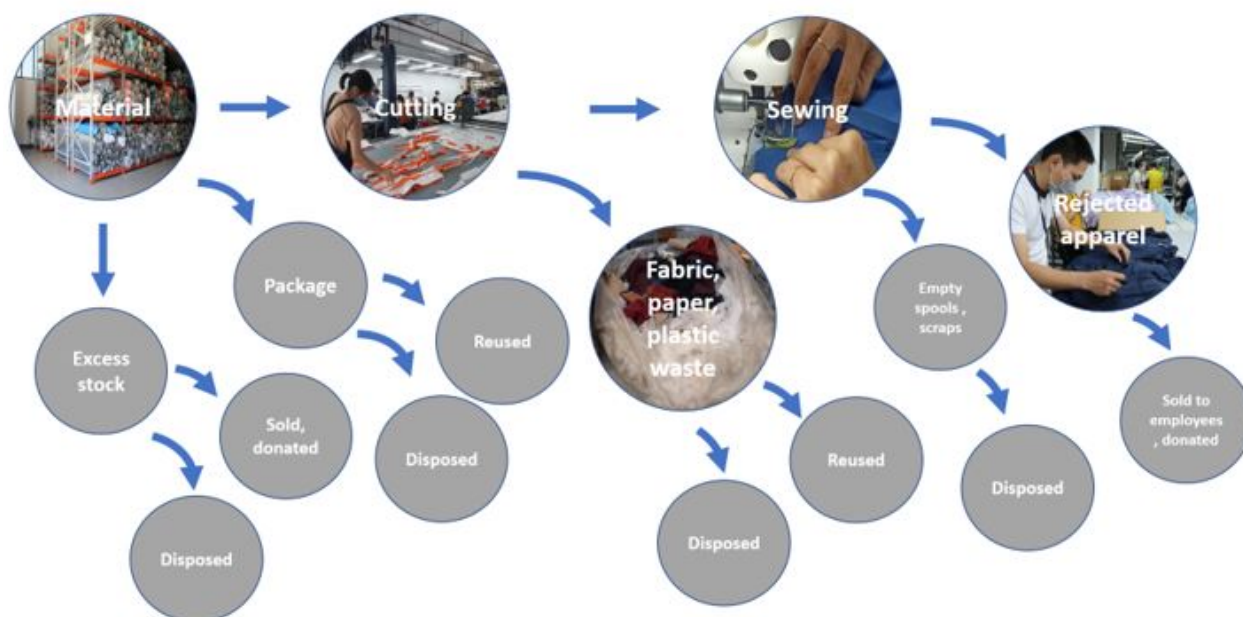


*Waste treatment hierarchy*

### **Non-hazardous waste**

Main source of waste is production waste which warrants a more detailed look at the different stages that it originates from.





*Production waste streams*

Our roughly estimated fabric utilization, based on mini markers applied for the calculation of fabric consumption per style, is around 85%, hence indicating a waste around 15%. In addition to this must be added fabric leftovers from production which are not utilized by customers, hence it is fair to estimate that at least 20% of the purchased fabric ends up as waste, and the majority of it as landfill or incineration.

The most significant source of waste is fabric waste which is created in the cutting process which is mixed with layers of paper and plastic that are necessary for high quality in cutting and bundling process. Leftover fabric strips are used within the company work process of tying together cut parts for fabric transportation. However, there is just so much of it that can be reused.

Main challenges for cutting waste recycling are efficient sorting and finding recyclers that have the capacity to use the material at the necessary scale. Recycling of synthetic fabrics, especially, with mixed composition is a great challenge for the apparel industry as a whole and researchers around the world are working to develop economically feasible methods and technologies. We focus on reducing the waste through finding alternative uses to excess stock and rejected products and optimizing the cutting process.

We donate leftover threads or fabrics to charity, for example in 2021 Spectre Latvia donated to schools and social care centres in three municipalities during reorganization of thread warehouse. Employees are offered to take leftover materials for use in personal hobby crafts.

Plastics and cardboard waste are reused internally - initially these are used by Spectre as containers for internal transportation. Broken cardboard and plastic boxes are ultimately being disposed of for recycling.



*[Re-using cutting scraps as ties for cut pieces]*

Another significant source of waste is paper originating from both administration and production, mainly the cutting process. Office paper that is printed on only one side that does not contain confidential information is reused. Paper is disposed together with carton for recycling. Continuous process digitalization also gradually decreases the amount of waste created. Household solid waste is created by employees, mainly during lunch. We do not count the amount of waste prevented or reused as there is no special accounting created for that.

Besides these types of waste technical maintenance of equipment and infrastructure generates some types of hazardous waste. Likewise work electronic equipment in office work creates hazardous waste such as broken electronic appliances, spent batteries and ink cartridges etc.

### **Waste management**

Overall amount of waste has only very slightly increased compared to last year and the share of waste that was either recycled or sent for energy recovery has remained practically unchanged but any activities on those fronts will logically show up as a reduction in the amount of waste managed with methods lower in the pyramid.



*Waste management performance*

**Spectre's Denmark** offices do not include any manufacturing processes and the generated waste therefore originates from office and warehouse activities. Slightly larger amount of waste (+5%) was produced in FY21/22 with the share of waste recycled reaching 19%. Waste per employee has decreased and GHG emissions in total have decreased slightly. No hazardous waste is generated from the activities in Denmark.

<b>Spectre Denmark</b>	<b>Unit \ Year</b>	<b>20/21</b>	<b>21/22</b>
Waste recycled	t	0.4	<b>0.6</b>
Waste recycled, share	%	14%	<b>19%</b>
Municipal solid waste, waste to energy	t	2.3	<b>2.3</b>
Waste to energy, share	%	86%	<b>81%</b>
<b>Total waste</b>	<b>t</b>	<b>2.7</b>	<b>2.9</b>
Municipal solid waste per employee	kg/FTE	96.5	<b>76.7</b>
<b>Energy recovered from waste</b>	<b>GJ</b>	<b>2.5</b>	<b>2.5</b>
Emissions from paper recycled	t CO2	-0.1	<b>-0.2</b>
Emissions from waste to energy	t CO2	1.4	<b>1.4</b>
<b>Emissions from waste, total</b>	<b>t CO2</b>	<b>1.3</b>	<b>1.2</b>

*Waste environmental indicators, Denmark*

**Spectre Latvia** increased the amount of cardboard recycled but it still remains a small part of total waste. In terms of GHG emissions, performance remained similar to previous year. Disposed waste intensity has worsened and consequently also GHG emissions intensity as well. These tendencies call for a renewed focus on improving waste management in Spectre Latvia.

<b>Spectre Latvia</b>	<b>Unit \ Year</b>	<b>20/21</b>	<b>21/22</b>
Production waste landfilled	t	212	<b>216</b>
Cardboard recycled	t	1.16	<b>2.5</b>
Paper recycled	t	1	<b>0.85</b>
Municipal solid waste, mass	t	120	<b>120</b>
<b>Total non-hazardous waste</b>	<b>t</b>	<b>214</b>	<b>220</b>
Waste landfilled/incinerated	t	212	<b>216</b>
Waste landfilled/incinerated, share	%	99%	<b>98%</b>
<b>Disposed waste intensity</b>	<b>t/Mmin</b>	<b>8.2</b>	<b>9.2</b>
Waste recycled, share	%	0.9%	<b>1.5%</b>
GHG emissions from paper recycling	t CO2e	-1	<b>-1</b>
GHG emissions from waste landfilling	t CO2e	62	<b>63</b>
<b>GHG emissions from waste, total</b>	<b>t CO2 e</b>	<b>63</b>	<b>64</b>
<b>Waste GHG emissions intensity</b>	<b>t CO2e/ Mmin</b>	<b>2.4</b>	<b>2.7</b>

*Waste environmental indicators, Latvia*

**Spectre Vietnam** has managed to reduce the production waste intensity by 30% which is a very significant improvement. This was achieved by optimizing cutting layout to increase fabric utilization rate, improvements in quality of fabric used leading to less scrapped parts and better storage of waste preventing it from soaking up water before disposal which increases mass of the waste. This has also resulted in decrease in waste GHG emissions per minutes produced by 26%.

Spectre Vietnam has achieved significant improvements. Whereby the disposal method of waste is incineration, it creates more GHG emissions than landfilling because it requires additional heat to be incinerated with limited harmful emissions which provides an opportunity for further GHG emissions reduction in future.

<b>Spectre Vietnam</b>	<b>Unit \ Year</b>	<b>20/21</b>	<b>21/22</b>
Fabric waste incinerated/burnt	t	279	389
Paper, Cardboard recycled	t	40	39
Municipal solid waste, landfilled	t	32	73
Municipal solid waste, incinerated/burnt	t	8	0
<b>Total non-hazardous waste</b>	<b>t</b>	<b>359</b>	<b>501</b>
Waste landfilled/burnt, share	%	89%	92%
<b>Disposed waste intensity</b>	<b>t/Mmin</b>	<b>3.9</b>	<b>2.8</b>
Waste recycled, share	%	11%	8%
Emissions from paper recycling	t CO <sub>2</sub> e	-15	-15
Emissions from waste incinerated	t CO <sub>2</sub> e	441	638
Emissions from waste open burnt	t CO <sub>2</sub> e	6	0
<b>Emissions from waste, total</b>	<b>t CO<sub>2</sub></b>	<b>426</b>	<b>624</b>
<b>Waste GHG emissions intensity</b>	<b>t Co<sub>2</sub>e/ Mmin</b>	<b>5.2</b>	<b>3.8</b>

*Waste environmental indicators, Vietnam*

### **Hazardous waste**

Hazardous waste is a small portion of the overall waste produced. A common chemical waste is used oil from the sewing machines. The small amounts are collected and stored in hazardous waste storage until the amount is enough to be handed to a qualified external hazardous waste management service provider. That is why some years there might be no waste transferred to waste handler and therefore none registered. Contaminated rags and chemical containers are dealt with the same way. We use extra care to check whether the waste management service provider has the necessary certification to ensure that waste is handled according to national legislation.

<b>Spectre Latvia</b>	<b>Unit \ Year</b>	<b>20/21</b>	<b>21/22</b>	<b>Disposal method</b>
Expired/unused/used chemicals (waste oil, solvents, reactants, etc.)	kg	112	0	Landfilled
Batteries	kg	24.5	0	Recycled
Fluorescent light bulb	kg	0	275	Landfilled
Electronic waste	kg	0	280	Landfilled
Tyres	kg	0	260	Landfilled
<b>Total hazardous waste</b>	<b>kg</b>	<b>136.5</b>	<b>815</b>	
<b>Spectre Vietnam</b>	<b>Unit \ Year</b>	<b>20/21</b>	<b>21/22</b>	
Empty chemical drums and containers	kg	91	126	Landfilled
Expired/unused/used chemicals (waste oil, solvents, reactants, etc.)	kg	76	10	Landfilled
Contaminated materials	kg	4	8	Landfilled
Ink cartridges	kg	3	0	Landfilled
Electronic waste	kg	168	405	Landfilled
Medical waste	kg	1	103	Landfilled
<b>Total hazardous waste</b>	<b>kg</b>	<b>343</b>	<b>652</b>	

#### *Hazardous waste environmental indicators, Latvia and Vietnam*

There is various waste created from office and other electronic equipment such as broken electronic appliances, used batteries, spent ink cartridges, fluorescent and led light bulbs. There have been no significant spills of chemicals in the reporting period or ozone depleting chemicals.

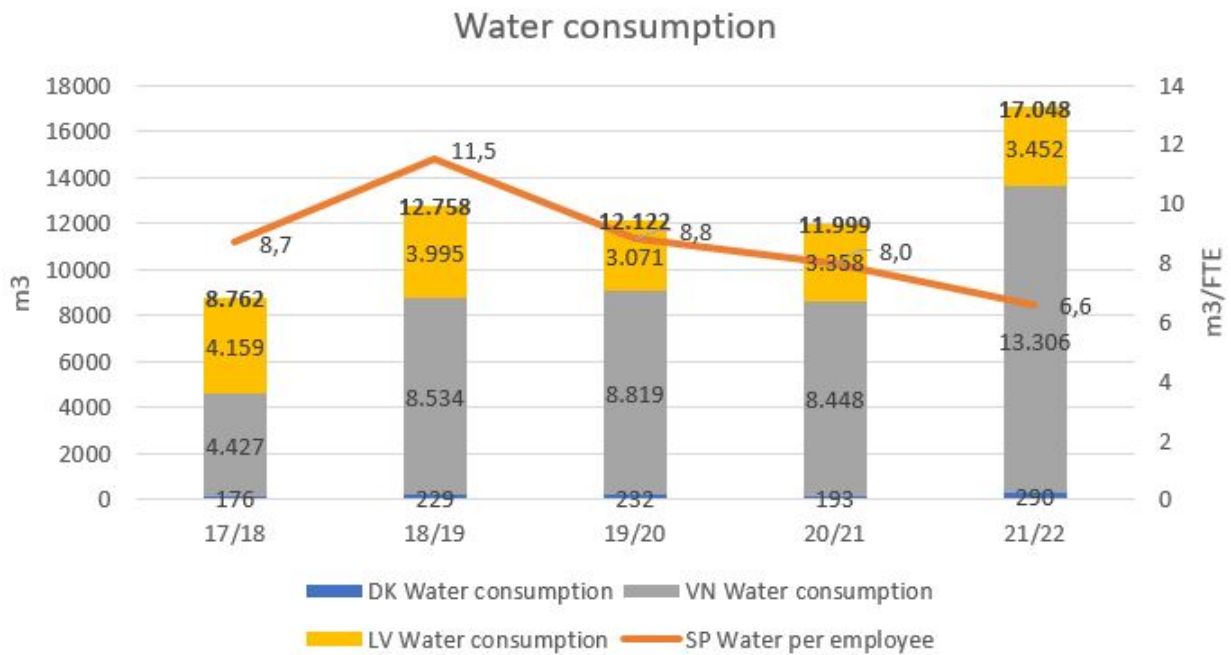
#### **Water**

All resources on our planet are finite and their use can also affect the local community. Therefore, a responsible approach to water consumption and wastewater management is important. We use WRI Aqueduct Tool to assess our facility's overall water risk. Facilities in Denmark and Latvia are in regions with low to medium water risk, however our Vietnam facilities are located in regions with high water risk rating. Therefore, we take a more nuanced approach to managing water risks with more water saving measures and more due diligence on water quality and wastewater treatment.

Spectre's Denmark offices get water supply from the municipality and the wastewater is also managed by municipality operator. Spectre Vietnam has two production sites. These receive water from the municipal water supply. One facility has onsite wastewater treatment and the other's is managed by municipality.

Spectre Latvia has four production sites. Three of those sites get water from the municipal water supply (groundwater) and dispose of wastewater using municipal sewerage system. The quality control of water provided, and wastewater treated and discharged is highly regulated and performed by public sector organizations. One facility uses a groundwater well and an on-site biological sewerage system. The amounts permitted to extract, and discharge are set in the environmental permit for the site. We have not been recycling or reusing water but plan to install a rainwater harvesting system in our factory in An Giang which will be finished in 2022 and will be one of the actions to achieve LEED certification. This system will, for example, allow us to use rainwater for toilet flushing.

We perform analysis to identify which factors use the most water in our operations. The water consumption in Spectre Group is driven primarily by employees, for drinking and personal hygiene, and in lesser amount for the washing of garment samples, irrigation for greenery and housekeeping needs. Washing of samples is the only direct consumption of water in the production process and does not require large amounts. Hence, water consumption is very closely related to the total amount of employees. With the significant growth in the number of employees (72%) the absolute water consumption has grown as well. However, at the same time we have become better at using the water efficiently with a 17% decrease in the amount of water consumed per employee.



*Water consumption in Spectre group*

We ensure availability of drinking water as required by SA8000 standard and encourage employees to drink water using drinking water dispensers near their workstations as that is an important aspect of employee wellbeing. Therefore, we strive to reduce our water consumption by installing economical water appliances, train employees on the importance of maintenance to prevent leaking and using collected rainwater in grey water applications such as plant irrigation and toilet flushing.

With these measures the average water consumption across the group has been decreased to 6.6 m3 per employee per year. The biggest driver of this decrease is the production in Vietnam. We expect even better performance in future years with the An Giang factory coming online which features specific water saving measures that we expect to serve as examples for implementation in other factories as well.

**Biodiversity**



None of our operational sites is owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value inside or outside protected areas therefore there is no direct appreciable effect on biodiversity from our operations.

## PEOPLE

### Overview

In the last fiscal year social aspects of the business were greatly influenced by the COVID pandemic and war in Ukraine. Safety precautions and restrictions imposed by governments limited the possibilities for employees to work creating major disruptions in production planning thereby creating challenges with overtime and influencing employee satisfaction overall. We managed a large growth of employees in Vietnam with further plans for opening a new factory in the following year. Implementing the policies and procedures that safeguard the rights of our workers on the growing scope and ensuring compliance and reporting needs of a growing customer base were the priorities regarding workers.

### Key Performance Indicators



Indicator	Unit	Year					Target	SDG
		17/18	18/19	19/20	20/21	21/22		
Full time employees	FTE	1'008	1'108	1'376	1'507	<b>2'585</b>	3'588	
Gender diversity FTE	%	79%	78%	77%	77%	<b>72%</b>	70-75%	
Full-time Management	FTE	24	23	23	28	<b>37</b>	41	
Gender diversity Management	%	50%	57%	52%	50%	<b>46%</b>	50%	
Sickness absence	Days/ FTE	<b>8.6</b>	<b>7.4</b>	<b>7.3</b>	<b>7.6</b>	<b>9.2</b>	5.4	
Employee turnover	%	45%	58%	38%	36%	<b>37%</b>	37%	

During the past year the total number of employees has grown considerably (+72%) with a new facility opened in Thai Binh and increasing the capacity of Nam Dinh. Overall gender distribution has moved closer to equilibrium with the proportion of male employees in production increasing in Vietnam while it has moved away from equilibrium in management due to new hires in Vietnam, however, the distribution is still close to 50%.


Sickness absence rose due to COVID quarantines, but it projected to decrease significantly with the growth of number of employees in Vietnam where sickness absence levels are much lower assuming we will not experience any more COVID related lockdowns. Employee turnover is an important indicator of employee satisfaction and efficiency of recruiting employees which have an impact on productivity. The employee turnover rate has increased ever so slightly compared to last year and we aim to keep that level steady for the next year. The fact that we are going to be expanding production and hiring many employees in Vietnam will challenge that goal as the turnover is higher in entry level jobs, and during probation period.



**Goals from last year**

Goal	Description	Completion	SDGs
New Thai Binh factory SA8000 certified	We opened our second facility in Vietnam in 2021 and our approach is to ensure the same standards no matter the location of the factory. Part of Spectre Factory Model (SFM) is management of social accountability according to SA8000 standard which ensures that a systematic, externally audited social accountability management system is in place.	In progress	
Drive work environment improvement through elevated employee involvement	We want to encourage involvement and participation from our employees, not only for the specific task they are employed but also inviting every employee to contribute with ideas and suggestions how we can build an even better company. Systematic employee surveying, engagement in workshops and improved management of improvement ideas are steps towards better work.	In progress	

**Goals for 22/23**

Goal	Description	Completion	SDGs
Reduction of OT in Vietnam	Overtime work is probably the single most challenging obstacle in our industry due to the large seasonal order fluctuations and material supply challenges partly caused by the unstable global logistics situation. At the same time, it is challenging supplying sufficient work to all employees during low seasons. Hence there is a need for production levelling, and we are working together with our customers to improve the situation.	22/23	
One day for our local community	As a garment manufacturer who is characterized by labour intensive production processes, we employ many local people and thereby play an important role in the social economy of the local community. Spectre will donate 1 working day per year for all group employees for community work. This is our way of paying back to the community who offers land, housing, infrastructure and education to us and our employees. "One day for our local community" will be planned and coordinated with local governments, organizations or sports clubs.	22/23	

**Employees**

**Equal opportunities**

Spectre creates apparel manufacturing jobs in various roles, and geographies. To ensure equal employment opportunities in Spectre, we have a clear policy of non-discrimination which is embedded in SA8000 certified procedures and policies. Throughout hiring, remuneration, access to training, promotion, termination, or retirement our evaluation criteria are based on professional qualifications and an assessment of the personal profile, and no discrimination based on race, national or territorial or social origin, caste, birth, religion, disability, gender, sexual orientation, family responsibilities, marital status, union membership, political opinions or age are tolerated.

We encourage our employees to report any instances of discrimination and those are deliberated on in Social Performance Team meetings together with employee representatives. See sections Representation and Involvement and Anti-corruption and Whistleblower Protection for more details on reporting.

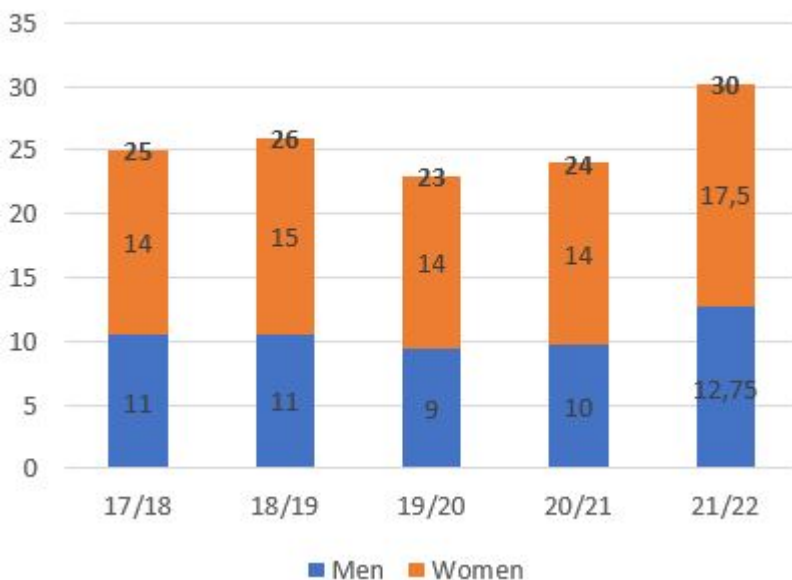
One of the ways we monitor equality of opportunities in the company is gender representation. 72% of all our employees and 46% of management are women with significant differences across our locations because of differences in local context. In Europe where wages for sewing work are less competitive there is a higher share of women workers who value the safety and stability of the work most.

Historically, the vast majority of our senior management, including company director and all top-level managers, in each country are inhabitants of that country.

In **Spectre's Denmark** offices the number of employees has grown in FY 2021/22 to keep up with rising production volumes and need for intensified cooperation with customers. 58% of all employees are women and although all three new hires in the period have been women there is still a healthy balance in gender representation. Employee turnover is very low with only one person leaving the company.

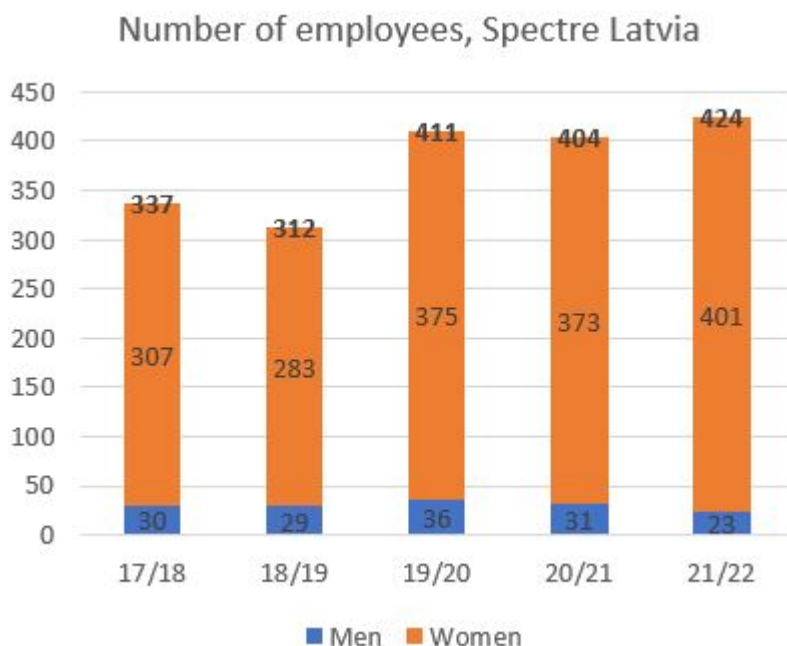
This is significantly different from Latvia and Vietnam where production is located because there are significantly more entry level jobs which have higher employee turnover. A slightly higher share of women are part-time employees as more choose more flexible employment options. No employees have temporary contracts.

Number of employees, Spectre Denmark



#### Employees by gender, Denmark

The number of employees in **Spectre Latvia** has increased by 6%. 95% of all employees are women and roughly matching representation of 90% among the management team. All employees have permanent contracts. There's a small fraction of employees that are employed as part-time employees with 8% of men being part-time and 1.5% of women. An important goal for Spectre Latvia is decreasing employee turnover to 30% from 33% in the following year which is a KPI linked to management bonuses. This goal is important as employee turnover reveals multiple important aspects such as overall employee satisfaction, efficiency of recruitment, training resources and productivity, which is made all the more important by the fact that the company is operating in an economy with a shrinking workforce. Hence, bringing out the best of each employee is critical for future success of Spectre Latvia.



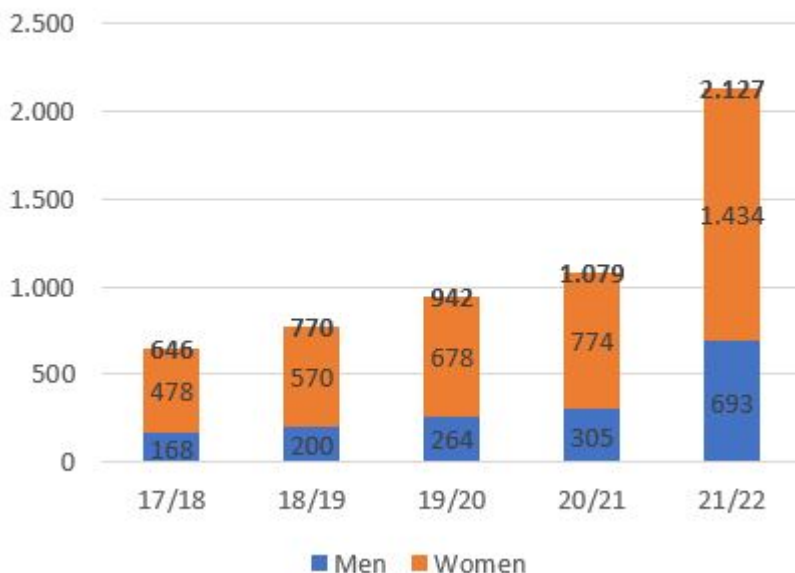
#### *Employees by gender, Latvia*

Our annual employee satisfaction survey shows that 3.4% of employees in Latvia express that they have experienced some form of discrimination. There were two issues of potential discrimination raised by employee representatives in Social Performance Team meetings. First is related to the sentiment of our employees of the unfair government policies of forbidding unvaccinated employees from working during the height of COVID pandemic where the employer was legally bound to enforce this decision. Second issue concerned the working language. There are two widely used languages – Latvian and Russian. It is our policy to conduct work in a language that all employees understand.

Spectre Latvia also employed 38 student workers during the summer who participate in a program of State Employment Agency to encourage young people to acquire work experience. These are counted separately as non-employee workers as their salary is paid by the state agency.

The number of employees in **Spectre Vietnam** has almost doubled in FY 2021/22. This is a result of opening a second factory in Thai Binh and expanding the capacity of the existing factory in Nam Dinh. All employees in Spectre Vietnam have full-time permanent contracts. While the overall gender distribution has become more balanced at 67% share of women (and 0.3% identifying as other according to employee survey) compared to last year the representation of women in the management positions has decreased from 46% last year to 36% in FY 2021/22 due to a higher new hire rate for men. Employee turnover rate decreased from 41% to 38% compared to previous year.

### Number of employees, Spectre Vietnam



Employees by gender, Vietnam

1.4% of employees expressed that they have experienced some form of discrimination in our annual employee satisfaction survey. No instances of discrimination have been reported by the employees. To address this, we will divide special attention in annual training to recognizing discrimination and ways of reporting on it.

#### Representation and involvement

Employees are involved in the decision-making process on issues that affect them through employee representatives in accordance with SA8000 guidance. The role of the employee representative is to facilitate communication with management on matters related to CSR issues. Employee representatives are freely elected and members of the Social Performance Teams (SPTs) in each of the factories.

The SPTs consist of employee, management and trade union representatives where such have unionised. SPTs are tasked with monitoring of the effectiveness of the social accountability system and deal with other issues related to CSR brought forward by employees e.g. by using our suggestion/complaint boxes, which are put up in the factories. Suggestion boxes are a channel for anonymous or name stated recommendations and complaints from employees about any relevant issues. Any notices submitted in employee suggestion/complaint boxes are managed by HR Manager and actions on issues are discussed with SPT.

In Spectre Vietnam a total of 4 SPT meetings were held and 15 of received employee suggestions were implemented. Spectre Latvia held 35 SPT meetings and has received 29 submissions from the employees. Of those 26 have been implemented, and 3 have been postponed or rejected.

Decisions on significant operational changes that could substantially affect employees are either communicated through management relaying it to their subordinate employees and via announcement boards placed throughout factory premises or through employee representatives in a timely manner depending on the nature of the issue. However, we do not have a documented company policy that sets a minimum number of weeks for

such a notice. The number of days for employee to give notice to terminate employment is determined by national legislation.

**Employee-satisfaction surveys**

We conduct employee satisfaction surveys In Latvia and Vietnam annually which serve as an important input for management decisions in terms of investments for improvements or adjusting the remuneration policy. This year we deployed a unified questionnaire across the group allowing us to do a group wide analysis. The survey reached a 63% participation rate in Latvia and 58% in Vietnam of all employees which ensures a representative sample of all relevant departments for us to have confidence in the tendencies revealed by the survey. The survey results show that there are different challenges for each location. Production workers in Vietnam are most concerned with amenities like parking spaces, quality of meals and dining space.

Employees in Vietnam show significantly higher Engagement score and overall satisfaction than employees in Latvia.

Location	Engagement score	Overall satisfaction
Spectre Vietnam	88%	91%
Spectre Latvia	73%	81%

*Employee Satisfaction Survey 2022*

The main source of dissatisfaction in Vietnam are availability of parking at the factory and the quality of dining provided by the company. The main dissatisfaction in Latvia is with wages and amenities. Employees submitted many suggestions for improvements through the survey that are a continuous source of improvement.

At the headquarters in Denmark, we are conducting a workplace risk assessment (Arbejdspilsvurdering, APV), which is renewed at least every three years. The risk assessment is based on employees answering an online questionnaire anonymously and based on the key findings, we are preparing an action plan to improve the most urgent points.

**Health and safety**

We manage occupational health and safety according to local legislation and SA8000 standard. This includes regular internal audits and external audits two times a year. On top of that we 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.

Health and safety committees are set up in each subsidiary of Spectre. These are responsible for conducting regular OH&S committee meetings, annual OH&S risk assessment together with competent institution, 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. OH&S Committees include management and worker representatives and report to company director.

We had 2 accidents in Vietnam which amounts to 0.9 accidents per 1000 employees, and 2 accidents in Latvia equalling 4.7 accidents per 1000 employees. We did not have any instances of occupational disease in the period. Absentee rate in terms of absence days per employee per year was 6.6 in Vietnam, 22.9 in Latvia and 2.1 in Denmark. All accidents resulting in absence are classified and reported according to local legislation.

### **Working Hours**

Our 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. We do make use of overtime work (OT) in peak seasons, primarily in Vietnam. 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 expectant women and women with small children. Whenever OT is necessary, we develop OT plans and we make sure that employees voluntarily agree to participate in these. We have thorough monitoring and reporting to customers in place to ensure we do not exceed these limits.

Nonetheless, we have been struggling to avoid excessive OT in Vietnam due to COVID-related absenteeism, large growth beyond forecasts, delays of material and disruptions in the global logistics sector. With intensified focus on this challenge and the capacity increase in our new factory in Southern Vietnam we believe we will be able to avoid excessive OT.

To manage the peak loads we do use subcontractors, provided they are audited and managed by us and approved by our customers, however, it is easier and more efficient to manage and control the working conditions in-house. Our long-term approach is to improve production levelling as we believe it is better to level production and keep full employment the whole year, instead of hiring seasonal workers. We will continuously strive to limit the amount of outsourced production to a maximum of 15% of our production volume on an annual basis which is in line with our strategy.

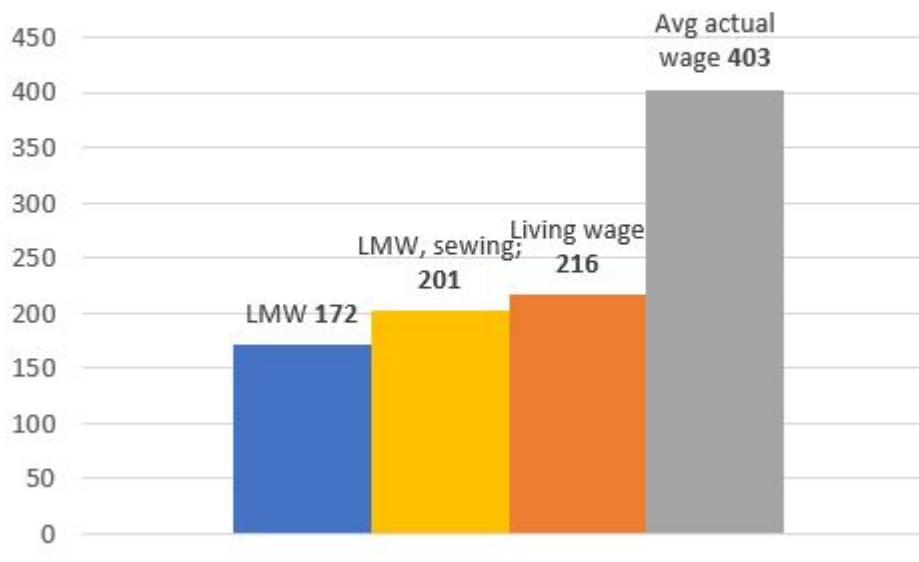
### **Wages and Benefits**

Ensuring fair wages is an important part of the relationship with our employees. We commit to ensure a living wage for our employees in accordance with SA8000 standard and our customers' Codes of Conduct. We regularly monitor and study the remuneration policies and performance at our plants.

In Vietnam, collective bargaining agreements are reached between the trade union and company management covering all employees. Minimum wages in Vietnam vary by region according to the zone classification. Nam Dinh is located in zone 2 where minimum wage is 3,920,000 VND and Thai Binh is located in Zone 3 with a minimum wage of 3,430,000 VND, however, our actual wages are significantly higher than minimum with an average wage around 8 million VND for sewing workers.

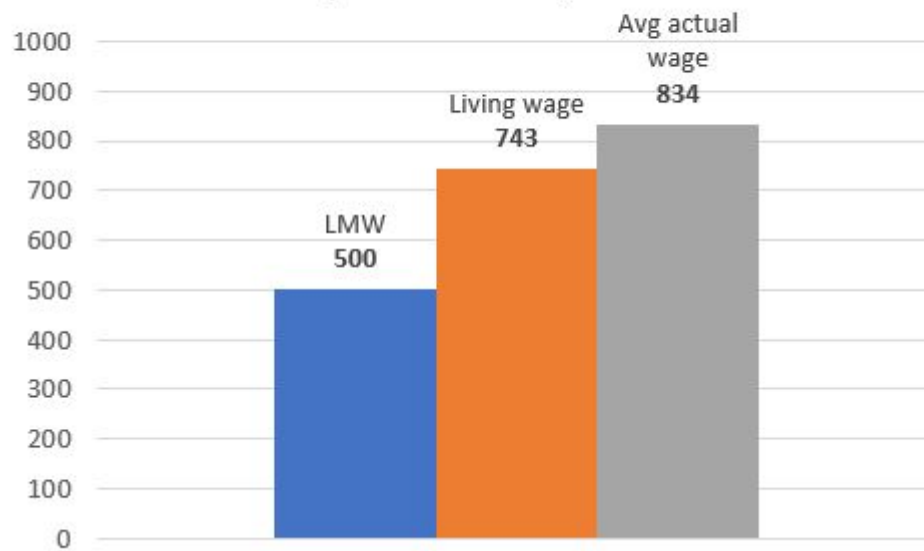
Employees in Latvia have not joined trade unions and have not made a collective bargaining agreement. This reflects the low prevalence of trade union membership in the country especially in the private sector. We make sure to inform our employees in Latvia of their rights to join a trade union and our non-discrimination policy. The minimum wage in Latvia is 500 EUR.

### Wage standards and actual wages in Spectre Vietnam, USD



*Comparison of legal minimum wage, living wage and actual wages in Spectre Vietnam*

### Wage standards and actual wages in Spectre Latvia, EUR



*Comparison of legal minimum wage, living wage and actual wages in Spectre Latvia*

It is our policy to provide equal benefits to employees who are temporary or part-time to ones offered to permanent or full-time employees. Some benefits such as health insurance co-payment in Latvia is offered only after the end of probation period.

In 2021/22 Spectre Vietnam provided 6.3 hours of training per management employee and 1.6 hours per person for other employees. Spectre Latvia provided an average of 60.5 hours of training per person for management



employees. We are improving our reporting to account also for training provided in Denmark. Our policy is to perform annual performance and career development review with all employees.

### **Human Rights**

We attained SA8000 certification in 2013-14 for our facilities in Latvia and Vietnam. Among the issues of health and safety, working hours and remuneration, the standard covers human rights regarding child labour, forced or compulsory labour, freedom of association and right to collective bargaining, discrimination and disciplinary practices as described in International Labour Organization conventions, the United Nations Convention on the Rights of the Child and the Universal Declaration of Human Rights.

Having been on the forefront with the world's leading social certification program for nearly a decade allows us setting high standards regarding the respect of basic human rights, elimination of child labour, focus on continuous improvement and health and safety, offering advancement possibilities and appropriate working hours.

The certification ensures that we assess impacts on human rights of our operations, and it covers all employees except the headquarter offices in Denmark and the branch office in Germany. All employees receive training on the human rights principles behind SA8000 in their orientation training and in regular training annually. Security personnel in Vietnam are trained to recognise and report signs of human trafficking.



### **Community**

#### **Partnership in Ukraine**

For the last couple of years, we have worked hard to find the best way to expand production in Europe. In 2019 we explored potential partners and in 2020 we started sample development with the most suitable factory, Chernihiv sewing factory "Elegant", which demonstrated promising production capabilities and compatible values. In June 2021 we started regular production on dedicated production lines at Elegant and gradually ramped up the share of Spectre's orders and worked towards establishing Spectre Ukraine as a legal entity.



*Raising of Ukraine's flag at Spectre Latvia headquarters on March 1st, 2022*

February 24th, 2022 came with Russia's all-out brutal attack on Ukraine's sovereignty, people and infrastructure. Although Ukraine had an ongoing conflict with Russia in the East border areas and was amassing large forces on the borders for months, what unravelled was the worst-case scenario that we had evaluated as highly unlikely like most of the rest of the world. The result was a scramble to engage our plan B solutions of redirecting orders to our Vietnam factory and subcontractors in Europe while looking for the best ways to support our partners in Ukraine and finding it near impossible due to the encirclement of the region by Russian forces.



*Chernihiv sewing factory "Elegant" building in June 2021*

With Russia's defeat and retreat in the North of Ukraine we resumed production of our orders at Elegant factory, proving the outstanding resilience of Elegant's workers who were very eager to get back to regular work and life as much as possible under the difficult conditions.

Our future plans for the factory are to develop it further and establish a subsidiary company, Spectre Ukraine, provided the region is not engulfed in active warfare yet again. We plan to set up an arrangement where production in Ukraine is managed by Spectre Latvia team in terms of production planning and management, technical training of employees and quality management. Development includes ensuring the factory meets standards according to Spectre Factory Model regarding sustainability, quality and productivity.

### **Other activities**

Since the outbreak of the war, we have employed 6 Ukrainian refugee women as seamstresses in Latvia to provide an opportunity to return to normalcy while in exile in Latvia and providing additional support in the form of donations to help set up their life.



*Spectre Latvia employees express support for Ukrainians*

In Denmark we support local sports clubs, primarily for children and young people to ensure that everyone has equal opportunities to have an active and social life beyond school. In addition, we support the local, professional sport because we believe it is important to have local lighthouses that create communities and pride for people of all ages and walks of life. No political contributions have been made by Spectre in the reporting period.

In Latvia, we regularly donate leftover fabric, threads and accessories to support animal shelters and educational institutions and divert these materials from being landfilled. We regularly organize blood donation days in our production facilities with a specialized bus coming to the factory providing all able employees to donate blood to help those in need.



*Blood donor bus in Kalnciems, Latvia*

In 2021 we opened our factory in Thai Binh creating almost 800 jobs in a rural location which has provided an economic benefit to the local community. The next factory opening in An Giang is planned in summer of 2022 thereby creating employment opportunities to approximately 2000 people when fully developed.

## **REPORT**

### **Methodologies and details**

Spectre is pleased to present its 2021/22 CSR Report. We always strive to engage our stakeholders and want to uphold our commitment to transparency and corporate responsibility. Our CSR reporting takes place on an annual basis. This report is based on the internationally recognized Global Reporting Initiative (GRI) standards, and the principles of the UN Global Compact. It covers the Group companies that are included in the consolidated financial statements. Topics covered by the report have been selected based on the materiality

assessment and evaluating applicable GRI Standard disclosures in order to cover the most important non-financial impacts of the company as well as having a comprehensive evaluation.

The GRI Standard 2016 version is applied throughout. We report in accordance with the core reporting level, but we have not sought external verification. The GRI Content Index lists the indicators as defined by the GRI Standard as far as it has been applied. Material topics addressed were raised in Spectre's Materiality Matrix. The respective indices are easy to find with page references.

The reporting period is the business year starting with April 1st, 2021 and ending with March 31st 2022. The report also discloses information on key events and data 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 2020/21 was published in October 2021.

Data is based on primary sources wherever possible, but some calculations were provided by external parties such as inbound logistics emissions and energy data. All GHG emissions are reported in CO2 equivalents that includes where NOx or SOx emissions took place. For our GHG emissions accounts for transport we use well-to-wheel (WTW) calculation as opposed to tank-to-wheel (TTW) so that we also include all the emissions generated during production and supply of the fuel not just what the vehicle produces when running. Waste disposal methods are assumed to be the organizational defaults of the waste disposal contractor.

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

FTE has been used as measurement of employees unless stated otherwise.

This report covers the activities of Spectre A/S (mother company referred to as Spectre Denmark in this report), Spectre Garment Technologies Vietnam Company Ltd. (referred to as Spectre Vietnam) Spectre Latvia SIA (referred to as Spectre Latvia). Nonfinancial data is checked internally but where it was provided by third party (e.g. shipping companies) we rely on their accuracy. 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. All financial data is checked externally. These controls give a reasonable yet still not fully satisfactory level of confidence for all information provided in this report. Therefore, we are already investigating possibilities to implement limited external assurance for our non-financial data as well. Entities included in the consolidated financial statements: Spectre Holding A/S, Spectre A/S, Spectre GmbH, Spectre Garment Technologies Vietnam Company Ltd., Spectre Latvia SIA, EK Auce SIA, Spectre Real Estate A/S, Spectre GT Real Estate Ltd. Company headquarters located in Ikast, Orionvej 1-3, Denmark. Production facility locations are registered and can be found on company's website and Open Apparel Registry website.

For further inquiries on CSR at Spectre feel free to contact group CSR manager Krišjānis Dzalbe via email [krisjanis.dzalbe@spectre.lv](mailto:krisjanis.dzalbe@spectre.lv).

### **Statutory report on the underrepresented gender**

The Company has an overall goal of being attractive at all time workplace for both sexes. Furthermore, it is the Company's goal that it is always that best qualified candidate who is offered a given managerial position.

In connection with both internal and external recruitment processes, efforts will be made to fill positions with candidates belonging to the under-represented gender.

The Board's target figure, within the next year, is 20 % for the underrepresented gender. In 2021-22, the underrepresented gender was 0 %.

### **Statutory report on data ethics policy**

The use of data is fundamental for Spectre. It offers analytical returns that allow Spectre to strive towards better customer service, seamless cooperation, and a better place to work as an employee.

Working with data also comes with great risks and a significant responsibility. Cyberattacks, data breaches, low-quality data and system failure have become daily risks, and we take them seriously. It is Spectre's responsibility to continuously identify, prioritize, and mitigate these risks on a professional level and create the best possible outcome for all involved parties. Equally, it is our responsibility to only process necessary data and secure strong compliance and ethical framework.

Data Ethics is about people and finding a balance between all the possibilities the digital world has to offer, and the ethical framework in which Spectre can navigate. We need to be transparent regarding ethical views, and governance towards collected and processed data under the Company's responsibility.

We have internal procedures related to processes of personal data and non-personal data according to GDPR. Respect for the privacy of Spectre's customer and employee data is a fundamental value for Spectre. Therefore, Spectre complies with both Danish and European legislation for data protection. Spectre must be proactive in the approach towards data ethics since legislation often falls behind the possibilities that technologies create.

In Spectre we ensure the confidentiality of our data during collection, data storage, data processing and data reporting using high-level passwords, firewalls, security programs etc.

We take good care and control of all processed data and training our employees is a priority for us. Ensure that measures are implemented to protect against wilful or accidental loss, damage, or unauthorized change.

Quality is one of our core values. In alignment with this strive for excellence, Spectre is pursuing quality data to support better decision making to optimize key business processes.

A data user is a person that is processing data in IT-systems. In Spectre our data users only have access to data for which they have a legitimate work purpose, and they receive appropriate training regarding integrity, availability, and confidentiality. All employees are required to follow specific policies, guidelines, and business procedures.

All major acquisitions of new software must be approved by Spectre's IT Committee represented by selected member of the Management Team across our business units.

### **Events after the balance sheet date**

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

# Consolidated income statement for 2021/22

	Notes	2021/22 DKK	2020/21 DKK
Revenue	1	530,679,344	354,162,620
Other operating income		792,344	293,103
Cost of sales		(292,357,136)	(192,594,913)
Other external expenses	2	(20,122,650)	(14,359,961)
Property costs		(1,318,815)	(1,167,803)
<b>Gross profit/loss</b>		<b>217,673,087</b>	<b>146,333,046</b>
Staff costs	3	(137,530,110)	(103,529,825)
Depreciation, amortisation and impairment losses		(8,346,199)	(7,077,324)
<b>Operating profit/loss</b>		<b>71,796,778</b>	<b>35,725,897</b>
Other financial income from group enterprises		512,684	0
Other financial income		0	200,538
Other financial expenses		(3,862,692)	(4,352,681)
<b>Profit/loss before tax</b>		<b>68,446,770</b>	<b>31,573,754</b>
Tax on profit/loss for the year	4	(13,684,474)	(5,183,541)
<b>Profit/loss for the year</b>	5	<b>54,762,296</b>	<b>26,390,213</b>

# Consolidated balance sheet at 31.03.2022

## Assets

	Notes	2021/22 DKK	2020/21 DKK
Acquired intangible assets		3,310,708	1,627,207
<b>Intangible assets</b>	<b>6</b>	<b>3,310,708</b>	<b>1,627,207</b>
Land and buildings		28,582,349	25,954,411
Plant and machinery		33,389,998	19,074,860
Other fixtures and fittings, tools and equipment		1,361,567	843,591
Leasehold improvements		84,180	84,180
Prepayments for property, plant and equipment		124,629	0
<b>Property, plant and equipment</b>	<b>7</b>	<b>63,542,723</b>	<b>45,957,042</b>
Receivables from group enterprises		44,616,505	0
Deposits		93,350	93,350
<b>Financial assets</b>	<b>8</b>	<b>44,709,855</b>	<b>93,350</b>
<b>Fixed assets</b>		<b>111,563,286</b>	<b>47,677,599</b>
Raw materials and consumables		104,681,460	63,213,785
Work in progress		38,477,942	13,182,953
Manufactured goods and goods for resale		36,230,945	24,998,095
Prepayments for goods		9,839,738	3,935,594
<b>Inventories</b>		<b>189,230,085</b>	<b>105,330,427</b>



Trade receivables	23,574,873	27,018,406
Receivables from group enterprises	834,053	8,355,100
Other receivables	5,471,732	3,982,076
Prepayments	9 2,352,982	2,250,967
<b>Receivables</b>	<b>32,233,640</b>	<b>41,606,549</b>
<hr/>		
Other investments	54,528	56,236
<b>Investments</b>	<b>54,528</b>	<b>56,236</b>
<hr/>		
<b>Cash</b>	<b>25,269,037</b>	<b>19,257,553</b>
<hr/>		
<b>Current assets</b>	<b>246,787,290</b>	<b>166,250,765</b>
<hr/>		
<b>Assets</b>	<b>358,350,576</b>	<b>213,928,364</b>
<hr/>		

**Equity and liabilities**

	<b>Notes</b>	<b>2021/22 DKK</b>	<b>2020/21 DKK</b>
Contributed capital		500,000	500,000
Translation reserve		(342,429)	(742,173)
Retained earnings		110,806,764	78,781,044
Proposed dividend for the financial year		25,500,000	15,500,000
<b>Equity</b>		<b>136,464,335</b>	<b>94,038,871</b>
Deferred tax	10	2,349,367	773,029
<b>Provisions</b>		<b>2,349,367</b>	<b>773,029</b>
Bank loans		54,341,000	12,833,340
Other payables		0	1,184,188
<b>Non-current liabilities other than provisions</b>	11	<b>54,341,000</b>	<b>14,017,528</b>
Current portion of non-current liabilities other than provisions	11	11,425,000	3,833,332
Bank loans		83,800,002	55,705,046
Prepayments received from customers		3,101,002	9,679,729
Trade payables		38,081,259	19,648,882
Tax payable		7,777,769	2,800,374
Other payables		21,010,842	13,431,573
<b>Current liabilities other than provisions</b>		<b>165,195,874</b>	<b>105,098,936</b>
<b>Liabilities other than provisions</b>		<b>219,536,874</b>	<b>119,116,464</b>
<b>Equity and liabilities</b>		<b>358,350,576</b>	<b>213,928,364</b>
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# Consolidated statement of changes in equity for 2021/22

	Contributed capital DKK	Translation reserve DKK	Retained earnings DKK	Proposed dividend for the financial year DKK	Total DKK
Equity beginning of year	500,000	(742,173)	78,781,044	15,500,000	94,038,871
Ordinary dividend paid	0	0	0	(15,500,000)	(15,500,000)
Exchange rate adjustments	0	512,492	2,763,424	0	3,275,916
Tax of entries on equity	0	(112,748)	0	0	(112,748)
Profit/loss for the year	0	0	29,262,296	25,500,000	54,762,296
<b>Equity end of year</b>	<b>500,000</b>	<b>(342,429)</b>	<b>110,806,764</b>	<b>25,500,000</b>	<b>136,464,335</b>

# Consolidated cash flow statement for 2021/22

	Notes	2021/22 DKK	2020/21 DKK
Operating profit/loss		71,796,778	35,725,897
Amortisation, depreciation and impairment losses		8,346,199	7,077,324
Working capital changes	12	(54,245,840)	(18,451,665)
<b>Cash flow from ordinary operating activities</b>		<b>25,897,137</b>	<b>24,351,556</b>
Financial income received		512,684	200,538
Financial expenses paid		(3,862,691)	(4,352,681)
Taxes refunded/(paid)		(7,243,490)	(1,058,766)
<b>Cash flows from operating activities</b>		<b>15,303,640</b>	<b>19,140,647</b>
Acquisition etc. of intangible assets		(3,094,845)	(116,072)
Acquisition etc. of property, plant and equipment		(22,383,092)	(4,481,927)
Sale of property, plant and equipment		290,482	(66,730)
Loans		(44,616,505)	0
<b>Cash flows from investing activities</b>		<b>(69,803,960)</b>	<b>(4,664,729)</b>
<b>Free cash flows generated from operations and investments before financing</b>		<b>(54,500,320)</b>	<b>14,475,918</b>

Loans raised	77,194,284	2,111,137
Repayments of loans etc.	(1,184,188)	(20,347,890)
Dividend paid	(15,500,000)	(2,000,000)
Group contribution	0	20,000,000
Change other investment	1,708	(11,704)
<b>Cash flows from financing activities</b>	<b>60,511,804</b>	<b>(248,457)</b>
<b>Increase/decrease in cash and cash equivalents</b>	<b>6,011,484</b>	<b>14,227,461</b>
Cash and cash equivalents beginning of year	19,257,553	5,030,092
<b>Cash and cash equivalents end of year</b>	<b>25,269,037</b>	<b>19,257,553</b>
Cash and cash equivalents at year-end are composed of:		
Cash	25,269,037	19,257,553
<b>Cash and cash equivalents end of year</b>	<b>25,269,037</b>	<b>19,257,553</b>

# Notes to consolidated financial statements

## 1 Revenue

	2021/22 DKK	2020/21 DKK
EU	338,142,624	302,573,757
North America	116,432,848	51,588,863
Asia	76,103,872	0
<b>Total revenue by geographical market</b>	<b>530,679,344</b>	<b>354,162,620</b>

## 2 Fees to the auditor appointed by the Annual General Meeting

	2021/22 DKK	2020/21 DKK
Statutory audit services	479,100	341,000
Tax services	49,000	80,000
Other services	236,000	375,000
	<b>764,100</b>	<b>796,000</b>

## 3 Staff costs

	2021/22 DKK	2020/21 DKK
Wages and salaries	136,031,549	102,219,727
Pension costs	1,252,165	1,122,444
Other social security costs	246,396	187,654
	<b>137,530,110</b>	<b>103,529,825</b>

Average number of full-time employees	2,264	1,503
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	Remuneration of manage- ment 2021/22 DKK	Remuneration of manage- ment 2020/21 DKK
Executive Board	6,669,366	5,236,680
Board of Directors	560,000	400,000
	<b>7,229,366</b>	<b>5,636,680</b>

### Special incentive programmes

The Executive Board's remuneration includes a bonus that is dependent on achieved performance targets.

**4 Tax on profit/loss for the year**

	<b>2021/22</b>	<b>2020/21</b>
	<b>DKK</b>	<b>DKK</b>
Current tax	12,151,623	4,873,718
Change in deferred tax	1,576,338	181,415
Adjustment concerning previous years	(43,487)	128,408
	<b>13,684,474</b>	<b>5,183,541</b>

**5 Proposed distribution of profit/loss**

	<b>2021/22</b>	<b>2020/21</b>
	<b>DKK</b>	<b>DKK</b>
Ordinary dividend for the financial year	25,500,000	15,500,000
Retained earnings	29,262,296	10,890,213
	<b>54,762,296</b>	<b>26,390,213</b>

**6 Intangible assets**

	<b>Acquired intangible assets DKK</b>
Cost beginning of year	10,540,510
Exchange rate adjustments	59,033
Additions	3,094,845
<b>Cost end of year</b>	<b>13,694,388</b>
Amortisation and impairment losses beginning of year	(8,913,303)
Exchange rate adjustments	(42,355)
Amortisation for the year	(1,428,022)
<b>Amortisation and impairment losses end of year</b>	<b>(10,383,680)</b>
<b>Carrying amount end of year</b>	<b>3,310,708</b>

## 7 Property, plant and equipment

	Land and buildings DKK	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost beginning of year	36,489,432	50,977,128	5,096,862	1,780,212
Exchange rate adjustments	1,529,014	1,640,283	37,429	0
Additions	2,765,434	18,604,680	888,349	0
Disposals	(81,400)	(544,425)	(269,297)	0
<b>Cost end of year</b>	<b>40,702,480</b>	<b>70,677,666</b>	<b>5,753,343</b>	<b>1,780,212</b>
Depreciation and impairment losses beginning of year	(10,535,021)	(31,902,268)	(4,253,271)	(1,696,032)
Exchange rate adjustments	(216,500)	(561,857)	(17,121)	0
Impairment losses for the year	0	(625,490)	0	0
Depreciation for the year	(1,406,104)	(4,602,861)	(378,884)	0
Reversal regarding disposals	37,494	404,808	257,500	0
<b>Depreciation and impairment losses end of year</b>	<b>(12,120,131)</b>	<b>(37,287,668)</b>	<b>(4,391,776)</b>	<b>(1,696,032)</b>
<b>Carrying amount end of year</b>	<b>28,582,349</b>	<b>33,389,998</b>	<b>1,361,567</b>	<b>84,180</b>

## 8 Financial assets

	Receivables from group enterprises DKK	Deposits DKK
Cost beginning of year	0	93,350
Additions	44,616,505	0
<b>Cost end of year</b>	<b>44,616,505</b>	<b>93,350</b>
<b>Carrying amount end of year</b>	<b>44,616,505</b>	<b>93,350</b>

## 9 Prepayments

Prepayments is subscriptions etc.

## 10 Deferred tax

	2021/22 DKK	2020/21 DKK
Intangible assets	557,000	304,000
Property, plant and equipment	(176,000)	(194,000)
Inventories	1,032,000	670,000
Tax losses carried forward	0	(312,000)
Other deductible temporary differences	936,367	305,029
<b>Deferred tax</b>	<b>2,349,367</b>	<b>773,029</b>



<b>Changes during the year</b>	<b>2021/22</b>	<b>2020/21</b>
	<b>DKK</b>	<b>DKK</b>
Beginning of year	773,029	591,614
Recognised in the income statement	1,576,338	181,415
<b>End of year</b>	<b>2,349,367</b>	<b>773,029</b>

### 11 Non-current liabilities other than provisions

	Due within 12	Due within 12	Due after	Outstanding
	months	months	more than 12	after 5 years
	2021/22	2020/21	2021/22	2021/22
	DKK	DKK	DKK	DKK
Bank loans	11,425,000	3,833,332	54,341,000	9,375,000
	<b>11,425,000</b>	<b>3,833,332</b>	<b>54,341,000</b>	<b>9,375,000</b>

### 12 Changes in working capital

	2021/22	2020/21
	DKK	DKK
Increase/decrease in inventories	(83,051,668)	(7,701,218)
Increase/decrease in receivables	9,372,909	(17,323,017)
Increase/decrease in trade payables etc.	19,432,919	6,572,570
	<b>(54,245,840)</b>	<b>(18,451,665)</b>

### 13 Fair value information

	Other investetment DKK
Fair value end of year	31,528
Unrealised fair value adjustments recognised in the income statement	(1,708)

### 14 Unrecognised rental and lease commitments

	2021/22	2020/21
	DKK	DKK
Total liabilities under rental or lease agreements until maturity	12,429,793	8,174,119

### 15 Assets charged and collateral

As security for account with bank, the company has issued a business charge of a nominal amount of DKK ('000) 49,000. The business charge includes assets which have a carrying amount at the balance sheet date of DKK ('000) 170,992.

Debt to VCB and BIDV is secured by buildings, machinery and equipment with a carrying amount of DKK ('000) 49.514.

#### Collateral provided for group enterprises

Spectre A/S has pawned the share capital of Spectre Garment Technologies Vietnam, which has a carrying amount at the balance sheet date of DKK ('000) 51,651 DKK, as security for all liabilities with the bank.

Spectre A/S has guaranteed Spectre Latvia' debt with Sweedbank. The guarantee is limited to DKK ('000) 3,725 DKK.

### 16 Non-arm's length related party transactions

Only non-arm's length related party transactions are disclosed in the annual report. No such transactions were conducted during the financial year.

### 17 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:  
JJ. Holding I ApS, Orionvej 1-3, Ikast

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:  
Spectre A/S, Orionvej 1-3, Ikast

### 18 Subsidiaries

	Registered in	Corporate form	Ownership %
Spectre Latvia Ltd.	Latvia	Ltd.	100
EK Auce Ltd.	Latvia	Ltd.	100
Spectre Garment Technologies Vietnam Company Limited	Vietnam	Ltd.	100
Spectre GmbH	Germany	GmbH	100

# Parent income statement for 2021/22

	Notes	2021/22 DKK	2020/21 DKK
Revenue	1	530,679,346	351,469,283
Cost of sales		(454,818,898)	(304,189,450)
Other external expenses	2	(13,018,072)	(9,510,556)
Property costs		(1,318,816)	(1,167,803)
<b>Gross profit/loss</b>		<b>61,523,560</b>	<b>36,601,474</b>
Staff costs	3	(23,073,097)	(20,499,786)
Depreciation, amortisation and impairment losses		(1,223,350)	(1,429,653)
<b>Operating profit/loss</b>		<b>37,227,113</b>	<b>14,672,035</b>
Income from investments in group enterprises		27,835,175	17,038,293
Other financial income from group enterprises		476,053	242,340
Other financial income		0	437
Other financial expenses		(3,172,147)	(2,756,283)
<b>Profit/loss before tax</b>		<b>62,366,194</b>	<b>29,196,822</b>
Tax on profit/loss for the year	4	(7,603,898)	(2,806,609)
<b>Profit/loss for the year</b>	5	<b>54,762,296</b>	<b>26,390,213</b>

# Parent balance sheet at 31.03.2022

## Assets

	Notes	2021/22 DKK	2020/21 DKK
Acquired intangible assets		2,532,009	1,379,876
<b>Intangible assets</b>	6	<b>2,532,009</b>	<b>1,379,876</b>
Plant and machinery		21,803	81,497
Leasehold improvements		0	0
<b>Property, plant and equipment</b>	7	<b>21,803</b>	<b>81,497</b>
Investments in group enterprises		74,785,849	44,001,296
Receivables from group enterprises		54,738,390	6,397,016
Deposits		93,350	93,350
<b>Financial assets</b>	8	<b>129,617,589</b>	<b>50,491,662</b>
<b>Fixed assets</b>		<b>132,171,401</b>	<b>51,953,035</b>
Raw materials and consumables		99,761,269	61,897,910
Work in progress		38,477,942	13,182,953
Manufactured goods and goods for resale		36,230,945	24,998,095
Prepayments for goods		9,839,738	3,935,594
<b>Inventories</b>		<b>184,309,894</b>	<b>104,014,552</b>

Trade receivables		23,397,211	26,934,855
Receivables from group enterprises		834,226	8,354,698
Other receivables		1,379,913	1,979,673
Prepayments	9	1,128,148	657,691
<b>Receivables</b>		<b>26,739,498</b>	<b>37,926,917</b>
<hr/>			
Other investments		54,528	56,236
<b>Investments</b>		<b>54,528</b>	<b>56,236</b>
<hr/>			
<b>Cash</b>		<b>20,289,880</b>	<b>16,351,692</b>
<hr/>			
<b>Current assets</b>		<b>231,393,800</b>	<b>158,349,397</b>
<hr/>			
<b>Assets</b>		<b>363,565,201</b>	<b>210,302,432</b>
<hr/>			

**Equity and liabilities**

	<b>Notes</b>	<b>2021/22 DKK</b>	<b>2020/21 DKK</b>
Contributed capital		500,000	500,000
Translation reserve		(342,429)	(742,173)
Reserve for net revaluation according to equity method		49,246,727	18,648,129
Retained earnings		61,560,037	60,132,915
Proposed dividend for the financial year		25,500,000	15,500,000
<b>Equity</b>		<b>136,464,335</b>	<b>94,038,871</b>
Deferred tax	10	1,413,000	780,000
<b>Provisions</b>		<b>1,413,000</b>	<b>780,000</b>
Bank loans		54,341,000	12,833,340
Other payables		0	1,184,188
<b>Non-current liabilities other than provisions</b>	11	<b>54,341,000</b>	<b>14,017,528</b>
Current portion of non-current liabilities other than provisions	11	11,425,000	3,833,332
Bank loans		64,666,872	43,052,870
Prepayments received from customers		2,281,129	8,818,239
Trade payables		32,940,572	17,067,735
Payables to group enterprises		45,953,634	20,995,449
Joint taxation contribution payable		7,083,646	2,492,278
Other payables		6,996,013	5,206,130
<b>Current liabilities other than provisions</b>		<b>171,346,866</b>	<b>101,466,033</b>
<b>Liabilities other than provisions</b>		<b>225,687,866</b>	<b>115,483,561</b>
<b>Equity and liabilities</b>		<b>363,565,201</b>	<b>210,302,432</b>
Fair value information	12		
Unrecognised rental and lease commitments	13		
Contingent liabilities	14		
Assets charged and collateral	15		
Related parties with controlling interest	16		
Transactions with related parties	17		

# Parent statement of changes in equity for 2021/22

	Contributed capital DKK	Translation reserve DKK	Reserve for net revaluation according to the equity method DKK	Retained earnings DKK	Proposed dividend for the year DKK
Equity beginning of year	500,000	(742,173)	18,648,129	60,132,915	15,500,000
Ordinary dividend paid	0	0	0	0	(15,500,000)
Exchange rate adjustments	0	512,492	2,763,424	0	0
Tax of entries on equity	0	(112,748)	0	0	0
Profit/loss for the year	0	0	27,835,174	1,427,122	25,500,000
<b>Equity end of year</b>	<b>500,000</b>	<b>(342,429)</b>	<b>49,246,727</b>	<b>61,560,037</b>	<b>25,500,000</b>

	Total DKK
Equity beginning of year	94,038,871
Ordinary dividend paid	(15,500,000)
Exchange rate adjustments	3,275,916
Tax of entries on equity	(112,748)
Profit/loss for the year	54,762,296
<b>Equity end of year</b>	<b>136,464,335</b>

# Notes to parent financial statements

## 1 Revenue

	2021/22 DKK	2020/21 DKK
EU	338,142,626	299,880,420
North America	116,432,848	51,588,863
Asia	76,103,872	0
<b>Total revenue by geographical market</b>	<b>530,679,346</b>	<b>351,469,283</b>

## 2 Fees to the auditor appointed by the Annual General Meeting

	2021/22 DKK	2020/21 DKK
Statutory audit services	332,000	200,000
Tax services	49,000	80,000
Other services	236,000	390,000
	<b>617,000</b>	<b>670,000</b>

## 3 Staff costs

	2021/22 DKK	2020/21 DKK
Wages and salaries	21,574,535	19,189,688
Pension costs	1,252,165	1,122,444
Other social security costs	246,397	187,654
	<b>23,073,097</b>	<b>20,499,786</b>

Average number of full-time employees	<b>26</b>	<b>25</b>
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	Remuneration of Manage- ment 2021/22 DKK	Remuneration of Manage- ment 2020/21 DKK
Executive Board	6,669,366	5,236,680
Board of Directors	560,000	400,000
	<b>7,229,366</b>	<b>5,636,680</b>

### Special incentive programmes

The Executive Board's remuneration includes a bonus that is dependent on achieved performance targets.



**4 Tax on profit/loss for the year**

	<b>2021/22</b>	<b>2020/21</b>
	<b>DKK</b>	<b>DKK</b>
Current tax	6,970,898	2,701,609
Change in deferred tax	633,000	(15,489)
Adjustment concerning previous years	0	120,489
	<b>7,603,898</b>	<b>2,806,609</b>

**5 Proposed distribution of profit and loss**

	<b>2021/22</b>	<b>2020/21</b>
	<b>DKK</b>	<b>DKK</b>
Ordinary dividend for the financial year	25,500,000	15,500,000
Retained earnings	29,262,296	10,890,213
	<b>54,762,296</b>	<b>26,390,213</b>

**6 Intangible assets**

	<b>Acquired intangible assets DKK</b>
Cost beginning of year	9,193,118
Additions	2,315,789
<b>Cost end of year</b>	<b>11,508,907</b>
Amortisation and impairment losses beginning of year	(7,813,242)
Amortisation for the year	(1,163,656)
<b>Amortisation and impairment losses end of year</b>	<b>(8,976,898)</b>
<b>Carrying amount end of year</b>	<b>2,532,009</b>

**7 Property, plant and equipment**

	<b>Plant and machinery DKK</b>	<b>Leasehold improvements DKK</b>
Cost beginning of year	12,450,087	1,601,363
<b>Cost end of year</b>	<b>12,450,087</b>	<b>1,601,363</b>
Depreciation and impairment losses beginning of year	(12,368,590)	(1,601,363)
Depreciation for the year	(59,694)	0
<b>Depreciation and impairment losses end of year</b>	<b>(12,428,284)</b>	<b>(1,601,363)</b>
<b>Carrying amount end of year</b>	<b>21,803</b>	<b>0</b>

## 8 Financial assets

	Investments in group enterprises DKK	Receivables from group enterprises DKK	Deposits DKK
Cost beginning of year	25,353,167	6,397,016	93,350
Exchange rate adjustments	0	512,492	0
Additions	185,954	47,828,882	0
<b>Cost end of year</b>	<b>25,539,121</b>	<b>54,738,390</b>	<b>93,350</b>
Revaluations beginning of year	18,648,129	0	0
Exchange rate adjustments	2,763,424	0	0
Share of profit/loss for the year	27,835,175	0	0
<b>Revaluations end of year</b>	<b>49,246,728</b>	<b>0</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>74,785,849</b>	<b>54,738,390</b>	<b>93,350</b>

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

## 9 Prepayments

Prepayments is subscriptions etc.

## 10 Deferred tax

	2021/22 DKK	2020/21 DKK
Intangible assets	557,000	304,000
Property, plant and equipment	(176,000)	(194,000)
Inventories	1,032,000	670,000
<b>Deferred tax</b>	<b>1,413,000</b>	<b>780,000</b>

Changes during the year	2021/22 DKK	2020/21 DKK
Beginning of year	780,000	795,489
Recognised in the income statement	633,000	(15,489)
<b>End of year</b>	<b>1,413,000</b>	<b>780,000</b>

## 11 Non-current liabilities other than provisions

	Due within 12 months 2021/22 DKK	Due within 12 months 2020/21 DKK	Due after more than 12 months 2021/22 DKK	Outstanding after 5 years 2021/22 DKK
Bank loans	11,425,000	3,833,332	54,341,000	9,375,000
	<b>11,425,000</b>	<b>3,833,332</b>	<b>54,341,000</b>	<b>9,375,000</b>

## 12 Fair value information

	<b>Other investment DKK</b>
Fair value end of year	31,528
Unrealised fair value adjustments recognised in the income statement	(1,708)

## 13 Unrecognised rental and lease commitments

	<b>2021/22 DKK</b>	<b>2020/21 DKK</b>
Total liabilities under rental or lease agreements until maturity	6,422,106	6,691,118

## 14 Contingent liabilities

The Entity participates in a Danish joint taxation arrangement in which J.J. Holding I ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc. for the jointly taxed entities, and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

## 15 Assets charged and collateral

As security for account with bank, the company has issued a business charge of a nominal amount of DKK ('000) 49,000. The business charge includes assets which have a carrying amount at the balance sheet date of DKK ('000) 170,992.

### Collateral provided for group enterprises

Spectre A/S has pawned the share capital of Spectre Garment Technologies Vietnam, which has a carrying amount at the balance sheet date of DKK ('000) 51,651 DKK, as security for all liabilities with the bank.

Spectre A/S has guaranteed Spectre Latvia' debt with Sweedbank. The guarantee is limited to DKK ('000) 3,725 DKK.

## 16 Related parties with controlling interest

Spectre Holding A/S Business Registration No.: 41938242, placed at Orionvej 1, 7430 Ikast owns all shares in the Entity, thus exercising control.

## 17 Non-arm's length related party transactions

Only non-arm's length related party transactions are disclosed in the annual report. No such transactions were conducted during the financial year.

# Accounting policies

## Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

The accounting policies applied to these consolidated financial statements and parent financial statements are, excepts internal reclassifications, consistent with those applied last year.

## Change of classification

The company has made some internal reclassifications of the distribution between cost of sales and other external expenses in the consolidated income statement. The total net effect on the comparative figures is a decrease in other external expenses of DKK 18.845 thousand. and an increase in the corresponding amount for cost of sales.

## Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

## Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

## Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements. Minority interests' pro rata shares of the profit/loss and the net assets are disclosed as separate items in Management's proposal for the distribution of net profit/loss and equity, respectively.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the takeover date, with net assets having been calculated at fair value.

### **Foreign currency translation**

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates and out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in the translation reserve in equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question, are recognised directly in the translation reserve in equity.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate at the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

### **Income statement**

#### **Revenue**

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

#### **Other operating income**

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

#### **Cost of sales**

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

**Other external expenses**

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

**Property costs**

Property costs include costs incurred to operate the Entity's properties in the financial year, including repair and maintenance costs, property tax and electricity, water and heating, which are not charged directly from the lessee.

**Staff costs**

Staff costs comprise wages and salaries, and social security contributions, pension contributions, etc. for entity staff.

**Depreciation, amortisation and impairment losses**

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, and gains and losses from the sale of intangible assets and property, plant and equipment.

**Income from investments in group enterprises**

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

**Other financial income from group enterprises**

Other financial income from group enterprises comprises interest income etc. on receivables from group enterprises.

**Other financial income**

Other financial income comprises dividends etc. received on other investments, interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

**Other financial expenses**

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities, and tax surcharge under the Danish Tax Prepayment Scheme etc.

**Tax on profit/loss for the year**

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Parent is jointly taxed with all of its Danish group enterprises. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

## Balance sheet

### Intellectual property rights etc.

Intellectual property rights etc. comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised on a straight-line basis over their remaining duration, and licences are amortised on a straight-line basis over the term of the agreement.

Intellectual property rights etc. are written down to the lower of recoverable amount and carrying amount.

### Property, plant and equipment

Land and buildings, plant and machinery, and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	5-30 years
Plant and machinery	3-8 years
Other fixtures and fittings, tools and equipment	3-8 years
Leasehold improvements	3-8 years

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

### Investments in group enterprises

Investments in group enterprises are recognised and measured in the parent financial statements according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to reserve for net revaluation according to the equity method in equity.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

**Receivables**

Receivables are measured at amortised cost, usually equalling nominal value, less writedowns for bad and doubtful debts.

**Inventories**

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation on and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process, and costs of factory administration and management. Finance costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

**Prepayments**

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

**Other investments (current assets)**

Other current asset investments comprise listed securities measured at fair value (market price) at the balance sheet date, and unlisted investments measured at the lower of cost and net realisable value.

**Cash**

Cash comprises cash in hand and bank deposits.

**Dividend**

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

**Deferred tax**

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Deferred tax relating to retaxation of previously deducted losses in foreign subsidiaries is recognised on the basis of an actual assessment of the purpose of each subsidiary.

**Operating leases**

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.



**Other financial liabilities**

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

**Prepayments received from customers**

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

**Tax payable or receivable**

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

**Cash flow statement**

The cash flow statement shows cash flows from operating, investing and financing activities, and cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes, and financial income, financial expenses and income tax paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments, and purchase, development, improvement and sale, etc. of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs, and the raising of loans, repayments of interest-bearing debt, including lease liabilities, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash.