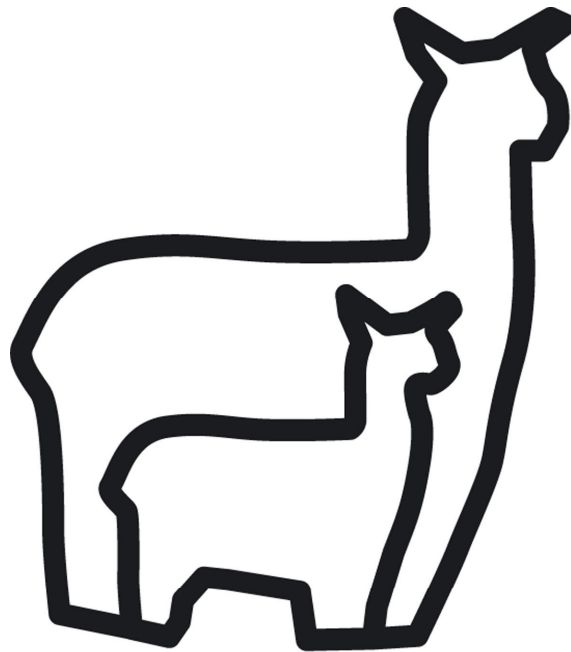


## COMMUNICATION ON PROGRESS 2012/2013

Elvang Denmark has been a committed member of United Nations` Global Compact since April 2010. Elvang`s Communication on Progress forms the basis of our second communication about our social and environmental responsibility and how we work with it. Our products being made in a less developed country, Peru, continuously raise questions from our customers into how we conduct our business ethically, environmentally and socially.



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ELVANG  
D E N M A R K

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## **Communication on Progress Part 1: Letter of Commitment**

H.E. Ban Ki-moon  
Secretary-General  
United Nations  
New York, NY 10017  
USA

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**ELVANG**  
D E N M A R K

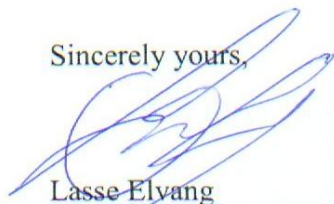
Soroe d. 22.03.2012

Dear Mr. Secretary-General,

I am pleased to confirm that ELVANG DENMARK A/S supports the ten principles of the Global Compact with respect to human rights, labour, environment and anti-corruption. With this communication, we express our intent to advance those principles within our sphere of influence. We are committed to making the Global Compact and its principles part of the strategy, culture and day-to-day operations of our company, and to engaging in collaborative projects which advance the broader development goals of the United Nations, particularly the Millennium Development Goals. ELVANG DENMARK A/S will make a clear statement of this commitment to our stakeholders and the general public.

We recognize that a key requirement for participation in the Global Compact is the annual submission of a Communication on Progress (COP) that describes our company's efforts to implement the ten principles. We support public accountability and transparency, and hereby submit our second annual communication on progress report to the Global Compact COP policy.

Sincerely yours,



Lasse Elvang  
Director of ELVANG DENMARK A/S

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## Communication on Progress Part 2 – Description and practical actions taken in the previous year to implement the 10 Global Compact Principles

### ***Human Rights & Labour Standards - Our Commitment, Systems and Actions planned***

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights

Principle 2: Make sure that they are not complicit in human rights abuses

Principle 3: Business should uphold the freedom of association and the effective recognition of the right to collective bargaining

Principle 4: The elimination of all forms of forced and compulsory labour

Principle 5: The effective abolition of child labour

Principle 6: The elimination of discrimination in respect of employment and occupation

### Elvang's approach to Human Rights and Labour Standards

The issues of human rights and labour standards lie at the heart of our work. Most directly we look at the conditions at our factories in Peru, but increasingly we try to look further down the chain to the livelihoods of the rural shepherds and their communities. In 2011 we took in a new supplier after having evaluated their production according to our Code of Conduct. We are happy to say that the new supplier fully lives up to our standards. The process of ELVANG evaluating the new supplier's production made them acutely aware of the importance of documenting their CSR profile. The supplier has therefore with our full support applied to the World Fair Trade Organisation (WFTO) for a fair trade certification.

The standards at our biggest and primary supplier are very high. Among many initiatives the workers have access to free health and dental facilities on site, and salaries for the workers are equal, transparent and non discriminative between men and women, the workers has a free right of association. All salaries exceed the Peruvian minimal wage. Furthermore child labour is completely avoided at our supplier's factory.

All our suppliers take part in similar development projects (DP) in rural areas, as mapped in annex 2. These projects have been set up in the rural areas to assist the rural shepherds with education on nutrition and sheering of their Alpaca, use of studs for better mating techniques and how to understand the market value of their wool. Finally, by selling their wool directly to the project, the shepherds are able to cut middle men, get directly to the market, sell their wool based on quality, and thus secure a far higher price for their yields.

In 2010/11 we planned to reach the following outcome in the area of human rights and labour standards. In *italics* we have noted the progress made:

- Compile more accurate statistics on number of shepherds using the DP Project at the rural facility.  
*Unfortunately this figure is not applicable*

- Compile statistics on the proportion of our wool which is being directly sourced from the alpaca shepherds  
*Approximately 60% of our primary supplier's wool is bought directly from the alpaca shepherds thereby avoiding middle men*
- Increase our direct contributions to the DP Project  
*Due to the financial crisis we have postponed this initiative to 2013/14*
- Compile accurate statistics on the breakdown of our labour force at production facilities  
*Our production supports more than 200 workers at the factories providing steady income for the workers and their families*
- Increase our product ranges and thus the capacity of our suppliers' production. Currently we are working with Alpaca throw, scarves and pillows  
*We have developed a cover for hot water bottles. These are produced by our new supplier*

Our plans for 2012/13 and looking forward:

In the area of human rights and labour standards, we shall endeavor to improve in the following areas over the next year:

- Increase our direct contributions to the DP Projects
- Visit our supplier and continuously engage in constructive dialogue on the improvement of human rights and labour standards

## *Environment - Our Commitment, Systems and Actions planned*

**Principle 7: Businesses should support a precautionary approach to environmental challenges**

**Principle 8: Undertake initiatives to promote greater environmental responsibility**

**Principle 9: Encourage the development and diffusion of environmentally friendly technologies**



### Elvang's approach to working with the environment

We focus almost all of our production to one region ensuring shipping and transport can as streamlined as much as possible. Last year we sourced all our packaging from Peru, meaning every Elvang product is entirely sourced from the region. We have unfortunately not been able to cut as intended our use of air transport to below 10%. This was due to delay in production.

The factories Elvang supplies from continue to improve the technical facilities in order to minimize pollution from production. Elvang encourages such initiatives.

In 2010/11 we planned to reach the following outcome in the area of the environment. In *italics* we have noted the progress made:

- Packaging to be sourced locally  
*We have developed a new gift bag that is being produced locally in Peru. Transportation of packaging has thereby been reduced to a minimum.*
- Working towards 100% of shipping through sea freight  
Due to delay in production 13% of our products were unfortunately transported by air
- Helping more shepherds to use the DP Project and better understand their land  
*Due to the financial crisis we have not been able to financially support the DP project. Therefore, we alone have not been able to help increase the number of shepherds using the DP project.*

### Our plans for 2012/13 and looking forward:

In the area of the environment, we shall endeavor to improve in the following areas over the next year:

- Visit our supplier and document some of the negative side effects that the environmental changes have on the alpaca shepherds. This is planned to be visualized through our web-site and additional marketing material.
- Continuously work to minimize the use of air freight aiming below 10%

***Anti-Corruption - Our Commitment, Systems and Actions planned***

**Principle 10: Business should work against corruption in all its forms, including extortion and bribery**

Elvang's approach to working with Anti-Corruption:

We maintain a completely open dialogue with our suppliers and encourage them to offer a price that includes all possible cost. We always offer to pay up-front thereby providing the best possible working conditions for our suppliers. Furthermore, we strive towards being as loyal to our suppliers as possible and aim for a long-term and steady business relation. We maintain a commitment to dealing with them directly and never deal through intermediaries.

Through the rural development project (see annex 2) the alpaca shepherds are getting a fair price of up to 40% higher than their usual pricing. It ensures that shepherds are not being offered below-valuation prices for their goods and gives them a clear view of their actual market value.

In 2010/11 we planned to reach the following outcome in the area of anti-corruption. In *italics* we have noted the progress made:

- Increased transparency of the DP Project's direct contributions  
*Unfortunately this information is not available*
- Increased statistical information about the percentage of Alpaca wool purchased directly through the DP Project  
*Our primary supplier purchase 60% of their wool directly from the alpaca shepherds thereby avoiding middlemen*

Our plans for 2012/13 and looking forward:

In the area of anti-corruption, we shall endeavor to improve in the following areas over the next year:

- We will continue being loyal to our suppliers offering them the needed support to avoid extortion and bribery.

## ***Animal Welfare - Our Commitment, Systems and Actions planned***

### Elvang's approach to working with Animal Welfare

The careful nurturing, breeding, treatment and shearing of the alpacas is very important. From a business perspective it ensures better wool, and from an ethical perspective we ensure the Alpaca and their shepherds can develop with one another. Our animal welfare approach centers mainly on the supplier's development projects (see annex 2) where the shepherds are taught all of these issues first hand. By showing them that the good treatment of the Alpaca means more money for them, their families and their communities, we are seeking to create win-win situations in which the shepherds are proud too.

In 2010/11 we planned to reach the following outcome in the area of animal welfare. In *italics* we have noted the progress made:

- Increased direct contributions to the DP Project and its ongoing development.

*Due to the financial crisis we have postponed this initiative to 2013/2014*

- Ensuring that the DP Project takes in as many shepherds as possible for the next year (last year it took in around 2000 shepherds for the programmes)

*We have unfortunately not been able to financially support the development project which is needed in order to offer more shepherds to enter the programme.*

- Sourcing a higher proportion of "natural" coloured alpaca wool rather than only white wool

*We have extended our collection of products produced in natural fibers. We have therefore directly increased the demand for natural fibers.*

### Our plans for 2012/13 and looking forward:

In the area of animal welfare, we shall endeavor to improve in the following areas over the next year:

- Increase our direct contributions to the DP Projects



## ANNEX 1:

# Corporate Code of Conduct

Elvang was founded with Peru in the heart

We will pursue our business with pride and integrity based on the principles of ethical and fair trade

### Internally

All employees are urged to raise any issues of doubts with their management for clarification and decision. We seek to be transparent and open throughout the organisation.

We will conduct our own business with the same principles we expect of others

### Suppliers

We seek to develop the capacity of all of our suppliers. We chose dialogue over ultimatums with them all. Along with this we will provide time and resources to helping them boost their capacity.

We will engage our supply chain at all times so that they are aware of our commitments and feel in full understanding.

We will proactively support and boost the human rights of those touched by our activities. We will seek to go above and beyond national and international legislation to the best of our ability.

Our goal is to eliminate all kinds of discrimination in terms of work procedures and employment of people. We will encourage all those in our supply chain to engage in collective bargaining so best pursue their needs.

We will offer health treatment, pensions, holiday pay and other benefits wherever possible.

We have a zero tolerance policy on child labour. Where child labour arises, we will strive to ensure that the children are given a better alternative like school.

We support the abolishment of forced labor.

We will always seek to be at the forefront of international best practice techniques for the humane treatment of animals.

We wish to take initiatives to improve environmental challenges and urge our business partners to improve their environmental technologies.

We will not pay, nor give into demands, government employees or an employee of our business partners any portion of contract payments.

We are dedicated to enhancing the transparency of our activities in the fight against bribery and extortion.

We wish to promote employee awareness of and in compliance with company policies against bribery and extortion through training programmes and procedures.

However, in cases of blatant violations and ongoing lack of improvement, we reserve the right to cease business with our partners.

## ANNEX 2:



Mapping development projects of our suppliers:

