



## Communication on Progress 2010

Covering the period from July 2009-2010



*"We support the Global Compact, as we are committed to produce fashion clothes in a socially and environmentally sustainable way, and by that we attempt to awake and empower the socially conscious consumer. Noir has been highly dedicated to the United Nations' Global Compact since we signed up in 2006. We consider the Global Compact to be a valuable platform for mutual learning which we use actively to guide our work and to improve our social and environmental performance. In addition, we have also found our engagement with the Global Compact to be a great source of inspiration for others. Something which we consider a great encouragement as we strive to be an important player in introducing and mainstreaming sustainability practices and the Global Compact initiative within the fashion industry"*

Niels Egelund, CEO, Noir-Illuminati II

### **Commitment to the Global Compact**

Noir-Illuminati II is a Danish company established in 2005 consisting of two different companies: *Noir* and *Illuminati II*. Noir is a fashion company, which designs and sells responsibly produced fashion luxury clothes to conscious consumers. Illuminati II is a cotton fabric brand, which develops and produces organic cotton fabrics to supply Noir and eventually other brands with responsibly produced cotton fabrics

Noir-Illuminati II joined the UN Global Compact in 2006 as an important step towards integrating universal principles on human rights, labour rights, environmental standards, and anti-corruption into its business model. Today, the company aims to ensure that the principles of the UN Global Compact are respected throughout the company's value chain and requires all suppliers to abide to the principles of the Compact.

It is a far-reaching process to introduce and guarantee compliance with international principles and standards in all the different parts of the value chain but Noir-Illuminati II is committed to be a front-runner in the fashion industry. Hence, to Noir-Illuminati II this is a working progress and the company focuses on ensuring gradual and continuous improvements.

#### *Communicating support to Global Compact*

For the past year Noir-Illuminati II has illustrated their commitment to the Global Compact by actively using the "We support" logo on several occasions.

- The logo has been printed on all hangtags next to the company's own logo as well as in all press material for fashion fairs
- The logo has been printed in the company's two fashion catalogues for Noir and Bblack Noir
- And the logo has been included at own fashion shows in Copenhagen, August 2009 and February 2010.
- In addition, Noir-Illuminati II participated in UN's Eco Chic Geneva Seminar, Fashion Show and Exhibition during January 2010. The sole purpose for the event was to promote Bio Diversity in the global fashion industry.
- NOIR.Illuminati II won The DANSK Fashion Award for Best Ethical Brand in Denmark in 2010 for its continuous support of organic and fair traded cotton in Uganda, Africa.

The company founder, Mr. Peter Ingwersen, has delivered speeches at a number of fashion events around Europe, in which the company's commitment to the Global Compact has been emphasised:

- "My Story" for an invited VIP guest list in Copenhagen, November 2009
- EcoChic, UN promoting Bio Diversity, Geneva, 2010
- Central Saint Martin Design School, London, January 2010
- Danish Design Center, March 2010
- The Academy, Berlin, June 2010

Finally, NOIR donated one dress made from II organic and fair trade cotton from Uganda to the Fashion Institute of Technology ([www.fitnyc.edu](http://www.fitnyc.edu)) in New York in February 2010.

### **Implementation of the Global Compact principles**

As a fashion company based upon a responsible business model Noir.Illuminati II is especially concerned with the socio ethics and environmental implications of introducing international standards in the whole supply chain. This translates into an effort to ensure *responsible supply chain management* and *responsible production of fabrics*.

#### **Responsible supply chain management**

The fashion industry has experienced a large range of problems in respect to ensuring labour rights and environmental sustainability. These problems have especially come to light in the era of globalization where



complex supply chains challenge the ability to ensure responsible management. The industry is well aware of the pressing need to get involved and introduce sustainable solutions. Noir-Illuminati II has been one of the first fashion companies to recognise the responsibility of producers of clothes and is committed to lead the way within the industry.

#### *Commitment*

Noir-Illuminati II is dependent on a chain of suppliers from Europe, Asia and Africa in the production and manufacturing of fashion clothes. The company is committed to adhere to the international principles for ensuring sustainable manufacturing represented by the Global Compact and hence expects the same from all of its suppliers.

#### *Systems, activities and outcome*

As a necessary result Noir-Illuminati II has put in place several systems to ensure that all of the company's manufacturing suppliers operate in accordance with internationally recognised minimum standards on human rights, labour and the environment.

1. **Code of Conduct:** Noir-Illuminati II has developed a Code of Conduct that stipulates the principles and standards which all suppliers and sub-suppliers are asked to commit to. The Code is based on the UN Global Compact and hence the general principles contained in the Universal Declaration of Human Rights (1948), the International Covenant on Civil and Political Rights (1966), the International Covenant on Economic, Social and Cultural Rights (1966), the Eight Fundamental ILO Conventions and other relevant international human rights and labour principles.

The provisions of the Code extend to all workers, regardless of their status or relationship with a supplier. The code therefore also applies to workers who are engaged informally, on short-term contracts, or on a part-time basis.

The aim of the code is not to necessarily exclude individual companies, but rather to assist selected suppliers improve social and environmental standards. Noir-Illuminati II is therefore willing to work with suppliers to achieve compliance with the provisions of the code. However, no business will be conducted with suppliers, which engage in violations of fundamental human rights.

#### *Activities and outcome*

- Last year Noir-Illuminati II worked with five manufacturing suppliers from Europe, Asia and Africa. Today the number has increased to 15, all of which has committed to and signed the Code of Conduct.
- Noir-Illuminati II is expecting to introduce regular and independent audits of manufacturing suppliers in the next years, to further ensure compliance with the Code.

2. **Questionnaire for suppliers:** As a supplement to the Code of Conduct Noir-Illuminati II has created a "Questionnaire for suppliers" which is used to clarify whether an existing or potential supplier complies with the Global Compact principles in general and the specific requirements of the Code. Through the questionnaire the suppliers are asked to answer questions on which systems and practices they have in place on the production site to ensure compliance with minimum standards on human rights, labour and the environment.

The questionnaire is especially used when working with partners outside of the EU where the local legislation on and enforcement of worker's rights and environmental protection often are less strict. The questionnaire has proved to be a useful tool to screen potential candidates before engaging in a business relation and to support the auditing of existing suppliers.

*Activities and outcome*

- The questionnaire has been used on three occasions in 2009 to screen potential candidates as well as in five different auditing activities.

3. **Auditing:** Noir-Illuminati II periodically conducts audits of selected suppliers to ensure compliance with the Code of Conduct. The audits are internal in the sense that they are performed by a team from Noir-Illuminati II headquarters who are confident with the required standards for suppliers and the demands in the Code.

The Noir fashion company consists of two individual brands *Noir* and *Bllack Noir*, and the question of auditing differs in regards to the two. Noir being a luxury brand is committed to ensuring the highest quality in all styles and collections. This involves guaranteeing the highest quality in production. As a result the vast majority of production sites to the Noir collections are located within the EU where the standards for productions are higher due to the strict EU legislation on workers' rights and environmental protection.

Bllack Noir is the new diffusion line of Noir-Illuminati II. This brand is designed to meet the demand of the middle segment in fashion, meaning fashionable, good quality and middle priced clothes. The Bllack Noir collection, being less dependent on luxury and the highest quality in production, is produced outside of Europe and primarily in Asia. Working with suppliers from developing countries creates an additional need for ensuring compliance with international standards since the legislation and law enforcement typically is less strict than in most developed countries.

At this point in time Noir-Illuminati II has only performed audits on select production sites in Europe supplying to the Noir collection. The next crucial step for the company will be to initiate audits of production sites in Asia to ensure compliance with the company's Code. Noir-Illuminati II is planning to engage independent auditors to perform the audits in the future. It is expected that a partner will be identified and hired during the coming year. Until the new initiative can be implemented Noir-Illuminati II is relying heavily on their "Questionnaire for suppliers" when monitoring compliance of Bllack Noir suppliers with basic principles for human rights, labour rights and environmental protection.

*Activities and outcome*

- During last year Noir-Illuminati II carried out in-depths audits of all the production sites in Lithuania. In June 2010 internal auditors performed four different audits using the questionnaire and Code of Conduct as benchmarks. The audit showed good results. In general the national labour laws in Lithuania are quite strict and ensuring advanced security for employees. However, none of the suppliers hold any kind of certification at this time.
- The year before Noir-Illuminati II carried out one in-depth audit of a key production site in Turkey.

### **Responsible production of fabrics**

The fashion industry in general and Noir-Illuminati II in particular is experiencing huge difficulties in finding large quantities of high-quality fabrics that are produced in a sustainable way. To Noir-Illuminati II this is indeed a challenge since the company's stated aim is to produce fashion clothes to socially conscious consumers. In this regard the company is committed to becoming a frontrunner in terms of designing clothes which are not only manufactured in a responsible manner but which are also exclusively made from responsibly produced fabrics.

### *Commitment*

To overcome this challenge, Noir-Illuminati II has developed a strategy for both the short and the long run. In the short run the company is committed to use fabrics developed from raw materials like cotton, silk and



fur which are extracted in accordance with certified Global Compact principles on human rights, labour and the environment. In the long run the company is committed to exclusively using fabrics which are produced from organic and fair traded raw materials.

#### *Systems, activities and outcome*

In order to live up to its commitment, Noir-Illuminati II is pursuing the two strategies concurrently: In the short run to source from suppliers who are certified to comply with the company's requirements for responsible production of fabric; and in the long run to produce its own Illuminati II organic cotton to supply the manufacturing of Noir, Bllack Noir and eventually other fashion brands with responsibly produced fabric.

#### 1. Short run sourcing

Fabrics used in production of fashion clothes are typically sourced vertically by the partners in charge of the actual manufacturing, which of course can challenge the ability to guarantee the use of responsibly produced fabrics. To ensure the necessary supply of responsibly produced fabric in the short run the company has put in place systems to ensure that the sub-suppliers supplying fabrics to the manufacturers comply with international standards and the company's own requirements.

It is emphasised in the Code of Conduct that it is the clear responsibility of suppliers to ensure that sub-suppliers do not violate the standards of the Code. This includes that suppliers strive to use certificated sub-suppliers of fabrics, ensuring responsibility in the production. Noir-Illuminati II is especially concerned with working with partners who hold certification on standard work conditions (e.g. SA8000), and/or certification on ecology and fair trade (e.g. Oeko-Tex 100 and Eco Cert) next to the Control Union certifications.

However, it has proved to be impossible to ensure one hundred percent certified suppliers and sub-suppliers throughout the supply chain. Consequently, Noir-Illuminati II has made it corporate policy to strive to work with certified suppliers where at all possible, and to use the Code of Conduct actively to ensure compliance with minimum standards where certifications are not available. Hence, it is the aim of Noir-Illuminati II to produce luxurious fashion made from sustainable and certified fabrics to the extent that is possible considering the quality and the supply on the international market.

For the *Noir collection* the company makes every effort to use European suppliers who are governed by the strict EU legislation and who source high-quality and certified cotton fabrics from African countries. This is part of an overall attempt to support African cotton production until the company's own Illuminati II produced luxury cotton is available for production of Noir clothes. In addition, the Noir brand is striving to ensure that as many suppliers as possible are certified with Oeko-Tex 100, an international testing and certification system for textiles, limiting the use of chemicals and other harmful substances in production.

#### *Activities and outcome for the Noir collection*

- In the production of the 2010 Noir collections 50 pct. of the fabric used is made in Europe and the process of making the fabrics comply with EU regulations and is thereby deemed sustainable. Noir Illuminati II expects that the percentage of EU fabrics will increase to 55 pct. in the next year.

For the *Bllack Noir collection* the company strives to make sure that all suppliers as a minimum are certified with SA8000 or equivalent. Dealing mostly with suppliers and sub-suppliers from developing countries this has proved to be quite a challenge. However, the majority of suppliers are located in Asia where it has been possible to identify suppliers complying with minimum standards and at the same time delivering the necessary quality in products. In addition, the brand seeks to include as much organic certified and fair traded fabrics in the production as quality demands allow.



*Activities and outcome for the Bllack Noir collection*

- The number of suppliers from developing countries supplying to the Bllack Noir collection has grown by 300 pct. over the last year.
- Today 30 pct. of the sub-suppliers hold specific certification on sustainably produced fabrics
- Noir-Illuminati II has initiated an important cooperation with a sub-supplier from Kenya, Kipo Trade, who has specialised in supplying full certificated and ecologically produced fabrics. The company currently holds a SA8000 certification and is planning to go for fair trade certification in the coming year. Kipo Trade can guarantee responsibly produced fabric since the company is directly involved in all steps of the supply chain from growing the raw cotton to the manufacturing of ready to use fabrics. The company is currently supplying the Bllack Noir collection with two styles but the number is expected to increase to five styles over the next year.

Finally, regarding fur, all skins are sourced from the European company Saga Furs who certifies all furs under the OA standards. Hence, all fur used in Noir-Illuminati II production is certified in a manner that guarantees that they are bred solely within the EU and therefore under the highest standards and rules in the world concerning animal welfare.

2. Long run: own production of sustainable cotton

Since the establishment of Noir-Illuminati in 2005 the company has been working on setting up the branch Illuminati II with the aim of producing organic and fair traded cotton to be used in the Noir and Bllack Noir collections as well as be sold off to other fashion companies.

The fact that the cotton is grown organically means that there is a special focus on the environment and the health of the people who grow it. The fair traded certification of the cotton ensures a fair price and focuses on good working conditions for the farmers and respect for the local communities involved.

The idea behind Illuminati II is to introduce the finest cotton fabrics out of Africa to all the segments in the fashion industry – the luxury fashion brands, the middle priced brands and the entry priced brands. Hence, the idea is to produce cotton fabrics which are all certified and responsibly produced, but which differ in price and quality.

Illuminati II is supported by the Danish International Development Agency (Danida), who has funded a three phase project with the objective of producing cotton fabrics from organic and fair traded cotton in Uganda. The CSR element of the project is manifold. In the short run the project will support the small farmers in Uganda who produce organic cotton on fair traded principles. In the long run the project will contribute to upgrading the whole production chain of organic fabrics in Uganda.

The initial two phases of the project have been completed; 1) a partnership with a local partner has been established during the contact phase, and 2) new cotton varieties have been tested in order to achieve longer cotton fibres during the pilot phase. The final phase of the project, the project phase, will run for the next three years with continuous financial support from Danida. The project is carried out in collaboration with the local partner, Mr. Bruce Robertson from Gulu Agricultural Development Ltd., who is specialised in production of fair traded and organic certified (Ecocert) cotton in Uganda. Mr. Bruce Robertson is handling the sourcing of cotton from farmers and oversees the spinning of cotton lint.

At present it is not possible to ensure the necessary quality from the weaving of cotton fabrics in Uganda, why the actual textile from the Ugandan cotton is produced by a certified partner in Turkey. However, it is the clear expectation that the weaving will be carried out in Uganda as soon as the local capacity allows the right quality.



#### *Activities and outcome*

- The third phase of the project, the ‘project phase’ was initiated in December 2009 and will continue around 12 months. During this phase two main activities are in process: Establishing final farm land in the northern part of Uganda with local farmers who previously has been suffering from violation from the Lords Resistance Army and the continuation of the variety trial.
- The purpose of the weaving trial is to assess the application of upgrading the organic and fair trade certified cotton to a higher quality, driving innovation in the cotton crop in Uganda.
- The purpose of the variety trial is to introduce a new and longer stapled cotton crop for production of luxury fabrics used in the Noir collection. The cotton currently available in Uganda does not have fibres long enough for it to be woven into luxury fabrics. Hence, Illuminati II is engaging in developing a new long staple crop in Uganda from which it will be possible to create finer fabrics. The first test of the new high quality fabric is expected to be ready by December 2010 and actual production can subsequently be initiated in another 2-3 years.
- Finally, Noir-Illuminati II has upgraded the corporate social responsibility (CSR) strategy, which will be implemented predominantly in the Illuminati II segment of the business model.

#### **Future plans**

Noir-Illuminati II is aware of the comprehensive process of introducing and streamlining responsible principles throughout the value chain. The company is proud to see that the work is in constant progress with small improvements occurring every day.

At the same time Noir-Illuminati II of course recognises the need for continuous efforts in the future in order to reach its goals and live up to its commitments. Hence, the company continues to:

- Improve the work with sub-suppliers in an effort to deliver sustainable cotton
- Increase the positive impact of Noir-Illuminati II on the communities in which they operate. Especially in Uganda where the Illuminati II company will introduce a long range of socially responsible initiatives:

#### **Project objectives for Illuminati II**

Long-term objectives of the project:

- To establish a base of 10,000 certified organic cotton farmers who grow at least one acre each of cotton, in rotation with food crops and thereby have a secure source of cash income and means of subsistence. To secure markets for the organic cotton amongst high-end fabric consumers in Europe and North America to be able to pay the farmers a premium price for their cotton. To provide the health, education and organisational skills to the 10,000 households to enable them to raise standards of living significantly over the next ten years. To train area coordinators, field officers and lead farmers to ensure that the skills transfers to the farmers are effective and sustained.
- To provide the training in organic farming techniques and cotton agronomy to empower the farmers to achieve the best possible yields for their cotton
- To market the organic cotton in such a way that the farmers get paid a premium price and achieve higher economic returns for their cotton than conventional cotton farmers
- To provide the organisational, health, education and other developmental services to the farmers through farmers’ group networks.

Short-term objectives of the project:

##### **1. Promotion of gender equality and empowerment of women**

- Women tend to be the primary participants in all agronomic activities in northern Uganda. The partnership will aim to provide training in farming techniques to maximise their returns on their farming enterprises.

- The project will establish 500 lead farmers, to head groups of 20 farmers each. The partnership aims for 20% of the lead farmers to be women in the first year, up to 50% by the third year. This will give women a key leadership role as the groups will be the core of delivery of training and services.
- The cotton ginnery operated by GADC employs around 200 people, more than 50% of which are women. The partnership's goal is to ensure that women are promoted into supervisory and management positions in the ginnery hierarchy such that in three years women are at least equally represented in all management positions.
- The operation contracts around 100 cotton buying agents and provides them with pre-finance. It is the objective to employ at least 50% women as buying agents within three years. A good cotton buying agent can generate a high level of earnings during the cotton buying season and the partnership will provide the entrepreneurial training to enable women to perform in this role
- The partnership will be delivering health and education services to the 10,000 farmers and will target women as the conduits for these services.

## 2. Combating HIV/AIDS, malaria and other diseases

- Certified organic cotton operations require that farmers are organised into groups and are trained and visited on a regular basis. The partnership plans to use the network of 500 farmer groups, the lead farmers, field officers and area coordinators to deliver training and services in the health sector to all of its 10,000 households
- The partnership aims to ensure that in the first year 4,000, in the second year 7,000 and by the third year 10,000 farmers are registered as cotton farmers and that each of the households are provided with a basic training in HIV/AIDS prevention and control methods, malaria prevention practices and where possible, equipment such as mosquito nets which have a large impact on malaria reduction.
- The partnership aims to work with NGO's already operating in the area, to make the cotton network accessible to their health programs and to dovetail development activities.

## 3. Promotion of employment and decent jobs

- The partnership aims to establish 10,000 certified organic cotton producers. Almost all of them will not have produced cotton in the past decade due to rebel activity so these are effectively new jobs. The partnership will provide them with the skills to maximise their returns on the cotton farming.
- Each household will employ around five people at various times during the season to plough, plant, thin, weed, organic spray and harvest cotton
- Approximately 20 trucks will be contracted during the buying season, each with a driver and a "turn man" to transport the cotton from the buying stores to the ginnery.
- For three months a year the company will contract 100 cotton buying agents and will provide them with pre-finance to buy cotton for cash from farmers near to their farms. These agents are paid Shs 30/kilogram commission and usually earn in three months what most Ugandans earn in a year.
- A stable farming base producing a premium priced cotton will ensure that the cotton ginnery in Gulu increases its capacity, enabling it to increase employment from 200 to 300 people.
- The partnership aims to provide comprehensive occupation health and safety training amongst the ginnery staff, to upgrade ginnery facilities particularly in the areas of clean water, washing facilities, dust removal and crèche facilities for pre-school children.

## 4. Protection and improvement of the environment

- The cotton growing industry uses 26% of the world's pesticides. These have a serious effect on the environment due to indiscriminant killing of insects and birds and mammals further up the food chain.



- By promoting organic cotton in an area, which is redeveloping its agriculture after decades of unrest, the partnership aims to show how organic cotton farming, and indeed organic farming altogether, can provide an environmentally friendly way to produce food and fibre. Through intensive training in organic farming techniques the partnership aims to show that yields from organic farming need not be lower than that from conventional farming.
- By providing an alternative to charcoal burning as a means of earning an income in rural northern Uganda the partnership aims to significantly reduce deforestation.
- The partnership aims to establish a tree planting program in which indigenous hardwood tree seedlings are provided to farming households, to plant amongst their crops. As the scalability through 10,000 farmers is large, this could replenish much of the hardwood population cut down in the past 30 years.

#### 5. Promotion of transparency and anti-corrupt practices

- The partnership will not engage in any corrupt practices and aims to raise awareness amongst its staff, colleagues, suppliers and customers that corruption is a cancer in society and should be rooted out at any opportunity.
- The GADC operation is audited by an internationally accepted auditing firm and makes its cash books and all records available at any time

#### 6. Promotion of investments and competitiveness

- The partnership aims to show that ethical investment can be profitable for all parties, in this case the farmers, GADC and Illuminati / Noir. The farmers will receive a premium price for their cotton and should not have to sacrifice yield; GADC will be able to buy cotton at prices which prevent other ginners from attempting to buy the contracted cotton from the organic farmers; Illuminati/Noir will have a superior product with a good story behind it, to market to European consumers.
- The partnership aims to be transparent and visible, to share its story with other investors and to make a strong case for the benefits of investment into Uganda.
- Ugandan cotton has long been undersold in that the price has not reflected its silkiness, strength and suitability for high quality fabrics. The partnership aims to use its marketing and brand expertise to put organic Ugandan cotton at the forefront of the fashion, furniture and bed-linen markets in Europe

In addition and finally, Noir-Illuminati II is committed to addressing the issue of climate change both in the production of clothes and fabrics. Hence, the company will develop a climate change strategy over the next year.

Copenhagen June 2010, Niels Egelund, CEO.

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