



ÉN GRY & SIF

SCANDINAVIAN HANDMADE DESIGN



Communication on Progress



This report has been produced in collaboration with:  RSCM www.rscm.dk
Responsible Supply Chain Management

Letter of Commitment

ÉN GRY & SIF
SCANDINAVIAN HANDMADE DESIGN

Dear Mr. Secretary General,

I write to you concerning En Gry og Sif's ongoing commitment to the Ten Principles of the Global Compact. This is in respect to Human Rights, Labour Standards, Environmental Responsibility and Anti-Corruption.

We are continuing to build on our work which started with the Global Compact in 2006, and believe that this report helps to give a strong insight into our work. Despite ongoing political instability, we have been happy that our social commitments have created strong loyalty in our workforce and our customers.

As we continue to work also with Fair Trade (through the WFTO), we are committed to continuing in the development of our supply chain and spreading the message on ethical trade.

En Gry og Sif looks forward to continuing our work with the UN in helping to develop a more fair and ethical business environment.

Sincerely Yours,

2010. 08. 04



Gry Staunstrup (Company Owner, En Gry og Sif A/S)

You, En Gry og Sif and Fair Trade- Our Report, for those who matter most

En Gry og Sif welcomes you to our 2010/2011 Communication on Progress. The last year has been a challenging one with not only the challenge of the financial downturn, but the severe ongoing political strife in Nepal making for challenges times throughout the supply chain. As a family-run company, we have been happy to find that our dedication to working with Corporate Social Responsibility (CSR) has meant we can work more closely together with our suppliers to negate these challenges. In the past year, we have also been working closely with Responsible Supply Chain Management (www.rscm.dk) a Danish company with heavy focus on supply chain ethics particularly in Asia. Together we are formulating new approaches and ideas to further deepening our social and environmental responsibility.

Since our last report, we have become proud members of the World Fair Trade Organisation (WFTO). Our memberships of the United Nations Global Compact and the WFTO form the basis of all of our work with Corporate Social Responsibility (CSR).

The financial downturn has meant many challenging decisions for our customers internationally and, faced with more demanding consumers of their own, tighter margins and increased competition. We have found that our strong social profile has meant that many of our buyers have maintained their loyalty.

The women handcrafting our products are the essence of the company, and it is to them too that we dedicate this report. With all of them being based in the Kathmandu Valley in Nepal, our commitment to their development will always remain. Business in Nepal is now more challenging than ever, and nobody knows this better than the committed women making our products. As political strife persists, strikes and rioting continue, and day-to-day life is complicated we nevertheless maintain a commitment to paying among the best wages in the industry, providing the best working conditions and helping these women to develop their capacity. Our work in the coming months will continue to target these areas as the welfare of the women helps them to beat poverty, support their families and strengthen their communities. **Because of this around 1000 women work at our four handcrafting sites creating the products we love: from the heart.**



As a result we recognize the importance of each and every one of En Gry og Sif's stakeholders, but this will read best for our loyal customers and our women in Nepal.

We hope that you will enjoy this report and help us to continue making a difference: from the heart.

With Love,

GRY TO INSERT SIGNATURE

Gry and Christian Staunstrup

En Gry og Sif –Our Approach to Fair Trade

You make a difference when you buy a product from En Gry & Sif, because you are helping to improve the working and living conditions of the women we have chosen to make our products. These women are among the most skilled people in the world in their particular crafts.

All products are FAIRTRADE and HANDMADE in 100% wool or cotton with great care for the environment.

En Gry & Sif actively supports ethical trade and social responsibility. We are members of the World Fair Trade Organisation and the UN Global Compact



En Gry og Sif Facts

Source of Products: Nepal, with a small number of Fair Trade products also sourced from Sri Lanka

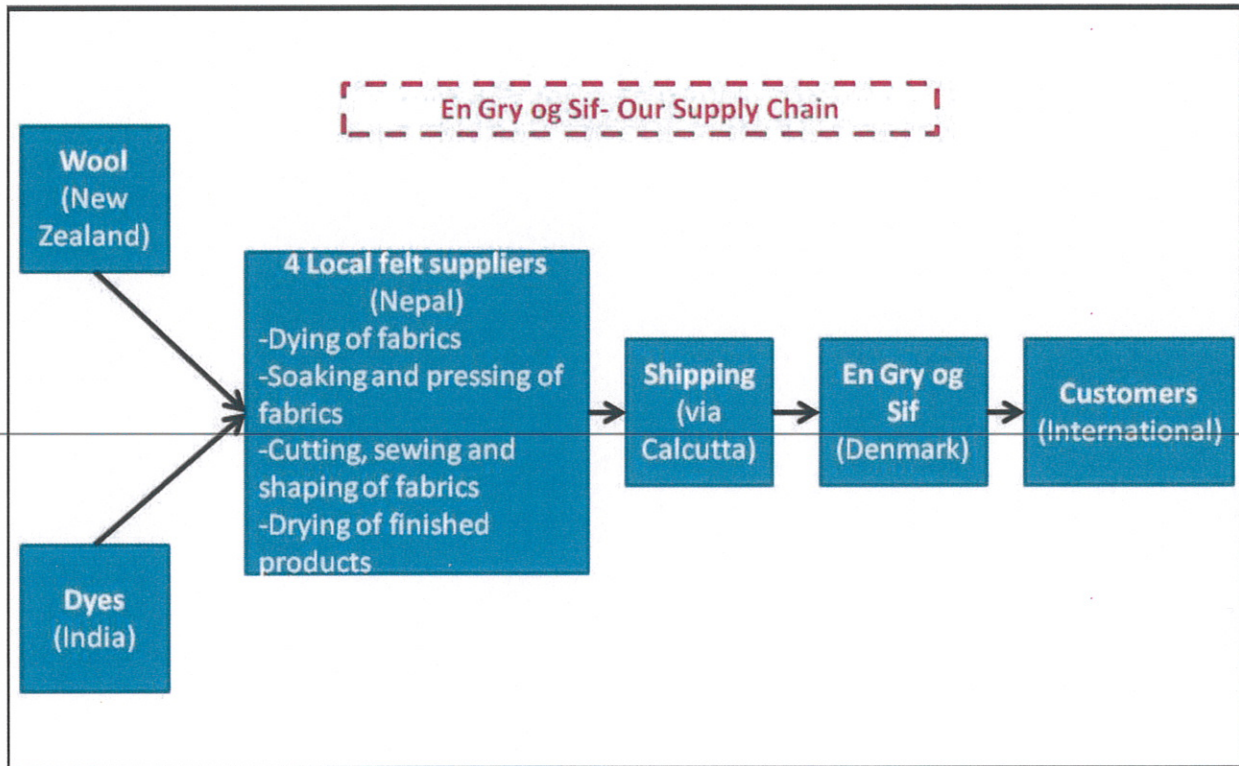


Employees at our suppliers: Around 1000, including seasonal workers and over 90% women. These women are working at 4 different suppliers, 3 of which are reliant on En Gry og Sif for 50%+ of their orders

Primary Products: Felt and knitted handicrafts

Primary means of transport for products: Shipping

Our policies: Please see Codes of Conduct at www.engryogsif.dk



Our Supporting Principles

The Ten Principles

Human Rights

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

Principle 2: Businesses should make sure they are not complicit in human rights abuses.

Labour Standards

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

Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labour.

Principle 5: Businesses should uphold the effective abolition of child labour.

Principle 6: Businesses should uphold the effective abolition of discrimination in respect of employment and occupation.

Environment

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

Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility.

Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

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



Description and practical actions taken in the previous year to implement the 10 Global Compact Principles

Each of the following 10 Principles of the Global Compact are addressed in the En Gry og Sif Code of Conduct (at www.engryogsif.dk), to which all of our suppliers are signatories.

Human Rights (Principles 1 &2) - Our Commitment, Systems and Actions taken in 2009/2010

1. Businesses should support and respect the protection of internationally proclaimed Human Rights
2. Make sure that they are not complicit in Human Rights Abuses

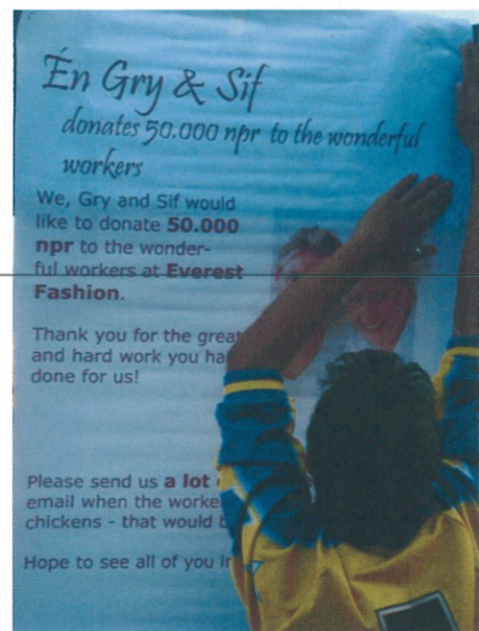
FACT: Since the start of the Nepal Civil War in 1996, over 12,000 Nepalis have been killed while Amnesty International states that Human Rights abuses have been common and widespread. Though the Civil War officially ended in 2006, Human Rights groups still cite rampant abuses as commonplace.

Actions in the last year

En Gry of Sif are proud of how Human Rights have not been compromised within our supply chain, despite widespread Human Rights abuses in Nepal. Over 1000 women now work for our four suppliers both on site and from home. Whilst many in Nepal are still missing out on the most basic internationally recognized Human Rights, we are continuing to push forward. We are still committed to creating meaningful jobs for as many people as possible in the country, paying a "Fair Price" and living wage, with the best possible working conditions.

Women make up over 90% of our workforce. They are from all walks of life: single-mothers, family breadwinners and aspiring young ladies. They all share a lack of educational background, so we ensure that they are proudly trained and given real value in their working lives (*please see also Principles 3- 6*). Women are in positions of management at all of the suppliers, one of which is fully owned and staffed by women. As they are progressing from within the factories and into higher positions, we can see that very few workers are leaving their jobs, choosing instead to stay for periods often over 5 years. Their ever improving skill sets and motivation have meant that we can actually see the improvement in the quality of our products year-after-year.

In regards to complicity in Human Rights abuses, we have thoroughly implemented our Code of Conduct at all of our suppliers. This process started in 2007 and we now feel that they are all living up at least to the minimum requirements we have set. At one of the suppliers, we have been very happy to see them implement ISO standards as well as advanced management systems reinforcing their work with Human Rights. With the remaining factories, we aim to further work with **health and safety** needs. The women are



ensured working days do not exceed 8 hours, are paid overtime where necessary, are offered a minimum of one rest day per week and are checked regularly on health issues. The most prominent of these issues is the “pressing” process of production. As the women press the rough fabrics by hand, the long term effects are skin hardening on the hands. We have thoroughly implemented a programme for all women to wear gloves but many continue to prefer working without. Our immediate interest is to keep making them aware that in the longer term, their hands will benefit from use of gloves. Likewise the use of masks as the process creates dust. Masks are provided, but not always used and we aim to encourage their use more regularly.

What the women earn is very much in line with our commitment to Fair Trade. **All salaries** are guaranteed and are not performance based as well as being some of the best in the local industry.

Actions Planned for 2010/2011

- As members of the World Fair Trade Organisation (WFTO) we will ensure that salaries are reviewed according to the “Fair Price” principles. We have already ensured that our suppliers are in line with the new minimal wage increase implemented by the new government. This has meant a doubling of wages in the last year and a half. One supplier is still pushing to reach this amount- our priority is to ensure this supplier is in line with the others within the next year. This is in line with our policy of choosing dialogue over ultimatums
- Women will continue to be the focus of our supply chain. We will continue to encourage the training of those most lacking in basic skills.
- Despite rampant Human Rights abuses since the outset of the Nepali conflict, we will continue to act as a beacon in the felting industry in Nepal.
- Continual vetting of Health and Safety standards at all of our suppliers

Labour Standards (Principles 3, 4, 5 & 6) - Our Commitment, Systems and Actions taken in 2009/2010

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining

4. The elimination of all forms of forced and compulsory labour

5. The effective abolition of child labour

6. The elimination of discrimination in respect of employment and occupation

FACT: Despite being sandwiched between two of the world's fastest growing economies, India and China, Nepal's share of international trade is significantly regressing. Urbanisation has seen a rapid growth in Kathmandu's population which is leading to high unemployment, poor job opportunities, deepening poverty and acceptance of desperate working conditions

Actions in the last year

Our Code of Conduct is explicit on each of the labour standards principles and in the last year we have travelled to Nepal twice to gauge our suppliers' commitment. **Freedom of Association** has become a large issue in Nepal as the Maoist party has used trade unions to leverage extortion and blackmail against Nepali companies. To avoid this, the unions have tended to run themselves internally in the factories and have directly engaged factory managers. This has actually benefitted the working environment, lead to closer dialogue and indeed meant an increase in salaries reflecting the Maoists' demands.

Discrimination according to sex, ethnicity or any other area stands completely against the fabric of En Gry og Sif and our suppliers. We proudly advance the opportunities of women, particularly maginalised groups and single mothers. It is the very pride that marginalized groups can take in their work which makes our ladies so good at their craft!

Forced and compulsory labour have been avoided as there has been a constant interest of unskilled women wanting to work at the suppliers. The felting industry has a proud tradition in Kathmandu. En Gry og Sif are renowned locally for their work in the felting industry, and the women that approach the suppliers are a proud part of our supply chain. As the women are so central to En Gry og Sif's products, so too are their families and **children**. Our Code of Conduct is strictly supported by our suppliers and many women with heavy family commitments are able to work from home. We are currently considering some small daycare facilities which will allow some of these women to work away from home should they wish to get away from that environment. In our experience, many women find it important that they can have daily contact outside of their homes with other like-minded women.

Actions Planned for 2010/2011

- Further explore the potential for daycare facilities on location for the working mothers
- Continue to support internal collective bargaining. This is essential to not only ensuring workers' needs are heard, but also to avoid Maoist extortion and blackmail to close the facilities



- Deepen women's ability to either work from home or in factories. Part of this will mean collecting specific data on the current numbers of women working from home and those at factories
 - Implementing further our support for Fair Trade
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Environment (Principles 7, 8 & 9) - Our Commitment, Systems and Actions taken in 2009/2010

7. Businesses should support a precautionary approach to environmental challenges

8. Undertake initiatives to promote greater environmental responsibility

9. Encourage the development and diffusion of environmentally friendly technologies

FACT: Despite having some of the most hydroelectric capacity in the world, Nepal's power production from "green" sources is actually regressing. In the last two years, the new government has approved the building of diesel power plants which threaten Nepal's most precious resource: its environment.

Actions in the last year

Though social responsibility has been our primary focus since our company started, we recognize that we still have a large role to play in environmental responsibility. Since our last report, we are happy to say that all of our products are using eco-dyes. Also, we work towards all of our products living up to CE certification standards. Sadly, we are faced with one major challenge which promises to be an issue in the years to come. Power cuts in Nepal continue to be a daily issue and with this, machinery and electricity at our suppliers are affected. Though much of the process is done by hand by our ladies, much sewing is done on machines and light is needed to ensure women have a comfortable working environment. In order to confront this issue, all of the suppliers- like all industries in Nepal- are reliant on generators often using diesel and kerosene. It must be noted that without alternative power sources production could not be continued. As a result, we are considering alternative green energy sources but the challenges of implementing solar panels, for example, has thus far not proved possible. This presents a great challenge and we will continue to look to solutions moving forward.

Water use is also a prominent issue. We are committed to being not only to the most efficient possible use of water, but also to its disposal. As water is contaminated during the process by use of dyes, it is important that it is not released directly back into water streams. For this, all of the facilities are using barrels to store used water before being disposed of according to local guidelines, recommendations and legislation.

Actions Planned for 2010/2011

- Continue to work as lightly as possible during "power-shedding" hours in Nepal and seeking to focus on machinery-based activities around power cuts
- Continue reviewing our use of dyes to ensure we are aware of the best options available
- Cut down on the amount of wool wasted at our suppliers and reusing where possible

Anti-Corruption (Principle10) - Our Commitment, Systems and Actions taken in 2009/2010

10. Business should work against corruption in all of its forms, including extortion and bribery

FACT: Since integrating the Maoists into national politics in 2006, political instability in Nepal still continues to bite hard. In May 2010, the Maoists called for national “Bandhs”, or strikes, which centred around Maoist followers flooding to Kathmandu from all over the country. In order to make space to house all of these supporters, Maoist party members demanded that factory and business owners close for business and offer their property as free lodging for these followers. Add to this the Maoist approach of forced “donations” from business owners to fund their political activities and local businesses have been operating in an extremely difficult working environment.

Actions in the last year

Little has changed since our last Communication on Progress, as Anti-Corruption continues to be perhaps our most challenging of the 10 Principles. Extortion and bribery run so deeply in Nepal that they are now also an intrinsic part of politics. We are seeing this deepen as our suppliers are routinely being harassed by Maoists for “donations” of Nepali Rupees 200,000+ (€25,000) just to stay in operation. These demands are irregular and unannounced. Though the factories refuse to pay these amounts, they do this against a rising backdrop of threats and physical abuse.

Though none of the factory owners have paid these large bribes, they have frequently had to show the Maoists that they are creating meaningful jobs for the poorest of the poor. As the Maoists brand themselves the “People’s Party”, it is important to show that marginalized groups and women are benefitting from jobs and not being taken advantage of. En Gry og Sif has made these groups the backbone of our business and has thus been able to satisfy these demands.

Actions Planned for 2010/2011

- Refuse outright to pay bribes and succumb to extortion by showing our commitment to provide meaningful jobs to the poorest and most marginalized groups
- Pursue our sales growth targets thus creating more jobs in Nepal for marginalized women otherwise robbed of opportunities
- Support the political dialogue in Nepal for a clear and transparent government which is essential to the success of anti-corruption in the long run