

ELVANG  
D E N M A R K

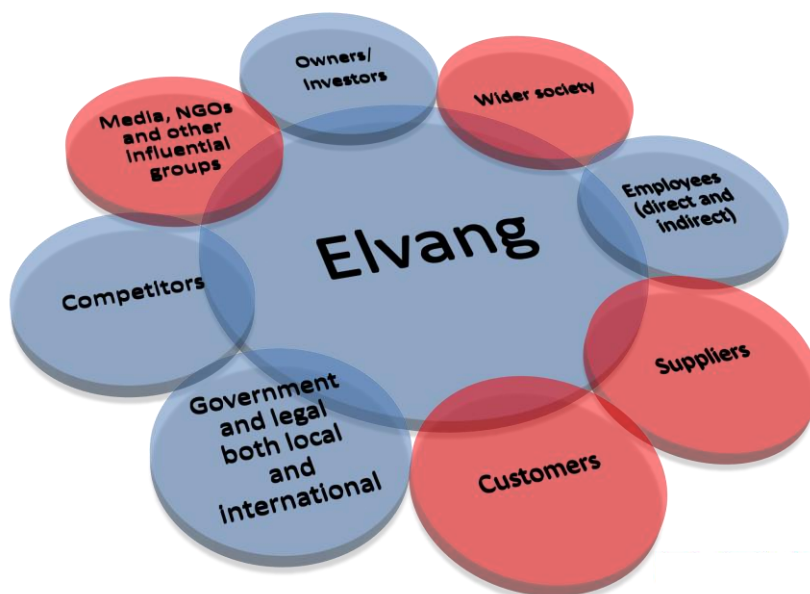


WE SUPPORT

**Communication on Progress 2010/2011**

## Ethical Trade- Our Report, for You

Elvang's Communication on Progress forms the basis of our first communication about our social and environmental responsibility and how we work with it. Despite being a small company, we can feel many different groups of people ("stakeholders") asking about how we work in these areas. As our high quality products are made in a less developed country, Peru, numerous questions are asked about what lie behind the products. This report is directed primarily to our suppliers, our loyal customers and society in general. Despite having numerous other stakeholders, these are the ones showing the most interest and as a result this report is directed to them- Our Report, for You.





## Elvang Denmark - Combining the Best of Two Worlds

### **Our Commitment:**

Elvang's vision is to combine the best of two worlds: one of the world's finest fiber of the Peruvian Alpaca with a contemporary Scandinavian design.

Elvang stands for high-end products which are made with integrity and pride. Ethical and Fair Trade lie at the heart of all we do.

We have consciously decided from the outset that we would source from Peru and thereby encourage economic growth for rural communities to fight poverty and empower themselves. We will maintain our faith and commitment to the Peruvians and their centuries'-long expertise within textiles.

By keeping our production with the Andean communities in Peru, we are also supporting the conditions and well being of the highly respected and regarded alpaca animals that have been the livelihood of the rural shepherds and their communities for centuries.

The Alpaca produce some of the finest fibers in the world which together with a Scandinavian design style result in some of the most luxurious products in the world.

*Together we combine the best of two worlds!*

**About Us:** Elvang Denmark was formed in 2003 by Lasse and Tina Elvang. Whilst backpacking through the Peruvian Andes, they fell in love with the warm, soft nature of the local communities whose nature was matched by their products.

By founding Elvang, Lasse and Tina opened the doors to the rural communities, bringing their products from Andes to the world.

## 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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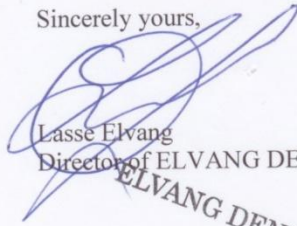
Soroe d. 30.03.2010

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 therefore commit to report on progress within *one year* of joining the Global Compact, and *annually* thereafter according to the Global Compact COP policy.

Sincerely yours,



Lasse Elvang  
Director of ELVANG DENMARK A/S

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## Important Statistics

Source of Products: Arequipa, Peru



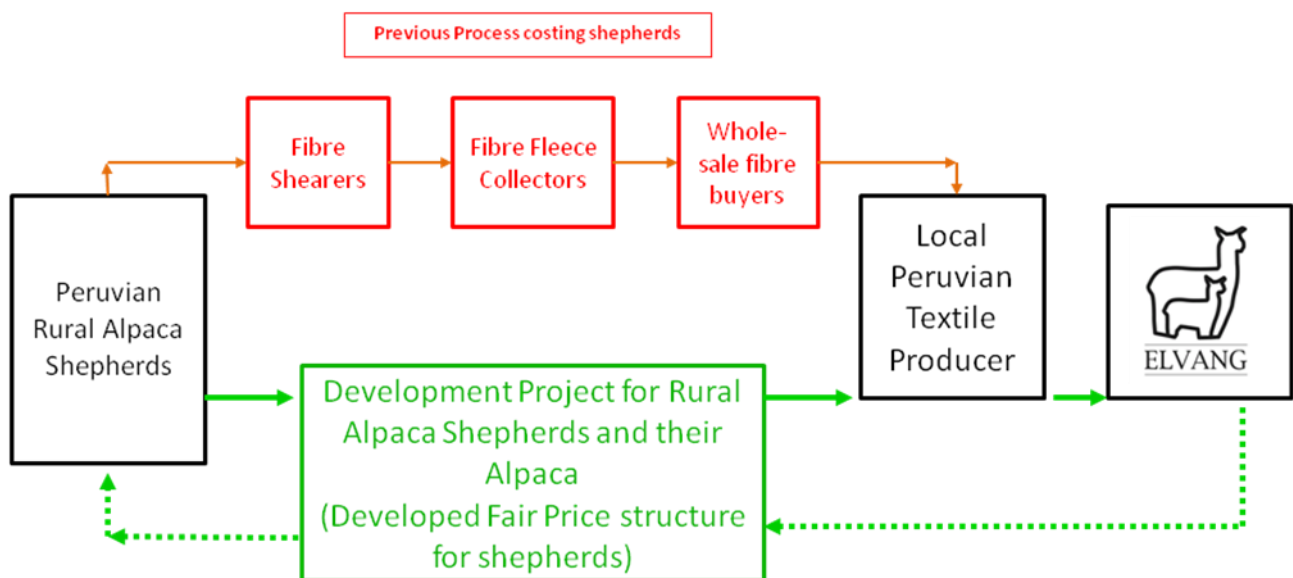
Employees at our suppliers: Around 1220, including seasonal workers

Primary Products: Alpaca throws and scarves

Main means of transport for products: Shipping

Our policies: Please see Codes of Conduct in Annex 1

Mapping our Supply Chain and improvement opportunities (“DP Project”):



## 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

Having started our company based on falling in love with Peru, the rural communities and the Alpaca, the issues of human rights and labour standards lie at the heart of our work. The Alpaca industry is responsible for up to 700,000 Peruvians' livelihoods. This number alone is indicative of just how important a role this industry plays in the development of Peru. These communities are often some of Peru's poorest and thus getting them into jobs and onto the economic ladder is key. Most directly we need to look at the conditions at our factories in Peru, but increasingly we are looking further down the chain to the livelihoods of the rural shepherds and their communities. Our suppliers are proud proponents of our Code of Conduct, which they see as targets to work towards. Where issues arise we chose to work with dialogue over ultimatums, instead helping suppliers to build their capacity. We are proud to say that all of the conditions have exceeded our requirements.

Our factories employ over 1,200 workers including seasonal workers and we are proud of the work that has been done here. The factories are at standards that are comparable to much of Europe. All of the facilities are audited and ensure that they exceed Health and Safety standards and working conditions. On top of this, we are proud that our workers have access to free health facilities on site and even dental facilities. Additional to this there are provisions for purchasing food for their families at on site stores which maintain market prices. Salaries for the workers all exceed the Peruvian minimal wage provisions and include some of the benefits mentioned above. There are transparent salary scales ensuring that all workers have an understanding of their wage progress and that women and men are ensured equal salaries. Women form the backbone of the production in the factories, while men tend to perform heavier and more physical tasks. As well as these fundamental issues we have ensured that child labour is completely avoided at our supplier's factory and that all workers have access to on-site doctors and dentists. We feel proud to go beyond mere national legislation and actually lead in our field.

Rurally, we are proud to be a part of a Fair Price project which is mapped on page 5. This facility has 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. This project is growing and last year alone took in around 2,000 shepherds who are starting to reap the rewards of the programme.

Our plans for 2010/11 and looking forward:

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

- Compile more accurate statistics on number of shepherds using the DP Project at our rural facility.
- Compile statistics on the proportion of our wool which is being directly sourced from this project
- Increase our direct contributions to the DP Project
- Compile accurate statistics on the breakdown of our labour force at production facilities
- Increase our product ranges and thus the capacity of our suppliers' production. Currently we are working with Alpaca throw, scarves and pillows



***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

Environmental damage and climate change are widely known to affect the world's poorest communities most adversely. The Alpaca shepherds and rural community are a strong case of this as decreased rainfall, diminishing habitats and basic grazing areas are encroached and decline through global warming. The importance of the natural environment is seldom more pronounced than in a sector like Alpaca. As a result, our actions are important both directly and indirectly in this process. Firstly, we focused almost all of our production to one region ensuring shipping and transport can as streamlined as possible. As of next year we will also source our packaging from Peru, meaning every Elvang product is entirely sourced from the region. We have also cut our use of air transport to below 10%, relying almost entirely on sea freight instead

It is important that our environmental work is spread to the rural areas too. The DP Project is responsible for teaching the shepherds about taking care of their land, land rotation and use, crops that are sustainable and best for the nurturing of their Alpaca. As these communities are based at high altitudes in the Andes, it is important that they understand their diminishing environment, how best to protect it and how best to harness it.

Our plans for 2010/11 and looking forward:

- Packaging to be sourced locally
- Working towards 100% of shipping through sea freight
- Helping more shepherds to use the DP Project and better understand their land



***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 ensure that the first transaction will give an excellent fair price right down to the beginning of the supply chain. This means that we maintain a commitment to dealing with them directly and never deal through intermediaries. In order to do this we encourage the producers to create an Freight on Board (FOB) price taking into account all of their margins. The starting point of all agreements is thus the suppliers themselves and accounts for their necessary living wages and relevant margins. From here we can further agree a price that suits them as well as payment details and times.

We also work with our rural development project (see page 5) to ensure that the actual shepherds at the beginning of the supply chain 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 2011/12 we are aiming to increase our annual direct investment to this project to around US\$5,000 per year.

Our plans for 2010/11 and looking forward:

- Increased transparency of the DP Project's direct contributions
- Increased statistical information about the percentage of Alpaca wool purchased directly through the DP Project

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

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

Elvang Denmark was started when we established a passion for the Andean communities and the Alpaca. The welfare of both remains key to our own company. As the most important part of the entire process, the careful nurturing, breeding, treatment and shearing of the animals is all 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 welfare approach centers mainly on the DP Project 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.

### Our plans for 2010/11 and looking forward:

- Increased direct contributions to the DP Project and its ongoing development
- 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)
- Sourcing a higher proportion of "natural" coloured alpaca wool rather than only white wool

## 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.