

Statement of support

Brief description of nature of business

Borch Textile Group A/S (BTG) is a family owned textile company within the healthcare and hotel & restaurant industry. The company was founded in 1947 and acquired by Niels Mosegaard in 1972. Today the company is run by CEO and majority shareholder Ulrich Mosegaard together with his partner Industriudvikling a small Danish investment found.

BTG is an international company with head office in Denmark and with production in EU, Bosnia, Vietnam, Malaysia, China and Pakistan.

BTG has three strong daughter companies:

- Borch Textile in Poland
- Almedahls Alingsås in Sweden
- Sølvsberg Tekstil in Norway

The whole BTG group exports to more than 10 countries primarily in Northern Europe.

Our mission is to be a trendsetting textile cooperation with special focus on healthcare, hotel & restaurant and light work wear industry. Our focus is on product innovation and consumer comfort.

This COP report includes the CSR efforts in the whole BTG group and the supply chain network of the cooperation. However some figures and KPI's covers BTG Denmark only. This is clearly described and an expected KPI plan for the affiliates is mentioned when figures are missing.

Human Rights:

Our commitment

BTG addresses human rights issues in our daily business, and since 2008 BTG has incorporated CSR in our strategy.

We are committed to uphold human rights principles, we have formulated clear sustainability policies and have developed a responsible supplier program aimed at all strategic levels.

According to our policy the company and all our suppliers to BTG must always respect the protection of internationally proclaimed human rights. It is an obligation for us and our suppliers always to comply with all national laws and UN conventions relevant to human rights issues.

In our supply chain we mainly operate in long term relationships with a narrow group of core suppliers with whom we have been doing business for a long time. It is our belief that we have influenced our core suppliers by upholding a continuously constructive dialogue; continuously requirement for documentation of upholding basic human rights conventions everywhere our company is represented.

What we do:

Our company:

Our company policies and in-house procedures ensure us against discrimination or other human rights abuses when hiring new employees or in a situation of dismissals.

In Denmark we observe and operate according to Danish legislation which does not allow any discrimination and we have policies to follow. All terms of employment are established by individual workers contracts according to the Danish legislation. Our CSR policy is covering all basic all basic human rights issues and we work under strict Danish legislation and collective agreements.

We are confident that Danish legislation, our collective agreements, our internal procedures and our in-house awareness of worker interests will prevent us from committing human rights offences.

Our suppliers:

We have established a CSR-programme for our suppliers in risk countries where 30% of our production takes place. The programme includes several working tools such as a self assessment template, a Code of Conduct and a questionnaire to the Code of Conduct. We have mapped all relevant suppliers with the intentions of conducting audits.

We categorize all suppliers once a year by internal classification as according to our internal qualification procedure, and only accepts existing or new suppliers, who can live up to the qualification steps as described in the procedure.

What we have achieved / plans for the next year:

Our company

We have a high degree of awareness concerning CSR issues in our headquarters and especially concerning human rights and labor issues. We have had an external audit this year with few remarks, which all have been corrected within short time.

In 2013 we have established the anonymous whistleblower system in our production in Poland. The remaining departments (Sales Offices in Denmark, Sweden and Norway) are postponed to end of 2014. In 2014 we will develop and implement a set of values in regards to our group culture and values. This project include an internal programme defining preferred behavior in our group, where e.g. open dialogue and innovation for improvements is an encouraged virtue.

Our suppliers

Our biggest and closest suppliers have established and are already running the whistleblower system.

We continuously keep awareness with our suppliers about CSR issues in our supply chain. We have incorporated our CSR policies into our Code of Conduct and we have the BTG trade items signed by all suppliers implementing our Code of Conduct and our restricted chemicals list as a legal binding condition.

Our outsourced production in risk countries is done by strategic A-rated suppliers who all have signed our Code of Conduct. The largest supplier is even certified according to SA 8000.

All new suppliers must according to our CSR programme, either prove an audit report or perform the self assessment tool corresponding to our Code of Conduct before we agree on a cooperation agreement or contract.

We have done the work with mapping all our suppliers and have identified gaps and future initiatives/actions.

By today, 88% have signed our Code of Conduct, and nearly 33% of our Buying Volume has been audited or performed a self assessment for qualification.

The one major supplier who failed certification for SA 8000 has been preparing for auditing, and has again taken actions toward SA 8000 certification. If they succeed with auditing and qualification, we will achieve an audit rate of at least 55%.

Generally we are moving towards a narrower supplier programme, as done with the outsourced production partners, so the figures will improve with the next reports.

Labour:

Our commitment (what we want):

BTG supports the fundamental labour principles in Denmark, Sweden, Norway and Poland. We do our outmost to influence our suppliers to have the same commitment and attitude.

We also support the principles of freedom of association and the right to collective bargaining. BTG specifically is a member of the Danish Federation of Textile & Clothing and we respect the Danish collective agreement as a supplement on line with Danish labour legislation.

We also support the UN Global work to eliminate all forms of forced and compulsory labour and the extortion of child labour and any discrimination of employment.

It is a core value for us that all employees in BTG and our business partners wherever our products are produced are treated with respect and dignity.

What we do

As well in our headquarters as our affiliates, we follow the local legislation on labour rights. All employees are allowed to organize in unions as we respect the freedom of association and the right to collective bargaining.

We also follow the local legislation on Health and Safety Work acts, and where required organized teams with representatives from the workers and the management group. Our occupational and safety work is organized and functions according to the intentions of the laws, including team meetings, documentation, keeping records of accidents (among other) and sharing information with the employees. We make annual workplace assessments and initiate actions if gaps appear.

Generally Borch Group meets all national legislation for handling safety and working environment for all companies in the group. If not or comments on this, this is described below for each issue.

Borch Group meets all requirements with representatives from both management and employee level, except Sølvsberg with only 3 persons, where this is not required. SBT has been paid a visit from the Norwegian labour inspectorate, who has approved the workplace and the conditions.

BTG earned the Danish “green smiley” from the Danish Labour Inspectorate in February 2014 as focusing and taking actions on working environment.

BTP is according to Polish legislation obliged to employ a representative for the Polish Working and safety cooperation, who weekly controls that working and safety conditions is according to legislation.

Evacuation plan and firedrills:

An approved evacuation plan, operational safety equipment and first aid kits exist in every company and firedrills have been conducted for BTP in addition to an external customer audit. The 3 remaining companies will have firedrills within 2014.

At least 2 persons in every company have attended a first aid course within the last year, and we continuously maintain the knowledge. For BTP are 9 people of the 95 employees in total, trained in first aid.

All machines, safety equipment and ladders are reviewed and approved as according to legislation. By the end of 2014, we will have checked that all machines have updated manuals.

We strive to give both men and women equal opportunities and we encourage both genders to join relevant training programmes within their area of responsibility.

In 2014 a programme of employee conversations related to general environmental issues and personal development is rolled out for the group’s affiliates in Denmark, Sweden and Norway, where Poland runs a different programme, with similar objectives.

We generally have a very family friendly working environment, and as for the headquarters and the sales offices in Sweden and Norway, every worker can choose to take part of a flexible time system instead of fixed working hours.

For headquarters and the sales offices, overtime is very rare and voluntary and as in addition to the flexible time system, employees are not paid overtime, as they prefer to save hours for days of on an individual basis.

For the production in Poland, overtime is initiated when absolutely needed, and conditions hereto and payment terms are defined and executed as according to the Polish legislation.

General conditions for the headquarters are providing private illness insurance, providing coffee, tea, fresh fruit daily and breakfast Fridays, and offering company products at favorable prices. Every employee has 5 weeks plus 5 holy days every year.

In 2014 similar or part conditions are implemented in the affiliates and will be described in the next BCSI report.

Our suppliers:

We have established a CSR programme for suppliers in risk countries. This programme includes several working tools such as the self assessment template, the Code of Conduct and a questionnaire to the Code

of Conduct. According to the Code of Conduct all suppliers must comply with both national legislation and the more specific rules and conditions in our Code of Conduct. It is a specific rule in our Code of Conduct that no worker must be subjected to discrimination due to race, religion, age, national origin, sexual orientation or gender. No female workers should be discriminated for any reason what so ever and no pregnancy tests are allowed. No HIV/Aids test is allowed either.

According to the Code of Conduct we do not tolerate child labor as defined in the ILO conventions under the age of 15 years or the local defined school age. BTG recommend suppliers to treat young workers between 15-18 (in some countries 14-18) as a vulnerable group that should be given appropriate jobs only and never engage in dangerous work. If a child is ever revealed in the production we insist that a plan should be made to get the child back to school and at the same time compensate the family by offering a family member a job.

The occupational health and safety work with our suppliers is of most importance to us and we hold as a minimum a legal framework in the national laws in our production countries.

In addition to our mapping and qualification of all our suppliers, we will initiate usage of external auditors within 2014/2015.

What have we achieved and plans for the next year:

Our company:

We are continuously working to improve the working environment according to the local legislation and we assess any labor related risk of accidents professionally. We work under the rules in the collective agreements and voluntary follow the collective agreements for office work.

We have raised awareness about CSR issues in our company and especially about human and labor rights at all our suppliers.

Collective agreements – in the headquarters 43% of all employees work under a voluntary collective agreement, 9% in our Poland production. Norway and Sweden figures will appear in the next report.

In Denmark and Sweden we have a detailed staff handbook with supplementary rules, Norway with only 3 employees have none, but in principle follow the Danish handbook. Poland has defined a set of guidelines, rules and conditions similar to an employee checklist.

Please see figures for employee flow and sickness on our report sheet. The figure sheet for the whole group is expected to be complete with the next report.

The BTG Code of Conduct and its issues have been informed and posted in every affiliate of our company group in 2014.

Our suppliers:

As mentioned we have increased our awareness about CSR issues with our suppliers, and all suppliers has signed our Code of Conduct including issues specifically for labor handling.

As mentioned we consider the usage of external audits for selected suppliers within 2014/2015.

Environment

Our commitment:

BTG holds the position that our business should support a precautionary approach to environmental challenges in the society. We strive to reduce our global footprint and we are committed to manufacture under circumstances reducing our harm on the environment.

We do our outmost to influence our suppliers and customers with a precautionary approach to environmental challenges in their local neighborhood.

We want to reduce our CO2 emissions from transportation as much as possible.

We will continue to raise awareness to our employees about the importance of contributing to a clean environment and stay focused on our goals.

What we do:

Our company:

Our environment efforts are as follows:

- We are focusing on environmental impact from running our headquarters, our operations and transportation
- We are focusing on fabrics with EU Flower or Oeko Tex 100 label
- We have a restricted chemicals program for all suppliers
- We are compliant with the local environmental legislation where we operate with our affiliates
- We expect our suppliers to be compliant with their local environmental legislation too

In our company we have a clean policy on focusing on resources spend in the organization, from water consumption, electricity, paper, food and other necessities. Our transport policy is always to priorities the most environmental friendly alternative, and only to use airborne transportation when absolutely necessary.

We strive to reduce resources and recycle materials where possible. In Denmark, Norway and Sweden the local legislation have guidelines for specific recycling and sorting, including paper, glass and environmental harmful waste.

We also measure the percentage of clothes we from Denmark sell with Oeko Tex 100 or EU Flower. Figures for similar standards sold in Sweden and Norway will follow with the next reports.

Our suppliers:

We have strengthened our suppliers awareness about environmental impact from running a production and have communicated our position to our suppliers.

We are especially keen on asking if our fabric suppliers have noticed if decent water cleaning facilities in the dyehouses exist with them or their sub suppliers.

Our restricted chemicals programme with limit values according to the Oeko Tex 100 concept is a part of our trade terms and must be signed off by all suppliers providing this once a year. Whenever visiting we

make sure that they ask for a similar commitment from their sub suppliers. We ask our suppliers to evaluate and strengthen their supply chain for environmental risk processes.

It is our general policy to use Oeko Tex 100 labelled fabric or EU Flower labelled fabric as much as possible, and persuade our customers to choose these alternatives wherever possible.

Measureable results or outcomes

Our company:

We have successfully raised awareness about environmental issues of importance to our Customers. We have no production in Denmark, Sweden or Norway, therefore our local environmental impact is limited but we continuously look for improvement in different areas, and for our production in Poland, we will install policies in 2015 for creating the environmental awareness.

We have maintained 100% of our fabrics in accordance with Oeko Tex 100 and the European environmental label, (ECO label) is on more than 30% of all the fabric we buy or use in our own production in EU.

Our suppliers:

We have 100% signed commitments to our restricted chemicals programme from suppliers, and all our core suppliers have obtained a higher awareness on environmental challenges. Our effort on restricted chemicals has contributed to a general higher awareness of avoiding harmful chemicals in our clothing.

We – as for 2013/2014 – continuously test and keep our focus on sourcing fabrics that comply to Oeko Tex 100 or EU Flower label.

Anti Corruption:

Our commitment

We strongly take distance from all forms of corruption, including extortion and bribery. It is our policy that bribery must not be offered, promised, used, accepted, demanded or contributed from. We strongly support the work done by UN and other international organizations against corruption.

What we do

Our company and its affiliates are located in Scandinavia which is regarded as one of the least corrupted areas in the world, where corruption is forbidden and almost does not take place.

We distance any use of bribery in all our relations to our suppliers and we try to influence our suppliers, that corruption is very wrong and that they should also refrain from using bribery in any situation what so ever. However we are aware of the demand for small facility payments in various countries due to cultural reasons. We have informed our suppliers that we consider this corruption, and preventing this is a key issue for our cooperation, which is why we might carry out unannounced inspections to disclose bribery if we have any such indications what so ever.

What we have achieved and plans for next year

Our company:

We have included an anti bribery clause in our staff handbook that forbids all employees to receive any gifts or like from customers, suppliers or other company relations to a value of more than 50 dollars.

Until now we have never been involved in any legal cases regarding bribery and we are confident that we comply with all relevant legislation in Denmark regarding corruption and bribery.

As mentioned are we in a process of embedding our company core values where openness and trust are encouraged virtues. In addition to this we will implement the anonymous whistleblower system.

Our employees

We have raised awareness about bribery and anti corruption in our supply chain. We have established a CSR program for suppliers in risk countries where 30% of our production takes place. At the moment our production in risk countries are at A-rated suppliers only. 100% of our suppliers (in buying volume) have signed our Code of Conduct.

We will continue to encourage suppliers to organize local training within the areas of our Code of Conduct and to have external audit done. We have encouraged our suppliers to set up anonymous suggestion boxes in the factories, whereas the most important and biggest of our outsource partners already have done so.

How do we intend to make this COP available to your stakeholders

As BTG is 62,5% owned by the family and 37,5% owned by Industriudvikling, the dialogue with the stakeholders is very close. The Communication on Progress Report (COP) will be made available through the UN Global Compact homepage: www.unglobalcompact.org. We will also make this available to our board members and to all our employees on our intranet.