

# Hoffmann Group

## Communication on Progress

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### Statement of continued support by the chief executive officer

To our stakeholders

I am pleased to confirm that Hoffmann reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption.

In this annual Communication on Progress, we describe our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations. We also commit to share this information with our stakeholders using our primary channels of communication.

The past year has been an exciting and fruitful year for Hoffmann in our work with social and environmental responsibility. We started the year by engaging the services of an external consultant to help us in systemising our CSR work. This consultant is now Hoffmann's CSR manager and has the responsibility of developing and maintaining CSR management throughout the Hoffmann Group. I am also happy to announce that Hoffmann has in cooperation with one of our suppliers produced a range of Nordic Ecolabel certified products as part of our CSR strategy.

Our 2014-2015 CSR management work has focussed on measuring and assessing risks within the areas of labour, environment, human rights and anti-corruption. The findings have helped us to readjust our strategy and we developed a simple and effective action plan to tackle the identified risks. Periodic evaluations have been planned so that we can instigate preventative measures and thereby try to avoid negative impacts.

Due to the nature of our business and the external influences, it can be rather difficult to control and monitor all of the daily operations linked to our value chain. Our procedures are therefore based on due diligence and monitoring through accredited certifications, audits and company initiatives.

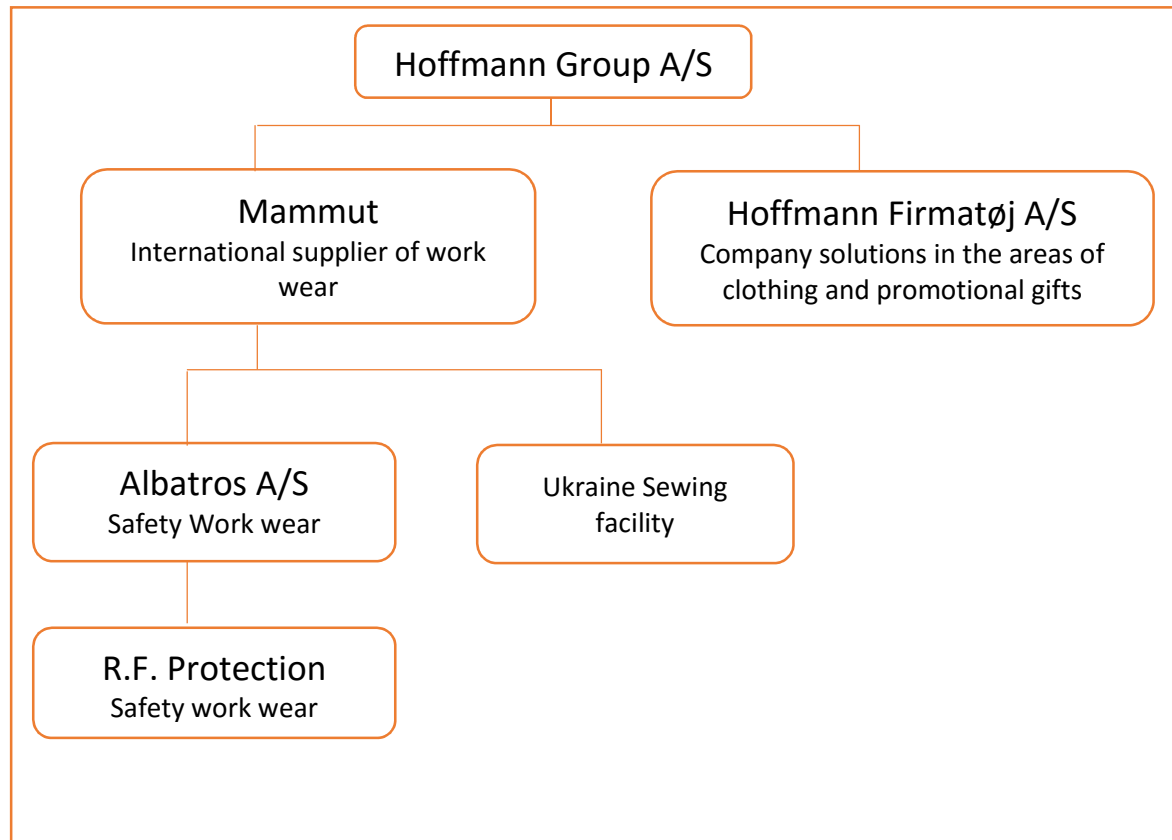
In the coming year we will continue to work with the Global compact ten principles in our daily operations .

Locally, Hoffmann is a member of the Danish fashion and textile association and actively participates in CSR networking and other relevant events organised by the association.

Sincerely yours

Finn Hoffmann  
Managing Director

## CSR management at the Hoffmann Group



## Introduction

The need for sustainable solutions is obvious when we look at the challenges that are evident today. We believe that business is a strong force to instigate change and an essential part in solving the climatic and human related challenges. Businesses can do this through measuring and managing risks, searching for opportunities and through a principled approach to doing business. **These are vital tasks in Hoffmann's CSR work.**

In contributing to these tasks, Hoffmann has formulated a sustainable strategy with the aim of delivering long-term value in financial, environmental, social and ethical terms.

Sustainability or "Corporate sustainability" for us means maximizing resource efficiency whilst supporting social wellbeing through concrete tools

CSR management extends to the entire Hoffmann Group that includes Mammut work wear in Denmark as well as Albatross, R.F. Protection in Poland and a sewing facility in Ukraine.

Because of the nature of our business and according to social and environmental parameters, the highest impacts occur within our supply chain. We have therefore prioritised the "CSR performance" of the supply chain and a systematic approach of "mapping" our suppliers has been an ongoing progress.


The aim of this “mapping” is to get a clear picture of the social, environmental and quality impacts throughout the life cycle of the products. This information provides us with the knowledge that we can use to plan the improvement of the impacts.

Taking into account the impacts relating to our operations, our approach is based on:

1. Clearly measuring our risks and defining our policies, sustainable goals and measures needed.
2. A close collaboration and alignment with customers quality, ethical, social and environmental requirements
3. A close cooperation with the stakeholders in the supply chain so that guidelines, requirements and verification procedures are clear to all
4. A commitment for a constant and transparent improvement of our and our suppliers sustainable performance and utilisation of new technologies and information to contribute to better, more sustainable products.
5. Use of credible tools such as standards, certifications, Ecolabels and audits will serve as the platform and set the benchmarks in verifying and documenting compliance.

#### Overview of CSR work up to date:

Focus Areas	Initiatives
<p><b>Social responsibility:</b></p> <p>Our responsibility towards both our workers and the workers associated to the production of our products and other areas of our operations regarding their rights and working conditions.</p>  <p>We are members of <b>United Nations Global Compact</b></p> <p><b>We are an approved suppliers to a number of companies working with CSR issues.</b></p>	<p>Risk assessment of Hoffmann operations and defining priority areas (The supply chain)</p> <p>Development of Hofmann <b>Code of conduct</b></p> <p>Defining <b>Human rights</b> and <b>Anti-corruption policies</b></p> <p>Developed “<b>Responsible sourcing guidelines</b>” that includes requirements about human rights, labour, anti-corruption, environment, responsible operating principles/business behaviour, products liability etc.</p> <p>Developed a <b>Self-assessment questionnaire</b> for our suppliers.</p> <p>We are working with the compulsory “APV” – work environment assessment and action plan.</p> <p>Rewritten our employee manual that describes rights and requirements.</p> <p>Provision of fruit for employees –no charge</p> <p>We have a committee for handling employee grievances</p> <p>Employee orientation regarding all matters at Hoffmann</p> <p>Bonus system</p> <p>We are participating in various projects that promote social, ethical and environmental principles</p> <p>Locally we support organisations working with various causes such as supporting the foundation supporting children that have cancer.</p>
<p><b>Environmental responsibility:</b></p> <p>Responsibility in reducing environmental impact of our operations and our products based on life cycle approaches</p>	<p>Developed a separate “<b>Environmental requirements</b>” for textiles that takes into account waste water-treatment, use of chemicals, dyes etc.</p> <p>Participated in a project conducted by the Danish Fashion institute regarding the sustainability of selected garments using the HIGGS index.</p>

	<p>Participated in a project conducted by various associations regarding textiles in the Tirupur area in India and as a result ..</p> <p>We have developed a product range that is <b>Nordic Swan</b> certified, fair trade, wind farm, SEDEX/BSCI</p>  <p>Assessment of our energy consumption- lighting and are shifting over to LED as recommended</p> <p>Following local the laws and regulations regarding waste</p>
<p><b>Quality Assurance:</b> Responsibility to customers to provide the quality products and service</p>	<p>Developed a “<b>Quality Assurance manual</b>” that includes procedures for compliance (Testing/verification etc.), non-compliance, corrective actions, complaint-handling and so on.</p>
<p><b>Documentation</b></p>	<p>Employee handbook Code of Conduct Various Written procedures (Customer Complaint, supplier grievances, new supplier etc.) Policies and guidelines Audit reports Environmental requirements Self-assessment questionnaire Responsible Sourcing guidelines Quality Manual Workers rights Employment contracts UNDHR, ILO Conventions Chemical and packaging requirements and specifications Example of testing (Shirt by BV)</p>

## Human Rights and Anti-corruption

Hoffmann’s stand on human rights is clear; compliance with the universal declaration of human rights is a must throughout all of our operations.

Corruption in all its forms including extortion and bribery are not tolerated.

We do not trade with suppliers that break the corruption principles and with any suppliers that do not comply with the universal declaration of human rights.

### Assessment and implementation

#### Business partners

An initial risk assessment showed that most of the critical impacts associated to human rights, anti-corruption, environment and labour are related to our suppliers in “high risk” countries outside the EU and that information and a more formal approach was needed.

We started the assessment of our suppliers by using a questionnaire regarding human rights, anti-corruption, labour and environment. The questionnaire as well as our code of conduct, our

environmental requirements (these documents have now been integrated in our “responsible Sourcing” guide) and our workers rights documents are sent to the suppliers who are asked to read them, answer the questions and sign them. We evaluate the supplier’s situation according to the answers and revert with input in any areas that we deem to be either unacceptable or “grey” areas. We also inform our suppliers of the various tools and resources available that can help them in their sustainability work.

A more thorough assessment is made in specific cases involving specific products and or services especially in cases where manufacturing of our products occurs in high- risk countries and industries. In these cases, we ask for third party certifications and or audits to verify compliance to Social and environmental requirements.

Third party accredited compliance systems are a very effective way of assessing a business partners and we are urging all our suppliers to start working with such schemes.

In some cases, we make an assessment by visiting the supplier.

### Hoffmann employees

Employees are informed of the importance of Hoffmann’s stand on human rights. and anti-corruption. Moreover all elements of Hoffmann’s activities are completely transparent which reduces the element of corruption greatly.

All employees working for the Hoffmann Group are provided with an employee handbook which contains the following:

- A welcome from the CEO
- The company’s mission and values
- The importance of our surroundings and our business partners
- About employment rules: The law, times, breaks, flex time, and employee contracts
- Information on wages, wage regulation and payment, apprentice wages, pension payments, holidays and other free days
- Information about the laws covering pregnancy, maternity leave and parents leave
- Information on health insurance, sick days and travel insurance
- Information about the once a week all employees meeting, the safety representatives and management quarterly meetings and the one to one yearly meetings (Employee/CEO)
- Information on employee requirements regarding smoking, dress code, alcohol, private telephone calls, email and post
- Information regarding gifts and facilitation payments relating to customers and suppliers
- Buying policy
- Information on employee education possibilities, the yearly employee development day and education grant
- Rules for personnel gifts, employee petty cash and fringe benefits
- Information about the Hoffmann personnel foundation
- Information on dismissal, resignation and retirement
- Information on the CSR work

This handbook was evaluated during the risk assessment and was adjusted accordingly.

### Other initiatives

A complaints system for our internal operations is in place to handle any grievances and or input.

Increased employees wages in our Ukraine operations to compensate for the devaluation of the Ukraine currency due to the crisis.

We are also in the process of finalising our procedures to confront anti-corruption both internally and relating to our business partners. These procedures include training/information activities and rules regarding risk areas for Hoffmann employees in 2015.

As stated above, undertaking of suppliers/business partners due diligence and compliance clauses in business contracts for suppliers.

Issues relating to human rights and anti-corruption are discussed when topics arise, at scheduled once a week meetings, and establishment of preventative or remedy measures are agreed upon as required.

At Hoffmann we keep up to date with developments such as country regulations, news about global compact etc. through the global compact web site and other local/regional CSR news.

## **Labour**

Our goal is to provide a pleasant work environment with very good work conditions, which take into account both the physical and psychological needs of our employees.

We expect that our suppliers and sub-suppliers work with labour issues as specified in our code of conduct and our workers rights document.

We expect as a minimum that suppliers uphold the country's rules and legislation covering labour issues.

### **Assessment and Implementation**

#### **Hoffmann Group**

Hoffmann has undergone a work environment assessment (compulsory under Danish regulation). As a result of the findings, a work environment group was established to work with labour issues. A work environment assessment takes place every year and a report describes the findings and is available for the Labour inspectorate. This annual report is then used to make an assessment of the situation and an action plan for the following year.

We have scheduled a work environment assessment (APV) in our other facilities based in Poland and Ukraine. The results of the employees input will be evaluated and necessary measures will be incorporated as needed.

Upgrading of Hoffmann's facilities and working conditions is a continuous task and we work with any work issues identified by our work environment group.

We have for example moved to a more modern building in our Poland operations which has better working conditions such as ventilation/air quality, lighting, thermal windows/heating etc.

We have also undertaken the following initiatives in our Ukraine sewing facilities:

- Reduce dust generated by the sewing of garments by:
  - Established a full time cleaning team to reduce
  - Proper ventilation
- Improved amenities by:
  - Establishing a self- service kitchen with all the necessary appliances

- Proper toilet and bath facilities
- Provision of free fruit regularly
- Installed an air conditioning system

We have introduced many different measures throughout our offices and storage facilities, such as ergonomic desks and chairs, machines for lifting, flexible time schedules and a modern canteen.

Workers are encouraged to discuss any work conditions topics at the weekly meetings and their input is noted and taken into consideration in future planning.

#### Business partners

We work very closely with our suppliers in aligning our activities, policies and procedures according to our customers code of conduct. As stated above, we assess our business partners and communicate our labour requirements. We also visit our suppliers periodically and where possible we assess the working conditions first hand.

We urge our suppliers to adopt accredited third party certifications as it is one of our long term goals. "All our suppliers are certified and audited by accredited schemes".

An issue that we have been working closely with our suppliers concerns our sub-suppliers that are typically the manufacturers based in "High risk" countries.

As a result, we have in this past year documented our suppliers/su-suppliers labour standards through third party certifications and audits such as SA 8000, Fair trade, BSCI, Sedex, ETI etc.

## Environment

Our overall environmental objective is to reduce environmental impacts throughout the life of our products and our processes within our operations. This includes our internal operations (relating to offices, warehouses and sewing facilities) as well as our supply chain that includes the manufacturing of materials and products.

#### Assessment and Implementation

##### Internal initiatives

We have undertaken a number of projects relating to environmental issues and in particular our products performance

We participated in a project together with the Danish Fashion Institute where data about selected products was provided and an analysis was made using the Higgs index. A score of the present environmental performance was provided with an analysis and the opportunity to improve the score by changing materials and processes.

##### Business partners

It is our ultimate goal to finally end up with business partners that fulfil the criteria of accredited third party schemes. As such, Ecolabelling criteria and Ecolabel licences play an important role both in the assessment and establishment of possible long term relationships with suppliers.

One of the procedures in place is our mapping of suppliers (Due diligence) that shows us the current environmental state of the companies. We have information about whether a particular company holds any certifications and which, we are also informed of other environmental issues such as waste water treatment, use of chemicals, dyes, as well as information on biocides, formaldehyde etc.

A close cooperation with established suppliers goes beyond assessment and evaluation. For example, we engage into close dialogue with suppliers that are not aware about the EU and Nordic Ecolabels and inform them about the benefits of these official Ecolabels, we inform them about EU and Danish legislation regarding prohibited substances, heavy metals and so on.

We participate actively in projects that promote environmental initiatives such as the recent project conducted by a cooperation between the Danish federation of SMS enterprises, Nordic textile associations and competent bodies as well as stakeholders from Tirupur/India and supported by the Nordic council of ministers

Such projects provide an excellent platform for meeting business partners that are working with social and environmental responsibility. It also acts as a catalyst for new "Green opportunities" and it certainly is the case for the Hoffmann Group. We started a cooperation with a company and are now able to produce a range of Nordic Ecolabel certified products. Our production company also fits well within the other areas of our CSR work as they hold the following certifications/standards/awards:

	The Business Social Compliance initiative is a leading business-driven initiative for companies committed to improving working conditions in factories and farms worldwide		Worldwide responsible Accredited Production is a certification process promoting safe, lawful, humane and ethical manufacturing
	The SA 8000 is a compliance standard based on the UN declaration of human rights, conventions of the ILO, UN and national law		The Ethical Trading Initiative is a leading alliance of companies, trade unions and NGOs that promotes respect for workers' rights around the world
	The ISO 9001 is a compliance standard for quality management systems		Global Reporting Initiative promotes the use of sustainability reporting as a way for organisations to become more sustainable and contribute to sustainable development...
	Fair Trade works to secure a better deal for farmers and workers		Enabling responsible supply chains is dedicated to driving improvements in ethical and responsible business practices in global supply chains
	Carbon Neutral means that the net amount of carbon compounds emitted into the atmosphere is reduced to Zero		Wind farm means that the power used comes from wind.
	Oeko tex 100 evaluates and screens for any harmful substances present within processed textiles, which are intended to come into contact with consumers.		The Nordic Swan sets criteria throughout the life cycle of the product. It stands for high Quality, Lower Environmental impact, Consumer health safety, Workers rights and proper working conditions

Another example of our close cooperation with business partners occurs with our main supplier of fabric. This company is in constant dialogue with the Mammut division about new materials and new suppliers and together we undertake due diligence before entering into any business dealings. We are also working with including contract clauses that cover both environmental and social issues.



Mapping and evaluating of business partners is an ongoing process and we have the view that business partners should have the opportunity to change “bad environmental practices”. We therefore have a procedure where business partners with critical environmental issues are asked to correct these by a certain date depending on the specific issue.

Businesses with very critical environmental issues are confronted and consequences include the termination of current business activities. This occurs for example when a producer is violating National laws, non-treatment of waste- water or engage in other environmentally hazardous practices.

#### At the Hoffmann Group

The objective is to continuously improve our environmental performance.

As shown in the organisational diagram above, the activities within the Group are administrative, sales/marketing, sewing and transporting. These occur in offices, warehouses and sewing factories.

The main environmental impacts in our internal operations within these premises concern energy consumption, waste, transport efficiency and use of products and services.

Although we have been working with these issues, we have realised that we need to formalise our efforts and as such we are in the process of defining an action plan that will manage our environmental work throughout our Group.

Some of the initiatives to date, include reduction of electricity through better lighting, (The CO<sub>2</sub> saved on lighting will be 25 tons in Mammut when we are finished with changing to LED).

We have changed the windows in our sewing factory to thermal windows as well as relocating our other sewing factory with better insulating and heating facilities.

We are actively monitoring the market for better environmental solutions especially in the area of waste. Garment waste is a difficult area and the environmental impacts rather high especially in recycling work wear that belongs to security forces, private companies etc. Technical possibilities are also limited and we have discussed this problem with both the Danish Technology institute and the Danish textile association.