

Hoffmann Group

Communication on Progress



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.

In this last period, CSR management work has continued to focus on measuring and assessing risks within the areas of labour, environment, human rights and anti-corruption.

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.

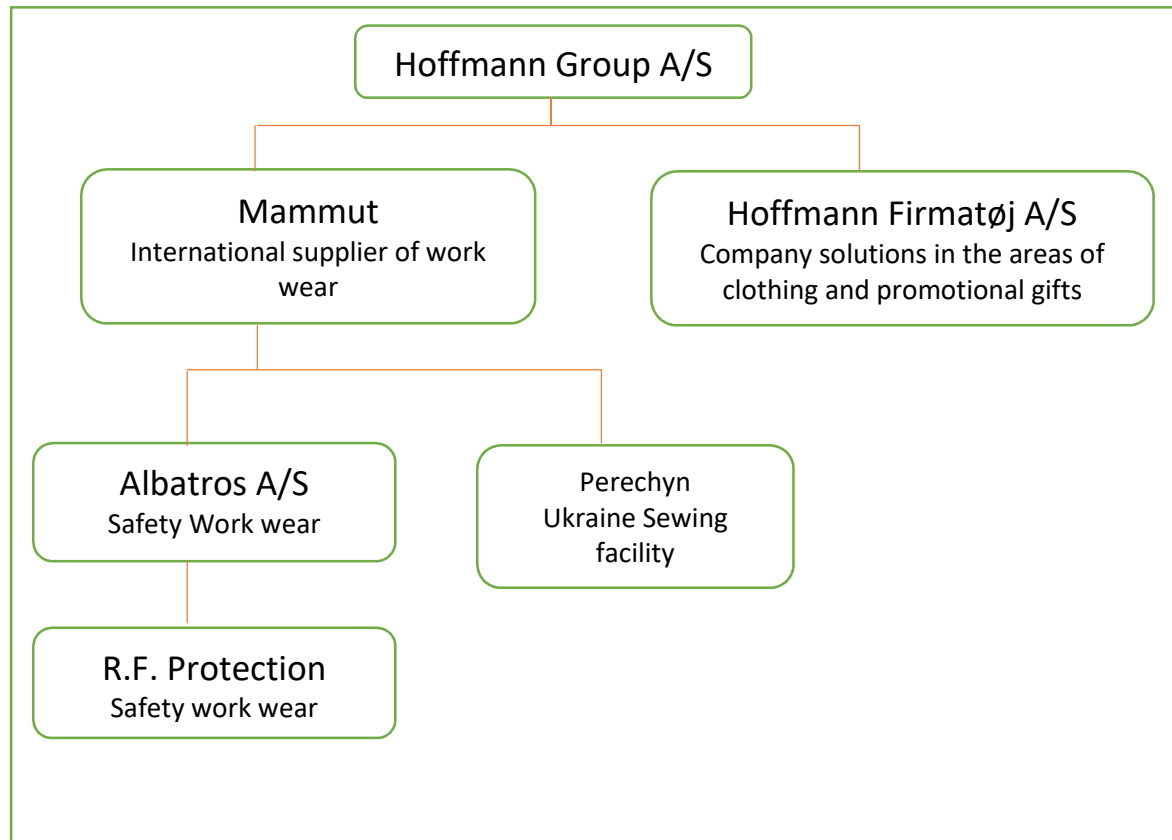
In the coming year we will continue to work with the Global compact ten principles in our daily operations.

Locally, Hoffmann is a member of the Danish fashion and textile associations 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 Perechyn a sewing facility in Ukraine.

Taking into account the environmental impacts relating to our operations, our approach to our CSR work 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 own 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.

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

We continue to assess 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 all cases, we make an assessment by visiting the supplier.

Internally, we continue to inform our employees of the importance of Hoffmann's stand on human rights and anti-corruption and to advance transparency.

All employees working for the Hoffmann Group are provided with an employee handbook which contains information regarding working conditions and workers rights.

This handbook is evaluated and adjusted yearly and or when it becomes necessary due to employee input or change of policies etc.

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

We monitor the situation in the Ukraine and compensate workers for the devaluation of the Ukraine currency due to the crisis.

Issues relating to human rights and anti-corruption are discussed at our weekly meetings, where 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.

We continue to update our core documents that include:

- Code of conduct
- Human rights and Anti-corruption policies
- Responsible sourcing guidelines
- Self-assessment questionnaire for our suppliers.

We continue to:

Work with the compulsory "APV" – work environment assessment and action plan.

Provide complimentary fruit for employees

Offer an end of year bonus to our workers based on the company's performance

The work with the committee for handling employee grievances

Participate in various projects that promote social, ethical and environmental principles

Support organisations working with various humanitarian causes such as supporting the foundation supporting children that have cancer.

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

Internal labour issues are assessed through our yearly work environment assessment (compulsory under Danish regulation). The findings are used to make an assessment of the situation and an action plan is drawn up for the following year. The findings are also available for the Labour inspectorate.

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

We monitor the work environment in all our sites and take action to keep the working conditions as pleasant as possible. 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 reduced dust generated by the sewing of garments by establishing a full time cleaning team and installing proper ventilation. We have improved the amenities by establishing a self-service kitchen with all the necessary appliances and proper toilet and bath facilities. Furthermore, we have installed an air conditioning system for the comfort of the workers in the sewing facility

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 own and 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".

We continue to work closely with our suppliers concerning 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/sub-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 continue to participate 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. We have moved further with the HIGG tool and have looked at materials, Manufacturing, packaging, transport, use and end of use as well as internal workplace standards, employee orientation and development, documentation of social/labour performance, mapping and risk assessment and so on.

We have also started participation in another fibre to fibre ECAP project- (European Clothing Action Plan) where amongst other areas, we are focussing on the recycling possibilities of our garments.

Business partners

It is our ultimate goal to finally end up with business partners that fulfil the criteria of accredited third party schemes and or are actively participating in initiatives that work continuously and promote environmental improvement.

As such, Ecolabelling criteria and Ecolabel licences, as well as initiative like the HIGG index, 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.

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.

This last period has been a very active period regarding environmental issues. One of the priorities in our 2015-2016 action plan was to look closer at our garment waste and the possibilities in overcoming the existing economic and security barriers.

We did this by both looking at the Group’s environmental end of use (EOU) impacts through the use of the HIGG tool and the through the ECAP project. We are also cooperating with the Danish Technological institute regarding possibilities of using robotics in garment sorting and development of new raw materials from garment waste.

As a result of the findings so far, we have instigated a feasibility study regarding the setting up of a recycling facility at our Mammut headquarters. The study will investigate various key areas such as the introduction of cost effective collection system, the economic aspects of the daily operations, the social aspects and the possibilities of producing and marketing innovative raw materials.

We expect to have the results of this study within the next 5-6 months at which time a decision will be made about the establishment of the centre.

Other environmental initiatives included:

The definition of an action plan to manage our environmental work throughout our Group.

Reduction of electricity through better lighting

Replacement of 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 continuing to actively monitor the market for better environmental solutions.