



Communication on Progress

Period - 2016-2017

Statement of continued support by the Chief Operational Officer

To our stakeholders

I am pleased to confirm that Borch Textile Group 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 the coming year, we will continue to work with the Global Compact ten principles throughout our daily operations and thereby continue to contribute to the UN Sustainable development goals.

Sustainability at Borch begins with our company's values and conducting our operations responsibly, is a vital part of our values. Doing business responsibly for us means pursuing opportunities to solve societal challenges through innovation and collaboration.

Ulrich Mosegaard

Chief Executive Officer

Statement by the Borch Group management

Our CSR goal is to be a responsible company that as a minimum, complies with all relevant legislation, upholds internationally recognised minimum standards and respects universal rights.

We therefore conduct our business responsibly and seek to advance the Sustainable Development Goals (SDGs) by adopting and supporting the UN Global Compact principles.

Responsible business for us means avoiding infringing on human rights, avoiding harm to public and the environment and addressing all adverse impacts associated with our operations and value chain.

In practice, this means making sure that a company identifies, prevents, mitigates and accounts for any negative impacts it may have on society and the environment, and establishes a culture of integrity and compliance.

Our contribution to the SDGs has become the core of our main aim and we see linkages (direct and indirect) between the principles and their contribution that these can make towards the achievement of the SDGs. For example; Supporting the environmental principles 7 (business...) contributes to a number of SDGs that relate to the environment, including ecosystem and forest stewardship; ocean and freshwater sustainability; and climate action. These environmental areas however also effect human-related SDGs, that include agriculture, food and consequently health.

We consider business risks related to SDGs, and adjust our business practices to avoid doing harm and thereby undermining the SDGs.

Working responsibly for us occurs through collaboration with our value chain and other stakeholders such as third party accredited standards and certifications.

Human Rights and Labour

Policies and goals

Our goal at Borch Textile Group A/S (BTG) is to provide a pleasant work environment with proper and safe work conditions which take into account both the physical and psychological needs of all our employees and our suppliers employees.

BTG supports and respects the Universal Declaration of Human Rights and the ILO core conventions. Human rights abuses will not be tolerated and BTG will not engage in businesses with any stakeholders where human rights abuses occur.

BTG has a number of policies and procedures in place to ensure that all employees are treated fairly, with respect and according to the applicable laws covering our industry.

Regarding our supply chain, we engage in constructive dialogue and try to use our position to both influence and require that our suppliers comply with the articles in the UDHR and the ILO core conventions

We expect that our suppliers work with labour issues as specified in our code of conduct covering the Global Compact principles and consequently treat their employees with respect and dignity.

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

BTG will continue to work with human rights and labour issues In the coming year.

Assessment

Assessment of our policies, procedures, working conditions and employee rights occur:

Internally

- Through the annual work environment evaluation (APV in Danish). This is both compulsory and a good tool that enables us to look at the work environment, the ergonomics and the psychological aspects associated to our daily operations
- Management meetings where policies, procedures, complaints are reviewed and action plans are formulated.
- The weekly meetings where workers rights is an open point on the agenda for all employees
- Through the use of external consultants.

Externally

- Through the BSCI system and the audits undertaken. Approximately a third of our suppliers are members of BSCI
- Through regular visits to our suppliers facilities
- Through the BTG questionnaire regarding social and environmental aspects and compliance to both the country's laws and regulations as well as our stipulated requirements

Implementation

We carry out an annual APV (work environment evaluation) and are members of an employees association where we agree to a collective agreement.

BTG prepares an action plan and implements the actions that are based on employee input and the APV evaluation. BTG uses external consultants to provide assistance in assessing, developing and implementing planned actions.

All employees are issued with a contract of employment which clearly states the terms and conditions including salary rates and overtime arrangements.

All employees are furthermore issued with a company handbook and instruction manual which includes:

- Information on the company such as the company's philosophy, the company structure and what the company provides in terms of social activities and facilities.
- The company's standard terms of employment such as salary, sickness leave, holidays etc.
- The company's policies, rules and expectations regarding ethical and social issues such as, smoking, alcohol and mobbing policies etc.
- Work and machine instructions and education activities

Externally, we are working with a responsible sourcing programme especially valid for suppliers based in "risk" countries. The programme includes both Borch's requirements, useful tools as well as a system for mapping the suppliers.

Suppliers are mapped and rated according to our classification table and new suppliers undergo our qualification procedure before business can commence.

Measurement of outcomes

An external audit of the company pointed a few minor issues all of which have been taken care of.

The establishment and implementation of the BTG's values and work procedures. These are Focus, Quality, Trust and Relations and have been integrated through company workshops and group meetings.

BTG has an excellent reputation both within the industry, with customers and the local society.

BTG has not been subject to any investigations, legal cases or incidents involving Human Rights violations

As a minimum, BTG meets all National applicable labour laws and regulations in the countries of operation.

Necessary safety measures such as fire fighting equipment, first aid kits, machines safety instructions, ladders inspections are in place and fire drills, evacuation procedures, first aid training and so on, are conducted once a year.

Training courses relating to personal and competence development are available for both men and women.

We have a flexible time system in place and payment for overtime is defined and applied according to the country's legislation.

The employees have access to fresh fruit, coffee/tea and breakfast on Fridays

Awareness about our CSR work has increased both amongst our employees as well as within our supply chain

Our suppliers have signed the BTG's legally binding trade agreement that includes compliance to the chemicals REACH and BTG's CSR requirements.

A large number of our suppliers are either BSCI members and or SA 8000 certified.

All of our suppliers have read and signed our Code of Conduct that clearly specifies compliance with Global Compact ten principles.

Locally, we support Danish Hospitals clowns, Cancer children families, Cancer association, Childfrens camp at Langeland, Red cross youth, Childrens foundation as well as thhe Lipela childrens home in Kenya and a number of local sport associations

Environment

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

Policy and goals

Our aim is to reduce environmental damage resulting from our operations. This includes our internal operations that are mainly administrative and such office related as well as our supply chain, which includes the production of raw materials, fabrics and garments.

Within the overall aim, BTG has defined specific areas that we are systematically working with and are prioritising yearly.

These areas include:

- LCA of specific products through ISO Type 1 Eco-labelling
- Materials program: Tracking measuring and documenting the environmental impacts, supplier guidelines, chemical responsibility and impact reduction management and material selection and approval procedures
- Manufacturing: Manufacturing program, supplier guidance and continuous improvement, water use and waste water treatment
- Packaging: Program, including PRSL
- Transportation: Carrier selection, Optimisation and utilisation of transportation assets
- Use: Product care and repair service
- End of Use

Assessment and Implementation

Internally, we are constantly monitoring the market for any new developments that may enhance our environmental performance in the areas of energy use, transport, waste optimisation and use and end of use of resources.

Regarding our suppliers, we use third party certifications such as Oeko-tex and the EU and Nordic Ecolabels as well as our questionnaire to assess the environmental performance.

We have mapped almost all of our suppliers and we have gone into dialogue with most of these about various environmental issues such as use of third party certifications, clean water and so on.

As a minimum we expect that everyone involved directly or indirectly in our operations and supply chain comply with all National and regional environmental legislation of the country in question.

This last reporting period, we have been focussing the life cycle impacts of one of our most used fabrics. We used the criteria of the European Ecolabel both for assessing, documenting and showing compliance to these criteria.

Measurement of outcomes

We have lodged an application for a licence under the EU Ecolabel scheme. We have documented the environmental impacts of fibre production, processes, chemical use as well as the quality requirements for fitness to use and documented the CSR issues at making up point.

Our EU Ecolabel documentation covers the following:

Stage	Criteria Explanation
Fibre production	Covers the environmental production impacts of both natural and man-made fibres such as pesticide use, emissions etc. It also covers fibre content and traceability.
Chemicals and process criteria	Covers chemical use in spinning, fabric production, pre-treatment, Dyeing, printing, finishing and making up as well as energy and water use/emissions.
Fitness to use	Covers Dimensional changes during washing and drying, Colour fastness to washing, perspiration, dry/wet rubbing and light. Also covers fabric resistance to pilling and abrasion and durability of function.
CSR	Covers fundamental principles and rights at work as described in the international labour organisation core labour standards and the UN global compact.

We have raised environmental awareness amongst our suppliers and our customers so that all of our suppliers are now supplying Oekotex products.

All our suppliers have signed and committed to comply with our restricted chemicals programme

There have been no environmental breaches reported within both our operations or within our supply chain.

Anti-corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery and that we will not trade with companies that engage in corruption activities.

Policy and goals

Our ant-corruption policy states clearly that corruption in all its forms including extortion and bribery is not tolerated.

Assessment and Implementation

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.

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.

Measurement of outcomes

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.

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 in the areas described in our Code of Conduct which includes anti-corruption and to have external audits 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.