



COMMUNICATION ON PROGRESS

2019

Sustainability Report based on UNGC



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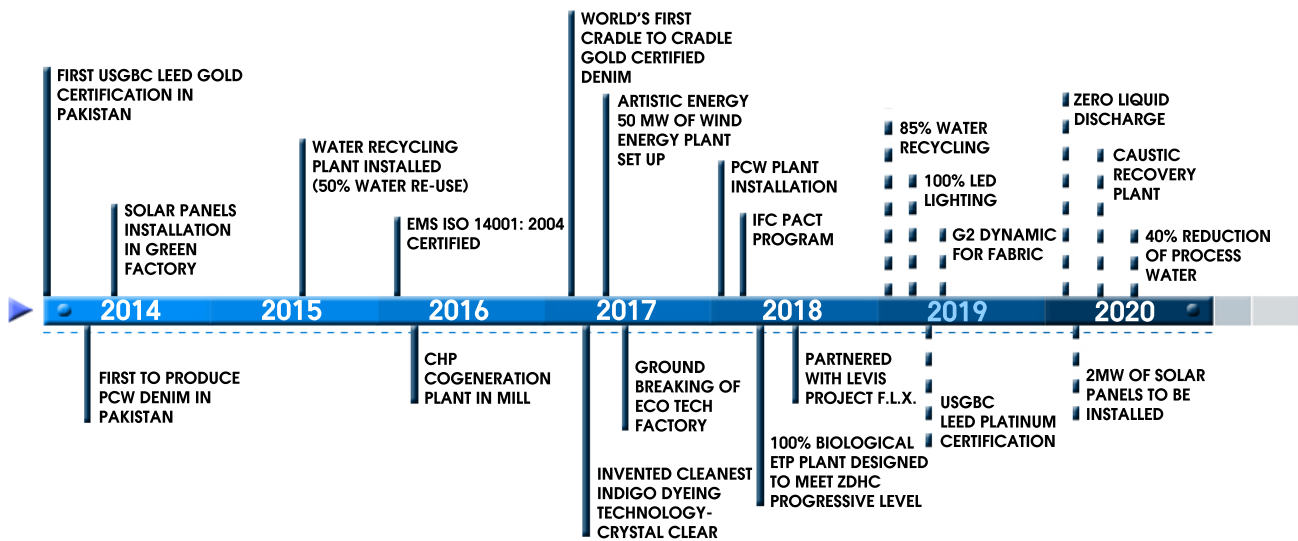
Introduction

The name of Artistic Milliners has been around since 1949; over the years, the company has evolved to become a vertical denim manufacturing facility employing thousands of people in fourteen different factories and mills in the metropolitan of Karachi.

Our business is exporting denim fabric and garments to the Europe and America. Centered on our core values of quality, service, innovation and sustainability, we are the preferred choice of leading denim brands of the world.

Our identity however goes beyond the product to the idea of social, environmental and economic goodness. In other words, for us, the process of creation of denim is an opportunity to create net positive impact on people, planet and profit.

A quick glance at AM's journey & milestones



■ ■ Letter from our CEO

At Artistic Milliners, we view challenges as opportunities. With textiles being a global industry of 3 trillion dollars and constituting about 7% of total world exports, there is a significant area where global textile leaders can exercise their influence for sustainable development. Further, we see the fact that denim industry employs water, energy, chemicals and dyes in its production and processes, as an opportunity to work for environmental conservation on a variety of different fronts. It's because of this lens of opportunity that we are now the proud owners of Pakistan's highest rated LEED Platinum factory; and the country's first denim company to be Fairtrade Certified.



This is our first Communication on Progress Report for UN. I am pleased to reaffirm Artistic Milliners support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labor, 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 sharing this information with our stakeholders using our primary channels of communication. This report is also our commitment to transparency; and our attempt to document, benchmark and track our consistent journey towards sustainability.

In 2018, Artistic Milliners was cited as an example of women empowerment 'in the whole of denim industry, not just Pakistan's' by Sportswear International. Our Executive Director, Murtaza Ahmed made it to the list of Financial Times and HEROes Male Champions of Women in Business in 2018. Artistic Milliners was mentioned twice in the list of 27 Revolutionary Denim Innovations You Need to Know compiled by the Denim Hunters. We are the creators of the World's first Cradle to Cradle Gold Certified Fabric and our Cordura Fabrics were voted into the prestigious Material Connexion Library.

Our present is promising, but if there is one thing that rests at the core of Artistic Milliners, it's the urge to reach out for the future and work in it. Sustainability is an ideal based on Excellence; and with this ideal at the core of our business, we strive to make sure that our success is the success of all our stakeholders including the future inheritors of our planet.

A handwritten signature in black ink that reads "Yaqoob Ahmed". The signature is written in a cursive, flowing style.

Yaqoob Ahmed
Chief Executive Officer

■ ■ Note from Managing Directors

I believe the answers to majority of global sustainability issues lies at the heart of co-creation and innovation. Artistic Milliners has given the denim industry breakthroughs such as inventing the cleanest indigo dyeing technology and world's first cradle-to-cradle Gold certified denim. Solutions like these that are scalable impact the whole industry and the results in terms of curbing climate crises and conserving water consumption are huge. These examples are only a window to how the future looks like. I am very confident that our company is headed in the right direction and this report is a testament to it.

Omer Ahmed

Managing Director, Denim and Spinning Division



We are glad to partner with UNGC to align our work on sustainability with UN global agenda. This has given us perspective on where we stand and how our efforts have far-reaching impact beyond the boundaries of our factories. The fashion industry can play a significant role in achieving UN Sustainable Development Goals since it lies at the complex intersection of capitalism, innovation and mass appeal. At Artistic Milliners, we are leveraging all these challenges to our advantage- this report is a summary of our work and gives an insight on where we are headed in the future.

Murtaza Ahmed

Managing Director, Garments Division



Inside this Report

This is the first UNGC COP Report of Artistic Milliners. This is our attempt to record, publish, benchmark and track our sustainability progress. This is also a medium to communicate with our stakeholders and an opportunity to collaborate with them on different fronts related to responsible business practices. The reporting period for this report follows AM's fiscal year of July 1, 2018 – June 30, 2019. In preparing the content for this report, we have consulted the Global Reporting Initiative G4 reporting framework to serve as an informal guideline. The report covers all major sustainability aspects of our organization; materiality issues have been selected by feedback from our stakeholders and from the analysis of company's top priorities itself. We have touched selected aspects of environment, social, innovation and green collaborations in this report.



Human Rights

In addition to the basic compliance policies mentioned in the succeeding session, Artistic Milliners has enforced following strategies and projects to support and promote human rights.

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.



1- WORKPLACE DIALOGUE PROGRAM

In collaboration with HnM, we are also implementing Workplace Dialogue Program in our factories. Under this project, following actions were taken to establish effective communication channels (functional work councils).

- **Managers Training and Briefing:** To help understand business case of workplace dialogue and engagement
- **Supervisors Training:** To help understand middle management role in implementing Workplace Dialogue.
- **Screening of specially made movie on Workplace Dialogue:** To create awareness on why workers council is important, the election process and how it functions.
- **Election of Workers' Council:** Transparent elections building trust between workers' and workers' representative and management.
- **Training of elected Work Council representatives:** To help them understand their roles and responsibilities and equip them with soft skills on problem solving and communication
- **Monitoring and Evaluation:** Tracking the performance of program via measuring employee turnover, and grievance addressing rates and identifying areas of improvement.

2- DIVERSITY AND INCLUSION AT ARTISTIC MILLINERS

Artistic Milliners has conducted materiality analysis for identifying priority groups for our work on inclusion. The prioritized 3 areas where we can make the biggest impact: Women Empowerment, Differently abled people and Generational Diversity.



The company has launched its D&I Strategy earlier this year- under this we are including Unconscious Bias training program for our employees and making strategic changes in our building constitution to make workplaces accessible to challenged people.

3- ADULT LITERACY PROJECT

AM commenced its Adult Literacy Program in October 2016 in collaboration with an NGO, Literate Pakistan. The program is designed to educate an



adult, in a span of 6 months, to a level where she can read and write Urdu language and acquire basic numerical skills. In 2018, we are scaling it to cover 2600 workers in a span of 3 years (2019-2022). This mega project will be done in collaboration with the NGO, The Citizens Foundation. Our initial survey in our factories indicated that most adults do not pursue academic education because of lack of resources and also because their daily routines leave no time for personal developments. By integrating educational program with their work timings, we can make basic education accessible to our workers.





Labour

Basic Compliance and Company's Policies

Artistic Milliners work with well-established global denim brands and as such complies with basic Code of Conducts covering matters such as minimum wage, working hours and freedom of association etc. We have following policy documents covering all angles of decent work and human rights:

- 1- Compensation and Benefits Policy
- 2- Human Rights for Business Policy
- 3- Prohibition of Forced Labour
- 4- Abolition of Child Labour Policy
- 5- Grievance Management System

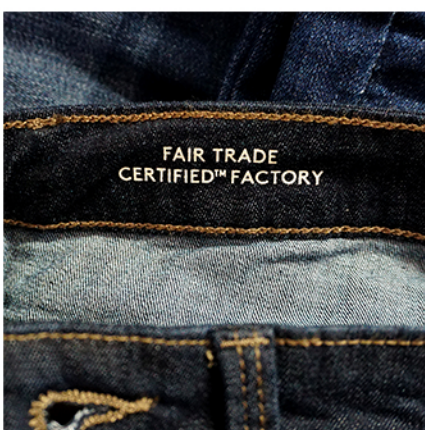
Further we are BSCI and Fairtrade Certified. The Business Social Compliance Initiative is a leading business-driven initiative for companies committed to improving working conditions in the global supply chain. Fairtrade is a step further. Fair Trade™ USA is a third-party certification process which ensures that in return of the factory commitment to social and environmental sustainability through the Fair Trade™ standards, workers receive a premium that can be used to fund the project that they feel is most needed. For a factory to be Fairtrade certified, it has to go through a 300 point audit covering areas such as fair wages, working hours, health and safety and the environment. Currently, there are only 50 Fair Trade™ Certified apparel and home good factories in the world.

Principle 3: Businesses 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; and

Principle 6: the elimination of discrimination in respect of employment and occupation.



In Fair Trade™, a percentage of the product cost is given to the Worker Fund called the Fair Trade™ Premium. The workers manage the funds directly without the involvement of management and also get to vote where they would like to spend the fund. In a way it's the most direct access of a consumer at the end of supply chain to the garment workers.

Fairtrade funds are managed directly by the Fairtrade Committee that has equal representation of male and female workers elected democratically via factory-wide poll.

The FTUSA project will impact 3,500 workers directly. By mid of 2020, we plan to cover two of our more units under Fairtrade increasing the impact of the program to further 5000 workers.

Training and Development

The future at Artistic Milliners is focused on Training and Development. For the people who give us the unbeatable quality of products that AM prides itself on, this is a way of acknowledging them, lifting them, and making them more empowered to lead better personal and professional lives.

A point to note is that most of our concerted training and development efforts are focused on the worker and supervisor levels; reason being that this is the group who forms majority of our workforce and paradoxically this is exactly the group that remains removed from visibility at top management level. Below are some of our major efforts towards training and development of our workers.

1- ARTISTIC COLLEGE OF TRAINING AND DEVELOPMENT

AM inaugurated Artistic College of Training & Development (ACTD) – a state-of-the-art infrastructure to hone the personal and professional skills of our workers.



ACTD is purely an educational initiative which will ensure smooth availability of trained professionals according to the demands of the organization in the years to come. Planned over an area of 20, 000 sq. ft, the facility comprises of machine training area, lecture rooms, library & study area, and computer room for CAD training, mechanic training, innovation area and office cubicals.

As per AM's vision regarding ACTD, the organization aims to train 500 workers, 40 middle managers and 100 Management trainees over a span of one year.

2- LEVI'S WORKER WELLBEING INITIATIVE

Despite the fact that more than one person is earning in an average household in Karachi, women workers still face problems such as, family debt, and shortage of



money for critical expenses such as education and healthcare etc. Even though Artistic Milliners has worker-friendly initiatives such as charity funds, health insurance via government and free lunch and transportation for work, the families are unable to pull themselves out of poverty.

Under the umbrella of Levi's Strauss and Co. Worker-Wellbeing program, Artistic Milliners has teamed up with an NGO, Pakistan Micro-finance Network, to provide experiential learning on financial matters to its workers. The program duration was of 1 year spanning 2018 and targeted 50% of. The CSR team at Artistic Milliners identified measurable KPIs such as number of workers opening bank accounts, availing micro-credits and generating alternate source of incomes to ensure that program yield concrete results.

Program Outline of Financial Literacy program includes topics such as Banking, Insurance, Asset Diversification, Investments and Savings etc



Women Empowerment

One of the priority areas of Artistic Milliners is Women Empowerment. The company is currently working in partnership with international and national organizations to empower and bring up the women of our factories. Artistic Milliners is a signatory of UN Women Empowerment Principles. Some of our work domains are listed below:

1- WOMEN IN TOP MANAGEMENT

Artistic Milliners differentiates itself from its competitors by building a strong reputation as the only textile company in Pakistan's manufacturing sector with the most women in senior management positions. Currently, the ratio of women and men in senior management is 50:50. Over the years, women at AM have been recruited in various non-traditional senior leadership roles such as the Heads of the Planning, Supply Chain, Merchandising, CSR, and Communications Departments, which has further cemented AM's position as a market leader when it comes to gender diversity in business. The company was covered as a case study on "Advancing Women in Business Leadership and Management" by IFC, World Bank Group in December 2018.



2- GAP INC. P.A.C.E. PROGRAM

P.A.C.E. or Personal Advancement and Career Development is the flagship

program of Gap Inc. that focusses on life skills training of female garment workers. The program has received endorsement in Clinton Global Initiative AGM and aims to impact 1 million women around the world.



The centerpiece of the program is 65-80 hours of module-based instruction focused on women's life and professional skills. Once the workers complete the life skills modules, they are given the opportunity to participate in enhanced technical skills training.

"I give credit to Artistic Milliners for taking up the challenge of bringing the GAP Inc. PACE Program to Pakistan. It takes vision and leadership to be pioneers and AM has lived up to its legacy by positively impacting female garment workers by providing them with foundational skills and support that will help them advance in the workplace and in their personal lives"- Elvis Francis- Director, GAP Inc. PACE program.

By 2018, Artistic Milliners completed 2 batches of P.A.C.E. Program and now plans to scale the impact across all its garment factories.



3- LITTLE MILLINERS DAYCARE CENTRE

Building on our family friendly policies, we are active members of IFC-PBC peer learning collaboration on exploring childcare services and practices in Pakistan.

International Finance Corporation and Pakistan Business Council are providing networking and expertise opportunities to vendors in Pakistan on the said topic. Via this platform, AM has revamped and standardized childcare facility at one of its factories. The idea behind this daycare is to stop treating childcare as a side issue, or a women's issue- and bring it to the center of corporate priority that it is.

The company enforced strict measures to ensure that daycare operations are run by trained staff . The staff are trained in fields like Developmentally Appropriate Practices, Basic Life Support etc. and underwent 6 months training. A certified nurse and centre-aids, and teachers are present in the facility at all times.



We are linking our initiative to provide quality childcare to our workers to Principle 2 of United Nations WEP that includes the following commitment: Support access to child and dependent care by providing services, resources and information to both women and men.

With our commitment to provide quality childcare services, we are also upholding the Global Goals for Sustainable Development, which include the target, "By 2030, ensure that all girls and boys have access to quality early childhood development, care and preprimary education so that they are ready for primary education.

4- PHOENIX PROJECT

As part of reaching out to and helping the most marginalized people in our communities, Artistic Milliners has forged collaboration with Smile Again Foundation to train and hire burn survivors in its facilities.



“We took this step because we want everybody to recognize people beyond their physical appearances. Acid victims are wholesome human beings with beautiful personalities. I think pitying people and framing them constantly as worthy of help, even though it comes from good intentions, is fundamentally wrong.” Managing Director, Omer Ahmed

Currently, the company has hired acid burn survivors on pilot basis to understand their work and wellbeing requirements; following which more staff will be hired in different departments.





Environment

Water Conservation and Towards Zero Liquid-Discharge

Our strategy for water use reduction focuses on system upgrades, process efficiencies, and employee engagement.

Some of these system upgrades include installing push taps for hand washing, storm and rainwater harvesting, and a condensate hot water recovery system. AM also has RO systems in two of our facilities, which allow us to clean the water internally for reuse and for clean discharge.

. More specifically, for our new Green Unit, the RO system treats 30% of our water for our laundry facilities. This rate of reuse equates to about 120,000 gallons of water reused per day on average, enough water for 4,800 showers per day. Some of the water process improvements include efficient loading techniques for washing and drying, and condensate hot water recovery.

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.



To counter what we withdraw and to ensure water quality, AM treats used water through our Effluent Treatment Plant (ETP) to a safe level before discharging it back to the environment. The water is tested regularly and considered non-hazardous by external auditors.

Going forward, we are taking stock of our entire water consumption in all our major mills and laundries and chalking a path towards Zero Liquid Discharge by 2025. With this, all our facilities will qualify for Aspirational level- the highest level there is on ZDHC wastewater guideline. With ZLD, we will be recycling and reusing 2 million gallons of water per day.

Artistic Milliners has also endorsed UN Global Compact CEO Water Mandate.

Product Stewardship and Recycling



At Artistic Milliners, we take responsibility of our products right from the sourcing of the raw materials to the final destination of the denim. Some of the ways we work towards product sustainability are listed below:



1- USING ALTERNATIVES TO CONVENTIONAL COTTON



Cotton is a very water intensive crop that makes use of quite a lot of chemicals and land for its production. Realizing this, AM make use of alternatives such as Better Cotton, organic cotton, and post-consumer recycled cotton for major lines of its products. Since 2012, AM has been working with the Better Cotton Initiative (BCI) to source Better Cotton in our products. On average, the use of Better Cotton reduces pesticide use by 50%, chemical fertilizer use by 30%, and uses 50% less water.

In addition to the clear environmental benefits, "Decent Work" is also promoted within the BCI system, providing the opportunity for people to work in conditions of freedom, equity, security, and human dignity.

2- CLOSING THE LOOP ON DENIM

In 2013, AM became the first denim manufacturer in Pakistan to begin working on closing the loop. We are working in partnership with I:Collect (I:CO) on this project. Closing the loop simply implies converting what is otherwise considered waste (used clothing) into new, usable product. At the moment, we produce jeans that contain at least 20% post-consumer recycled content with the same quality as conventional jeans. Our latest breakthrough is 100% recycled denim product made from pre consumer waste generated in denim manufacturing process.



3- CRADLE TO CRADLE GOLD CERTIFIED DENIM

We are the creators of the World's first Cradle to Cradle Gold Certified Fabric. This is the fabric that is 100% recyclable and is celebrated as the most sustainable denim fabric ever created. Briefly, the certification itself has 5 benchmarks against which a product is evaluated: Material health, Material reutilization, Renewable Energy, Water Stewardship and Social Fairness.



This is about the process but as a company that is completely bought in to the idea of circularity, we promote C2C because the certification looks beyond the products' second life cycle (recycle/reuse); and also underscores the fact that a harmful product recycled is still not benign to the environment.

Our innovation, done in collaboration with G-Star and Cradle to Cradle Institute received media acknowledgement from leading press such as Women's Wear Daily and Forbes. Following this achievement, the denim industry was thrust in the new era of circular manufacturing. Lots of denim brands have now started their own process of circular certification and the C2C Institute has opened its office in Pakistan to cater to increasing demand of circular certification.



As part of C2C Certification, we were also required by the Certification company to fill out UNGC Self-Assessment Tool Checklist, that we did and submitted to the C2C Institute.

Artistic Milliners attains Pakistan's highest rated USGBC LEED Platinum Certification.



LEED PLATINUM CERTIFIED

 **62%**

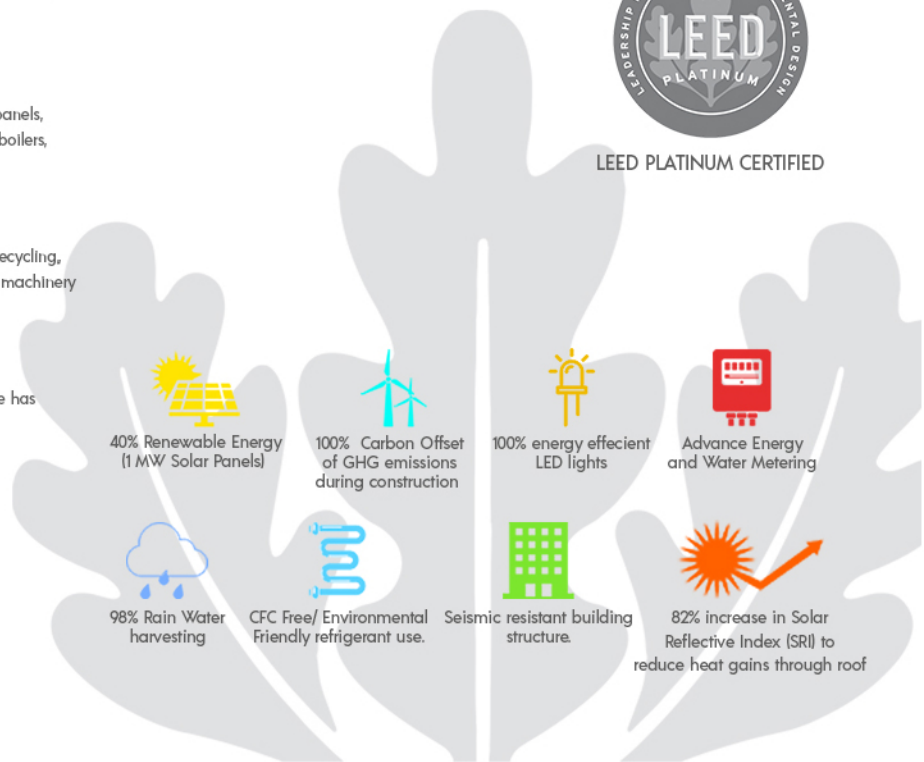
Reduction In Energy Use from solar panels, efficient chiller, waste heat recovery boilers, efficient lighting & machinery.

 **50%**

Reduction In Water Use from water recycling, efficient water fixtures, water saving machinery and Waste Water treatment.

 **83%**

On site generated construction waste has diverted from landfill.

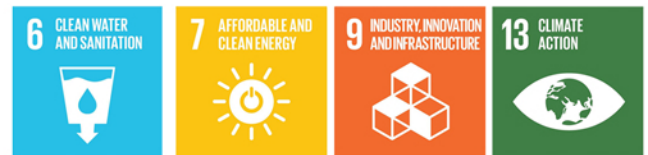


Sustainable buildings and Cleaner Energy

1- LEED PLATINUM BUILDING

In April 2019, our new garment facility, the Eco-Tech

Unit received LEED Platinum certification from the US Green Building Council. We are immensely proud of this because we have outperformed ourselves from acquiring the first ever LEED Gold certification in Pakistan to becoming the highest rated LEED Platinum in the country. Briefly, the factors that enabled us to attain the highest score in 58 specific checkpoints on energy, water, innovation and environmental quality are listed below.



- 1 MW of solar panels that would account for 40% of the building's energy requirement.
- 50% reduction in water use because of efficient water fixtures and machinery. This also links to our Water Strategy of 2019-25 and our goals of Zero Liquid Discharge.
- The building itself is seismic resistant upto the level that it can bear magnitude of 7 on Richter scale
- 100% carbon offsets of GHG emissions during building construction.



2- ARTISTIC ENERGY

With the launch of Artistic Energy in 2018, a fully owned subsidiary of Artistic Milliners- we are venturing into a project of solar and wind power via which we'll provide clean energy to the national grid. One of our first plants of 50 MW OF 29 GE Turbines is already energized and is providing electricity to 7000 households in Sindh.



The construction phase of this project started in Jan 2017 and ended in March 2018. We set our standards high both in terms of execution excellence and occupational safety. There were zero incidents of Loss Time Injury and the project recorded 1.5 million safe manhours of work.

The thermal power plant equivalent to this would have used 5.6 million tons of coal burning to generate electricity.



Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Anti-Corruption

Artistic Milliners has internal operating procedures in place for anti-corruption culture. These SOPs include:

- 1- Anti-bribery/corruption policy
- 2- Code of Business Conduct and Ethics
- 3- Supplier Code of Ethics
- 4- Security Policy
- 5- Anti-Fraud Policy
- 6- Human Rights Policy



For effective implementation of anti-corruption policy, Artistic Milliners has adopted following practices:

- 1- Regular internal and third-party audits to ensure anti-corruption laws are not breached at any level.
- 2- All donations to charitable organizations are transparent and properly documented.
- 3- All company management is trained on anti-corruption laws and practices.

SDGS COVERED IN THIS REPORT

