



# Communication on Progress

Period: 2018-2019

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

## Borch Textile CSR

The aim and result of our CSR work is to become a responsible company that strives to avoid infringing on human rights, harm to public and the environment and address all adverse impacts associated with our operations and value chain.

In practice, this means making sure that we identify, prevent or reduce and account for any negative impacts our operations may have on society and the environment by establishing a culture of integrity and compliance.

It also means that Borch and the businesses in the supply chain comply with all relevant legislation and uphold internationally recognised standards in the areas of human rights, labour, environment and anti-corruption as a minimum.

We therefore conduct our business responsibly supporting the UN Global Compact principles and thereby contributing to advance the Sustainable Development Goals (SDGs) and in particular: 3, 5, 8, 12 and 13 that are most relevant for our type of operations.

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

The main goal 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.

The Borch Textile Group is continuing to work actively regarding human rights and labour issues and has several 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.

In the coming year, BTG will continue to work towards ensuring that human rights and labour issues are aligned with UNGC principles.

## Assessment, Implementation and Measurement of outcomes

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

- The annual work environment evaluation (APV in Danish). This is both compulsory and a good tool that enables us to look at the physical and the psychological aspects affecting our employees. After the evaluation, BTG prepares an action plan and implements the actions that are based on employee input, the APV evaluation and input from external consultants.
- Management meetings where policies, procedures, complaints are reviewed, and action plans are formulated.
- The weekly meetings where workers rights are an open point on the agenda for all employees
- Using external consultants.

And regarding our supply chain through:

- The BSCI system and the audits undertaken for Borch and our suppliers
- Close cooperation with business partners
- Regular visits to our suppliers' facilities

We continue to issue all employees with a contract of employment which clearly states the terms and conditions including salary rates and overtime arrangements. Employees receive information on the company, 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. and education activities.

The employees have access to fresh fruit, coffee/tea and breakfast on Fridays as well as training courses relating to personal and competence development which are available for both men and women.

A flexible time system is in place and payment for overtime is defined and applied according to applicable legislation.

In this last period, we have introduced a new scanning system has been introduced in our warehouses which makes the employees work more efficient and thereby less stressful. Lighting has also been improved in an area that was pointed out to be problematic.

Necessary safety measures such as firefighting 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 on a regular basis.

Externally, we are working with influencing our suppliers to join the BSCI system which helps companies improve working conditions. Many our suppliers are either BSCI members and or SA 8000 certified and four more of our suppliers have joined the BSCI system in this last period.

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

We work very closely with our suppliers in aligning our activities, policies and procedures according to our own and our customers code of conduct.

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

BTG has an excellent reputation both within the industry, with customers and the local society and has not been subject to any investigations, legal cases or incidents involving Human Rights violations. Awareness about our CSR work continues to increase amongst our employees, within our supply chain and business partners.

## Environment

### Policy and goals

The overall goal is to reduce environmental damage resulting from our operations on a continuous basis. This includes both internal operations and more importantly the external supply chain, which includes the production and of raw materials, fabrics and manufacture of garments.

Within this overall aim, BTG has defined specific areas that we are systematically working with and are prioritising yearly as shown in the table below.

| Area           | Explanation   |
|----------------|---|
| MATERIALS      | 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 wastewater treatment   |
| PACKAGING      | Program, including PRSL   |
| CHEMICALS      | Chemical management, documenting, listing, approving and documenting compliance to EU and National legislation of chemicals used  |
| TRANSPORTATION | Carrier selection, Optimisation and utilisation of transportation assets  |
| USE            | Product care and repair   |
| END OF USE     | Design, recycling possibilities   |
| LCA            | Evaluate of potential environmental impacts and resource consumption associated with a product.   |

### Assessment and Implementation

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. We have in this last period, reduced energy consumption in our headquarters through further insulation of the building.

Regarding our suppliers, we use The BSCI platform, third party certifications such as OekoTex and the EU Ecolabel as well as our questionnaire to assess the environmental performance.

The BSCI platform has helped us map our suppliers and we have gone into dialogue with most of these about various environmental issues such as use of third-party certifications, wastewater treatment 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 on the life cycle impacts of one of our most used fabrics.

In order to achieve this, BTG management decided to:

1. Apply for the EU Ecolabel
2. Perform an LCA on products
3. Investigate the transport impacts

#### Measurement of outcomes

Regarding the transport impacts, the company we use has focus on reducing impacts both when using sea or air transport.

For sea freight, there is a lot of focus on the choice of fuel used especially around the content of sulphur in the oil the ships are sailing on.

The products are transported by the world's largest shipping company, Danish Maersk, which has set its goal that by 2030 they will be CO2 neutral.

The vessels also sail slower than in the past, in order to save fuel.

For airfreight, very few measures have yet been taken on the ordinary air freight, which applies to both import and export. Currently, it is very difficult to influence the choice of aircraft types, routes etc. We have however seen that some courier companies offer that parcels can send with less CO2 impact and we are looking at this option for the small parcels.

Regarding the application for a licence under the EU Ecolabel scheme, it had been lodged and we have been approved and issued a licence covering our hospital garments.

The EU Ecolabel criteria are based on the life cycle of our products and 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.<br>It also covers fibre content and traceability.<br>Our products are produced with recycled Polyester and BCI cotton  |
| 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.<br><br>All chemicals used on our products comply with the strict requirements that ensure no use of hazardous substances and less impact for the environment |

|                |   |
|----------------|---|
| 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.<br>All our products have been tested according to the relevant EN standards and comply with the quality requirements |
| CSR            | Covers fundamental principles and rights at work as described in the international labour organisation core labour standards and the UN global compact.   |

This process of documenting compliance to the EU Ecolabel means:

- That we now have a traceable, well documented product throughout the life cycle. We know exactly who the producers of fibres, yarn and fabric are, who the sub suppliers to them are and what chemicals finishes detergents etc. are used in production. We have a list of these chemicals and dyes together with MSDSs and chemical suppliers' declarations.
- That in some cases our suppliers had to change procedures, substitute certain chemicals and use other third-party standards, certifications such as Oekotex to show compliance to accessories used.
- That this effort also raised environmental awareness of our suppliers and sub-suppliers which had to make the types of changes mentioned above.

As a minimum all of suppliers are supplying Oekotex standard products and have agreed to comply with our restricted chemicals programme

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

Regarding the evaluation of potential environmental impacts and resource consumption associated with products we have started a life cycle analysis (LCA) project in cooperation with the Danish Technical University. This analysis is expected to be completed within the next period

## Anti-corruption

### Policy and goals

Our anti-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 and where corruption is forbidden.

Our Anti-corruption policy is clearly communicated to all our business partners and we try to influence them in realising that corruption is very wrong and that they should refrain from using bribery in any situation whatsoever.

We are aware of the demand for small facility payments in various countries due to cultural reasons and 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

BTG includes 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 and some partners have done so.