

DENIM CLOTHING COMPANY (PVT) LTD.

AUGUST 2021

COMMUNICATION ON PROGRESS (COP)



**DENIM
CLOTHING
COMPANY**
Denim Reinvented

ABOUT US



INNOVATIVE, SUSTAINABLE, RESPONSIBLE

Established in 2005, Denim Clothing Company is a leading manufacturer of denim garments in Pakistan. Our fully vertical setup enables us to maintain Excellent Quality, Complete Transparency and High Environmental Standards throughout our production.

Our Vision is to reimagine denim manufacturing in a way that is innovative, responsible, ethical and transparent.

At DCC, our mission is to produce aspirational quality denim products through the utilization of latest technologies, employing sustainable processes, sourcing quality raw materials and following socially responsible practices.

CEO COMMITMENT STATEMENT

I am pleased to confirm that Denim Clothing Company 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 sharing this information with our stakeholders using our primary channels of communication.

Farhan Machiyara
CEO, Denim Clothing Company



HUMAN RIGHTS

ASSESSMENT, POLICY AND PRINCIPLES

Denim Clothing Company actively supports the Universal Declaration of Human Rights. Our business model ensures that we do not associate with any countries or regimes where flagrant human rights violations and abuse are known.

DCC is committed to ensuring that all our employees are treated fairly and with respect. Our company policies and codes of conduct comply with the ISO 45001 health and safety management system and caters to human rights and safety, as well as the importance of creating a secure and safe workspace for all.

Additionally, the DCC Code of Conduct requires that all our suppliers and stakeholders also abide by applicable laws relating to human rights.

IMPLEMENTATION

Denim Clothing Company has several Grievance policies and procedures in place. All employees have access to a centralised grievance box as well as a dedicated grievance hotline to air any issues and concerns. Followup procedures ensure that all grievances are resolved via mediation and consultation with the concerned bodies.

DCC has also established Worker Management Committees which provide a further avenue to address grievances and concerns among employees.

Additionally, DCC holds regular awareness trainings towards human rights and individual workplace rights. Educational videos, posters in strategic areas as well as class room style seminars are all part of DCC's efforts to regularly reinforce and educate our staff on matters relating to human rights and safety.

As an equal opportunity employer, DCC is committed to follow all applicable statutory requirements like employee insurance, maternity leave etc.,

HUMAN RIGHTS

MEASUREMENT OF OUTCOMES



A total of 27 grievances were reported and resolved via Worker Management Committees, Grievance Box and Grievance Hotline. The reported grievances related to issues other than human rights..

Denim Clothing Company shares its performance and ethical data on public forums like BCSI, SEDEX and SLCP, and has continued to do so within the current year.

Statutory audits were carried out by local statutory bodies such as SMETA, BSCI, WRAP, ISO, as well as independent audits carried out by our stakeholders via independent monitoring firms. All audits did not report any non-conformances within our premises.

IN THE PAST YEAR DENIM CLOTHING COMPANY HAS NOT BEEN SUBJECT TO ANY INVESTIGATIONS, LEGAL CASES OR INCIDENTS INVOLVING HUMAN RIGHTS VIOLATIONS.

LABOR PRINCIPLES

ASSESSMENT, POLICY AND GOALS

Denim Clothing Company is an equal opportunity employer, and does not discriminate on the basis of gender, race, class or disability. We seek to provide the best possible environment for our employees and seek to foster an exemplary workspace where all our employees feel equally respected as active contributors to the company.

DCC publishes a comprehensive company handbook, which details policies relating to labor and their rights. Upon joining, each employee is given a copy of the handbook and given further awareness of their rights and responsibilities, including compensation, benefits and overtime arrangements. The company handbook policies clearly state the right for collective bargaining.

Denim Clothing Company supports international labor conventions as set out by ILO and other regulatory bodies, and do not conduct business with any organisations using bonded, forced or child labor. Nor do we employ any of the same.

We assess labor related risks via a dedicated resource that monitors and mandates environmental and safety risks.

IMPLEMENTATION

Awareness Sessions

DCC conducts regular training and workshops for its employees on various topics relating to personal and environmental health and safety. Sessions conducted this year included the following topics:

- Personal Safety
- Machine Safety
- Fire Rescue Trainings
- First Aid
- Electrical and Chemical Safety
- Workshop on Aids Awareness
- Pathogens Transmissible via Blood





Grievance Mechanisms

A centralised Grievance box as well as a Grievance hotline are available to all employees to use and bring any matters to the consideration of the central management. Any violations of labor principals lead to a detailed root cause analysis and immediate steps for correction. For cases that are serious or severe in nature, an assessment procedure is conducted to determine whether a change in management system is required to prevent reoccurrence and long term corrective actions are developed and implemented.

Human Resource Policies and Procedures

DCC abides by the latest government regulations with regards to wages and benefits for all its employees. All our pay scales reflect current government and international policies and standards of compensation. Our hiring practices are constantly monitored to ensure non-discrimination and equal opportunities for all applicants.

MEASUREMENT OF OUTCOMES

Denim Clothing Company employs over 8000 individuals in its workforce. We consistently hold classroom trainings and safety drills for all our employees to benefit from. Over the past year, DCC employees attended a total of **117 hours** of classroom trainings and safety drills.

DCC has consistently made efforts to engage women into the workforce. Our gender-wise distribution is comparable to the industry thresholds in Pakistan. We hope to create further women-centered job opportunities over the next three years and increase the female employment ratio.

**TOTAL NO. OF PEOPLE
EMPLOYED: 8113
MALE: 85%
FEMALE: 15%**

**194 CLASSROOM TRAININGS
CONDUCTED, WITH 100%
EMPLOYEE ENGAGEMENT**

Denim Clothing Company has not been involved in any investigations, legal cases relating to the contravention of labor principles over the reporting year. Our workforce does not include any form of child or bonded labor.

Annual employee satisfaction surveys are held to identify employee development needs and training requirements. This survey covers health and safety along with human rights, compensation, etc.

EMPLOYEE AGE BRACKET

PERCENTAGE EMPLOYED

18-24 YEARS	20%
25-34 YEARS	41%
35-44 YEARS	27%
45-60 YEARS	12%



DCC's diversion and inclusion policies seek to recognise individuality irrespective of gender, ethnicity, language or social background. We constantly monitor and assess inclusive provision, identify barriers and support staff with appropriate strategies and through professional development. Our employee diversity policy stretches organisation-wide, with over 100 differently abled persons currently employed.

UNIVERSAL HEALTH CARE



Denim Clothing Company supports two hospitals within the city of Karachi. Over the past decade, the company has contributed to maintaining and extension of the hospital's facilities, equipment and premises. All DCC employees have access to free-of-charge healthcare at these hospitals. Additionally, doctors from the hospitals also conduct regular on-site health camps to educate employees and provide free health checks.

Over the past year, health checks have included audiometry and spirometry checks.

PANDEMIC SAFETY

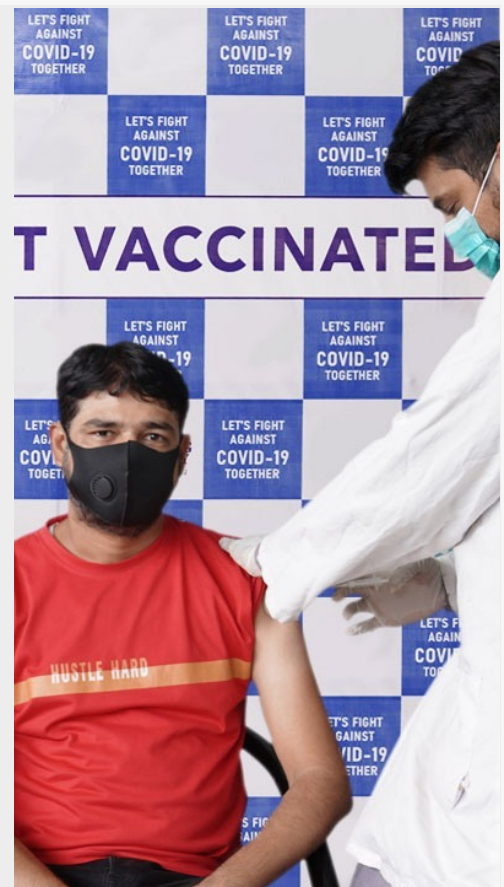
With the onset of the pandemic, DCC immediately actioned several measures to ensure health and safety of our employees. Free coronavirus PCR testing was provided to all employees at our partner hospitals.

On-site measures included installing sanitation gates, providing free protective equipment (masks, gloves, sanitisers etc) to all our employees. Social distancing as advised by WHO and the Government of Pakistan was also enabled throughout our premises. Floor stickers and information posters were developed and installed, and several covid related workshops were arranged to educate employees on personal as well as workplace health and safety.



VACCINATION DRIVE

Beginning in April and continuing today Denim Clothing Company has been conducting vaccination drives across its premises for all employees. The on-site location provides a convenient and hassle free means for all employees to access vaccines. All vaccines provided are WHO approved and provided free-of-cost.





ENVIRONMENTAL PRINCIPLES

ASSESSMENT, POLICY AND GOALS

In line with recent climate change initiatives being taken across industries globally, Denim Clothing Company has also prepared and included environmental consciousness into our business model. By taking advantage of the latest technologies that seek to minimise resource use, sourcing raw materials that are produced ethically and sustainably, as well as enacting policies that keep environment at the forefront, DCC is creating pathways to achieving maximum environmental impact.

The DCC manufacturing facility is LEED Gold certified, which is the most widely used and accepted green building rating system in the world. Our factory has a capacity of producing 20 million garment pieces per month. We constantly innovate and apply automotive techniques towards production processes, but also have a conservation centered and employee well-being focused approach.

DCC's laundry facilities are equipped with the latest Jeanologia laser, E-flow and Ozone machinery, with consistent application of Environmental Impact Measurement (EIM) Software to score the environmental impact of the garment finishing process in terms of water consumption, energy consumption, chemical product use and worker health.

DCC has taken measures to further gain certifications and increase its sustainable credentials via globally recognised bodies. These include:

- OEKO-TEX
- Global Recycled Standard
- ZHDC
- UN Global Compact
- Organic Content Standard
- GOTS
- WRAP
- ISO Certifications
- SEDEX
- BCI
- HIGG Index

Our future plans include the installation of our own solar energy unit, which will further enhance the facilities' environmental credentials. Our aim is to achieve LEED Platinum status by the year 2023.

IMPLEMENTATION

Denim Clothing Company encourages sustainable habits and innovative change by spreading awareness and taking informed action to improve the present and future of our industry.



DCC has focused efforts toward sustainability since its inception. The DCC Garment unit was one of the very first in Pakistan to employ customized Tonello and Jeanologia machinery, and also move towards employing laser technology for its production processes. At present, 70% of our manufacturing processes completely employs laser process, E-flow and Ozone washing techniques.

ENVIRONMENTAL SPENDING AND INVESTMENTS

Within the past three years, DCC has invested considerably in not only efficient production mechanisms (laser finishing machinery, low energy dryer machines, etc), but also toward post- and pre-production processes, such as waste management, water recycling, minimal chemical usage.

EFFLUENT TREATMENT PLANT

DCC's fully commissioned Wastewater Treatment Plant effectively cleans water used during production and removes the contaminants from the Effluent. The plant complies with local regulations as well as Zero Discharge of Hazardous Chemicals (ZDHC) standards. Currently, 50% of the treated water is reused for production.



**WATER SAVINGS 2021: 15-20% PER PRODUCT
WATER RECYCLING WITHIN PROCESSES
INCREASED FROM 37 - 52% (FROM 2019-2021)**

CAUSTIC RECOVERY UNIT

As a responsible facility, DCC aims to achieve chemical circularity and minimize the environmental impact by limiting the net consumption as well as reducing the chemical discharge of caustic soda used during the mercerizing process.

The Caustic Recovery Plant recycles caustic soda and allows its reuse within production. At present we recover and reuse over 70% of caustic soda from our processes.

THE JEANS REDESIGN

In 2020, Denim Clothing Company signed up to participate in the Ellen McArthur Foundation's initiative to take collective action toward a global circular economy. The Jeans Redesign guidelines encourage leading brands, mills, and manufacturers to transform the way jeans are made. The first redesigned jeans using the guidelines were completed in June 2021, demonstrating that it is possible to create jeans fit for a circular economy, today. DCC has continued its commitment to the program for the next cycle.

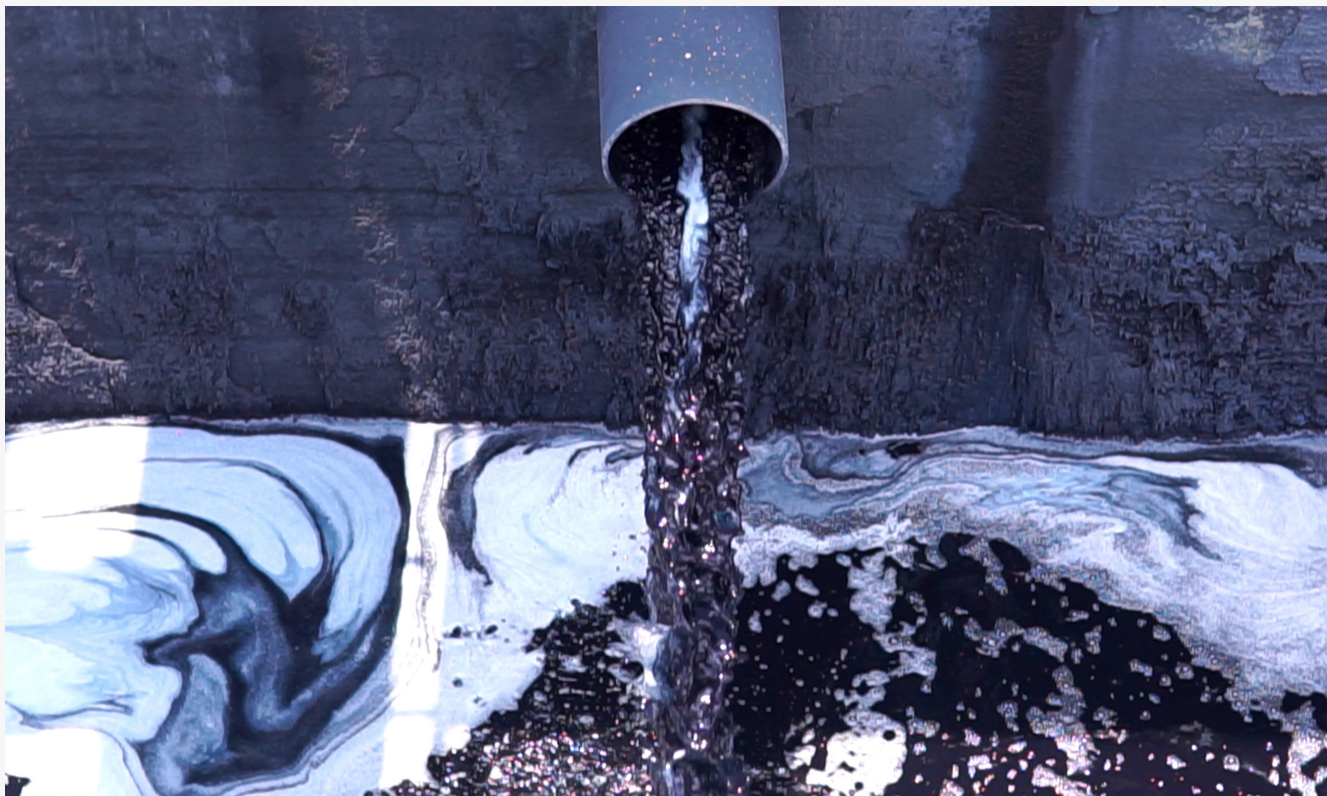


UPCYCLING AND TEXTILE RECYCLING FACILITY

Through the collection of thousands of pieces of used product, DCC has embarked on an upcycling project to further close the loop on fabric and materials waste. The upcycling unit transforms vintage pieces which are no longer in use; into seasonless fashion wear.

The DCC Textile recycling plant is an inhouse unit that recycles pre- and post-consumer waste fabric. By reprocessing waste and converting it back into fibre, we are further managing to close the loop and move toward more sustainable manufacturing.

ZERO DISCHARGE OF HARMFUL CHEMICALS



The Zero Discharge of Harmful Chemicals initiative was started in 2011 in response to a report generated by GreenPeace that detailed water pollution from chemicals released into the waters by the Textile Industry in China.

There are more than 25,000 industrial chemicals in use, today, out of which around 2,000 are used in textile wet processing. The ZDHC Foundation identifies, quantifies and qualitatively divides chemicals based on a risk assessment.

Denim Clothing Company's participation in ZHDC has led to the elimination of using chemicals deemed hazardous according to a stringent criteria. We also do not use potassium permanganate in any of our processes and have employed PP alternative green chemicals. Further, our production processes have replaced the use of bleach with Ozone technology, which is a 100% environmentally safe alternative.

GHG REDUCTION

CARBON DIOXIDE RECOVERY UNIT



in 2019, Denim Clothing Company installed a Carbon Dioxide Recovery plant which captures 100% of carbon dioxide produced during power and steam generation. Captured gas is injected into the Effluent Treatment Plant to reduce the chemical dosage which ultimately conserves natural resources.

OFFSETTING EMISSIONS

Each year, DCC measures its carbon footprint and seeks to eliminate them where possible. For emissions that cannot be completely eliminated, the DCC Carbon Offset program purchases certified carbon credits through the UN Carbon Offset Platform. By offsetting through CERs, DCC also directly contributes to projects around the world that reduce emissions and benefit communities.

**PERCENTAGE OF REDUCTION
IN HAZARDOUS WASTE: 27%
(2019-2021)**

**100 TONNES OF CARBON
OFFSET IN 2020**

GOING GREEN

COMMUNITY FOCUSED ENVIRONMENTAL INITIATIVES



RECREATE



REIMAGINE



RESTORE

As a major industrial city, Karachi has seen a steady decline in the number of green spaces available for its citizens. Our ongoing collaboration with the Society for Environment and Mangrove Protection Welfare Association (SEMPWA) focuses on planting trees in various neighborhoods, as well as rehabilitating the natural mangrove habitat surrounding Karachi. Better quality green spaces not only has visual benefit, but also helps neutralise environmental pollution and offset our carbon footprint.

DCC's Mangrove Rehabilitation Project aims to plant new seedling to counter the deforestation within the Indus Delta. Over recent years pollution and oil spills, coupled with deforestation activity have greatly affected this natural resource along coastal Sindh. This project aims to recreate, reimagine and restore this natural habitat.



MEASUREMENT OF OUTCOMES

There are a number of ways in which Denim Clothing Company continues to assess its environmental impact. This includes self assessments as well as audits carried out by external agencies.

Energy Management System

DCC conducts regular energy audits for the washing unit, and based on these results, tailor our measures regularly to maximize energy conservation.

Some of the significant steps taken to minimize energy wastage are: using chemicals that work in low temperatures, manufacturing articles that require a single dryer cycle instead of two and decreasing the number of baths required for a product.

HIGG Index

The HIGG index is a self-assessment tool developed by the Sustainable Apparel Coalition that allows companies to accurately measure and score their sustainability performance. Through its results, meaningful improvements can be made to protect the wellbeing of factory workers, local communities and the environment.

Our aim is to increase these further through the implementation of energy and waste management systems slated for 2021.

Currently, DCC has FEM verified score of 60+ for the garment and fabric units (2020 statistics).

Focus on Creating Sustainable Products

Currently, 48% for DCC production is created using BCI/Organic Cotton and employing fully sustainable processes. Additionally DCC is in the process of gaining Cradle to Cradle Certification (C2C) for two of its products. This will ensure that our production will be completely closed loop and employ completely sustainable processes ,



2023/25 SUSTAINABILITY TARGETS

TASK	PERCENTAGE REDUCTION
CARBON EMISSIONS REDUCTION	20%
INCREASE IN POWER GENERATION FROM RENEWABLE SOURCES	30%
REDUCTION IN WATER CONSUMPTION	FURTHER 15-20%
DECREASE IN WATER WASTE FROM PRODUCTION PROCESSES	FURTHER 15-20%

ANTI-CORRUPTION POLICIES

ASSESSMENT, POLICY AND GOALS

Denim Clothing Company has stringent guidelines, policies and ethical standards in place. Our Code of Ethics categorically states our zero-tolerance policy towards corruption and bribery of any kind, whether dealing with individuals in the public or private sectors. We maintain that our suppliers should not offer, pay, solicit or accept bribes or facilitation payments.

DCC supports the UN Convention Against Corruption and does not operate in countries or with organizations who are corrupt.

IMPLEMENTATION

DCC has established multiple channels through which whistleblowing and corruption concerns can be brought forward and addressed. These include:

- Suggestion boxes
- Dedicated Hotline
- Work Council
- Open Door Policy by all Management Staff

Regular trainings and awareness sessions are conducted on the DCC premises to ensure that our Code of Ethics and Anti-Corruption Policies are understood by employees of all levels.

MEASUREMENT OF OUTCOMES

DCC has not been involved in any legal cases, rulings or other events related to corruption and bribery. All our annually conducted external audits have a section on Disciplinary Action and Misconducts, which includes Corruption. These audits include renowned organizations such as BCSI, SEDEX, WRAP, GOTS, etc.

DCC has Disciplinary Action policies and procedures in place, which cater to every type of misconduct including corruption.



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