

GANNI

**UN GLOBAL COMPACT
COMMUNICATION ON PROGRESS**

April 2017



CEO STATEMENT

“Being a fashion brand, we constantly seek to challenge trends, while at the same time we also want to challenge the way we operate. Over the recent years, we have had an increased focus on our footprint and how to move our business forward with social responsibility and sustainability in mind”

In 2016, we decided to join the UN global compact because we strongly believe that a joint international and political commitment between companies and countries is the only way to move in the same direction, and make essential changes in the world.

This is our first COP report, but I am proud to present our first steps towards a better future and to establish our commitment to the UN Global Compact and its ten principles.

Copenhagen, April 2017



Nicolaj Reffstrup, CEO



Creative director Ditte Reffstrup and CEO Nicolaj Reffstrup

INTRODUCTION AND PURPOSE

GANNI is a Copenhagen-based company; family-owned and run by husband-and-wife team creative director Ditte Reffstrup and CEO Nicolaj Reffstrup. We are currently represented in more than 400 stores worldwide, and today we operate 18 concept stores in Denmark, Norway, and Germany.

Though we have been growing rapidly both in turnover and in head count in the past five years, we strive to keep a familial tone, high as low. It means a lot to us that the atmosphere is positive and easy, and that everybody feels heard and seen.

GANNI believes that good relations are essential, both internally and externally. GANNI was founded by friends and so were the relations to the suppliers we started up with, who still represent the core supplier-base of our business.

In GANNI we work from the principle of “inside out” - meaning, that we start with ourselves and make a difference on things we have direct influence on, before we point our fingers at others. When gaining experience and knowledge, it is always easier to help others implement new behavior or convince them to change behavior also. This approach will not only be addressed under the part of Human Rights, but will be the fundament from which we act.

We have recently had our CO2 footprint analyzed by Co2 Focus¹ to set a baseline in 2016. This allow us to gain insight into where we have the highest impact and at the same time allows us to focus on small “low hanging fruits” that will add up to make a positive difference.

In our selection of primary focus areas, we also take into consideration the UN Sustainable Development Goals. As an example, our latest project “CO2 Compensated Clothing” supports the SDG no. 7 “Affordable and clean energy” and SDG no. 13 “Climate Actions”. The aim of the project is to get a status of our current CO2 emission level, compensate our footprint, and by choosing the compensation project “Energy Efficient Cook Stoves”² that is both approved by the Global Standard Foundation and the UN, we help women and their families to gain access to efficient, cleans cookstoves through local and unique solutions.

Having both a socially and environmentally friendly profile was one of the reasons why we chose to be a part of this project. For us it is not only a matter of buying off set for the emission our business is a part of, but also giving back to people and nature, by supporting projects that actually make a difference in real life, and not only on paper. Under Human Rights we will go into depth with the benefits of the “Energy Efficient Cook Stoves” project.

In the long run, our goal is to explore the full life of our garments, not only the development and longevity of the design, but also the end of life of the garment, which is why SDG no. 12 “Responsible consumption and production” is also one of our main priorities.

We have many actions in the pipeline. The first is this framework tool, that intentionally will keep all the actions together and create a clear red-thread.



¹ See the full report GANNI CO2 Footprint analysis 2016

² Learn more about the project on <https://www.portal.cemasys.com/cook-stoves-nepal>



With this report, we strive to develop a framework based on the ten principles, to avoid losing focus. We want this report to be simple, informative about the actions we do, and measurable to be able to show our progress.

The report is built over the ten principles. We explain our actions on each of them and set up goals that are both long term and short term, wherever this is realistic.



HUMAN RIGHTS

In GANNI we strongly agree that all people should be treated with respect and dignity no matter their societal position or skin colour. This has a daily impact in our approach to our co-workers at the office and our staff in the GANNI stores. As an example, we strive to hire people with an international profile to achieve a creative and inspiring work environment.

Generally, we believe that a dynamic and open work culture will contribute to a continuous development of working skills. Secondly, a good positive tone and healthy working environment, will be key for GANNI's future growth as happy co-workers will be more efficient.

To secure the overall health, all employees at the head office are daily offered a healthy lunch and fruit which provides the opportunity of a varied diet. On top of that, all full time employees have private medical insurance.

Our relationship with our suppliers and agent is fundamentally based on long term relationships, where honesty and transparency throughout the supply chain are of high importance. We believe that to secure the future growth of GANNI, the relationship needs to benefit both parties and that

Principle 1
Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2
Make sure that they are not complicit in human rights abuses.

this attitude will make our suppliers even more keen on supporting our business.

To secure the overall health of the workers at our suppliers and agents, all supplier and agents have signed our Code of Conduct (COC), which was initially created by the Danish Fashion & Textile Association for the Danish textile industry in 2008. The COC is based on the UNGC's 10 principals, with additional 3 principals (Animal welfare, Charity, Evaluation and Monitoring) and has been approved by the UN.

When producing clothes for women, it is important for us to also empower women. By teaming up with CO2focus³ in our CO2 compensation project, we have made sure that the compensation we pay will also benefit women and better their life situation - in particular by supporting the UN/CDM and Gold Standard-project no. 9811 "Energy Efficient Cook Stoves"⁴.

As the project name reveals it helps to provide energy-efficient clean cookstoves for women in Nepal. Normally, women in the rural areas of Nepal spend many hours on the roads to buy tinsel for the household cooking, where they are alone and therefore a vulnerable target. With the energy efficient cook stoves that are more efficient than the regular cook stoves, the women will no longer have to spend as much time away from the home getting tinsel. At the same time they will save a significant amount on the family's scarce household budget as the tinsel will last longer with an energy efficient cookstove.

Lastly, WHO estimates that 4 million people are killed yearly due to indoor pollution and lung diseases, which stems from open fires in poor households. With women being in charge of the household, they are much more exposed to this kind of pollution, and so are the babies they might carry while cooking. The clean energy efficient cookstoves have through testing proved to reduce up to 80% of the pollution and is therefore guaranteed to be a much healthier alternative for the women and the climate.

FUTURE ACTIONS

To secure the working environment at our suppliers and agents, we have started to look into different initiatives.

First initiative is to investigate the possibility of using third party services to evaluate our suppliers performance on social parameters.

We are already in the process of mapping our suppliers, and to support that we wish to develop a supplier scorecard for our 1st tier, as an active work tool for our buyers, when evaluating suppliers' performance in terms of social compliance, transparency and overall performance on product quality and delivery. With the scorecard in hand, we will be able to quickly identify the suppliers that need guidance in setting a better course.

Third initiative will be to develop a guideline for all employees who travel to visit our suppliers and agents. The guideline will give specific instructions to the employees on what to keep an eye on and how to engage in conversation with the suppliers about work ethics, such as wage, work hours, workers age and health care.

"Transparency, positivity and openness is key to a healthy working environment - both internally in GANNI and externally towards our business partners"

³ Learn more about CO2focus on <https://www.portal.cemasys.com/about-us>

⁴ Learn more about the project on <https://www.portal.cemasys.com/cook-stoves-nepal>

LABOUR

All employees at GANNI have the right to join any preferred union and work hours are specified in all contracts in compliance with Danish law. Salary is normally agreed by the individual employee and the nearest head-of. However, the employees have the right to collective bargaining.

Being in the fashion industry, we have a natural need of hiring models from time to time, why we have signed the Danish Fashion Ethical Charter to underline that we treat all models with dignity and respect⁵. The purpose of the charter is to secure the well-being of the models, why the charters four rules revolve around age limit, healthy diet, wages and health check (to be introduced in 2017).

For the last 2 years we have supported the organisation Nordic Designers Aid by donating clothes for their events. With the donations from the involved brands, the initiative has managed to raise more than 10.000 USD within the past year⁶. The money the organisation gains from the events is used to fund a sustainable kindergarten for vulnerable families, which allows the mothers to go to work and earn money for the family's survival. We believe that by empowering women and giving them the possibility to work besides taking care of the family, you make the greatest impact on the family's livelihood.

We believe that not only our own GANNI employees should work under fair terms, but also the employees at our suppliers. Our Code of Conduct specifically addresses the issue of forced labour and emphasises that we do not accept that our suppliers or agents keep their employees from organising and collective bargaining, as well as we do not accept forced labour, child labour or any kind of discrimination of workers.

FUTURE ACTIONS

To avoid using suppliers that do not comply with the labour principles, we will add BSCI and SA8000 certification as a criteria that will influence our future choice of suppliers and the overall evaluation of them.

Furthermore, it will be outlined in the Guideline for employees visiting suppliers that they must evaluate if there are indications of discrimination, forced or child labour and report their overall assessment on these issues to the CSR responsible at GANNI after each visit.

As mentioned earlier, we have started mapping our suppliers to gain a better overview and understanding of our supply chain. For the future we aim to have full knowledge about our supply chain down to 2nd tier suppliers at the least.

⁵ Read about the charter on <http://danishfashionethicalcharter.com/> and see our signed commitment in the appendix

⁶ Read about the project on <http://nordicdesignersaid.com/en/> and in the appendix



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.





ENVIRONMENT

Being a global brand, we at GANNI are very much aware of the environmental challenges the world is facing. Besides compensating our CO2 emission, we have already taken the following steps to decrease our footprint.

When remodelling our head office in 2014, we replaced most of the existing lightning source with LED lightning. In 2016, we made an agreement with the danish electricity company DONG Energy to secure that all energy used at the Head quarter and 70% of own stores, comes from wind mills.

Regarding foods and beverages, we seek to buy 100% organic for sales meetings and other arrangements at the head office. We also aim that at least 60% of our lunch should consist of plant based foods and greens to avoid an overuse of meat, whereas it has ealier been calculated to be only 44%.

On top, all employees are also allowed to bring home leftovers from lunch to avoid unnecessary food waste. This has let to almost no food being thrown out. Organic fruits, teas and coffee are also daily available to the employees at the headquarter.

In our daily work at the head office, we strive to use as little paper as possible. As an example we have in January 2016 changed our work habits to only send digital copies of our style setups to our suppliers. This reduces our annual paper usage with a minimum of 15 kg. 1 kg super energy paper emits 189gr/co2, why our changed habit equals 3022 kg CO2 saved per year.

Today, we only use printing paper that is FSC certified, carbon neutral, 100% degradable and TCF (Totally Chlorine Free) to support our improved behavior.

In the fall of 2016, we implemented a new responsible bying of office articles, which includes to only buy green cleaning articles like eco labelled washing and cleaning detergents, as well as buying cleaning cloths that are free from microfibers.

Because of the paper and the plastic that we inevitably use in the development process, we have just launched a sorting project at the headquarter, where we expect to collect and recycle approx. 235 kg of paper and approx. 75 kg of plastic per year. As most of our plastics comes in form of plastic bags from our suppliers when we receive samples, we aim to have reduced the amount of plastics for recycling with 10% through continuous information campaigns toward our suppliers by 2018.

***Principle 7
Businesses should support a precautionary approach to environmental challenges;***

***Principle 8
Undertake initiatives to promote greater environmental responsibility; and***

***Principle 9
Encourage the development and diffusion of environmentally friendly technologies.***

Earlier we have had workshops in our stores to educate the staff on how to think about the environment during their work day. The workshop focussed on simple, easy, doable actions like turning off the lights when leaving a room, reusing cardboard boxes, increased communication between the stores to avoid double shipping, getting old electrical installations fixed and other small daily improvements that one tends to forget about, but still are important in the long run. The main purpose is to implement new actions, make it relevant in their daily work, to get these tasks done for the next internal workshop and to get the staff to inspire each other continuously.

Since the beginning of 2016, we have begun working strategically to avoid hazardous chemicals in production. For this project, we have cooperated with Bureau Veritas to get their expert knowledge, but also analysed the collections ourselves to look for potential risks and then take initiative to share our concerns with our suppliers and perform chemical tests whenever necessary. The risk assessment is based on our knowledge about the supplier, the material and general risk factors in production.

To secure that our products can last a long time, we also screen the collection for quality related concerns, to avoid that we will have faulty products and thereby avoid unnecessary waste of resources.

When looking into our underwear from Portugal, we have found that today 80 % of the parts for our underwear comes from Oeko-Tex certified 2nd tier suppliers, that being trim, lace and fabric. We have also gained the knowledge that 90% of the fabrics and trims from our main supplier in Turkey are also Oeko-Tex certified.

At GANNI we have a clear stand on animal welfare, which is clearly stated in our Code of Conduct. Secondly, on all products that have animal origin or includes trimming with animal origin, we always request relevant certificates such as endangered species, International Down and Feather Laboratory (IDFL), Responsible Down Standard (RDS) etc.

Using suppliers that are sometimes based on the other side of the earth, we are very much aware that transportation plays a part in our overall use of CO₂. Therefore, we have decided to make sure that our collection schedules allow us to ship the products by sea instead of by air to keep down the CO₂ emission from transportation.

FUTURE ACTIONS

To further decrease our CO₂ footprint we wish to investigate the possibility to install LED lights in our danish stores. In the process we will look into the need for new employee workshops to secure continued environmentally-friendly behavior.

As we constantly develop new collections with new materials, dyes and prints, the process of analysing the collections will be an onward going process that we hope to refine over the years. On top, we aim to reduce the use of hazardous chemicals by sharing our knowledge with our suppliers and agents.

Another goal will be to present our suppliers with an updated supplier manual that will sharpen our physical requirements to our clothes. The aim is to make quality clothes that will last many years. The general guideline will also be updated so it clearly states that we only wish to use down and leather that is a bi-product from the food industry, as also stated in our Code of Conduct.

ANTI-CORRUPTION

In GANNI we have done our utmost to take a heavy stand against any type of corruption. As an example, we have outlined in our Employee Guideline how employees should never let personal interest influence their work in GANNI. Lastly, it is clearly outlined that a GANNI employee must never encourage or ask for any kind of gifts.

We are aware that corruption can be found in some of the countries we do business in, why in our Code of Conduct, it is outlined that all suppliers and agents are obligated to inform us if they feel pressured to accept corruption in any form in relation to handling our orders.

***Principle 10
Businesses should
work against corrup-
tion in all its forms,
including extortion
and bribery.***

FUTURE ACTIONS

To emphasise our stand on corruption, we wish to make it a part of the general introduction that all employees get when they start working at GANNI.

Secondly, we will incorporate a new routine of articulating our stand on corruption to all GANNI employees once a year. They will also be informed on how to react in case they experience or have indicators of corruption taking place. With these two initiatives we aim that all GANNI employees know that we do not support corruption in any form.

In the guideline that we will make for employees at the headquarter who visit our suppliers, we will also stress the importance of having an eye out for situations that could encourage or is already related to corruption.



“The supplier (and subcontractors) must in writing inform GANNI A/S of any corruption and bribery activities that they are involved in by feeling pressured and/or in order to handle the orders to GANNI A/S.”

Ganni Code of Conduct



FUTURE GOALS

Since committing to the UNGC, we have gone from having a random approach to the four areas in the COP (Human Rights, Labour, Environment and Anti-Corruption) to a more strategic approach. However, we feel that we are very much in the beginning of the process why our future goals for the coming year also reflect this.

Being in the process of re-discovering our supply chain down to 2nd tier and getting to know our impact through our CO2 analysis, we find many opportunities to set goals that reasonable for GANNI and within reach.

The next year will be a year of further investigation and reaching new goals. We truly look forward to working on all the areas of the COP and step up our efforts to to minimize our negative impact.

VISION

To continuously decrease our CO2 footprint and mitigate potential harm within Human Rights, Labour, Environment and Anti-Corruption

HUMAN RIGHTS	LABOUR	ENVIRONMENT	ANTI-CORRUPTION
Investigate 3rd party Social Compliance Initiative by end 2017	Add BSCI or SA8000 as supplier evaluation criteria by end 2017	Communicate Supplier Manual with updated chemical and technical restrictions by October 2017	Adding Anti-Corruption in our new employee introduction by 2017
Supplier scorecard for 1st tier by end 2017	Guideline for travelling employees and CSR assessment report by end 2017	Investigate the potential of installing LED light in 100% of the Danish stores by March 2018	Once a year to articulate our stand on Anti-Corruption to existing employees
Guideline for travelling employees by end 2017	Supplier mapping of 2nd tier suppliers by end 2017	Decrease our incoming amount of plastic from samples by 10% by March 2018	Guideline for travelling employees by July 2017
		Investigate possibility of labelling 80% of our underwear as Oeko-Tex before March 2018	

Don't impress, make an impact

GANNI Brandbook

**GANNI A/S
FREDERIKSHOLMS KANAL 4B
DK-1220 COPENHAGEN
DENMARK**

WWW.GANNI.COM