



IC GROUP

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**CORPORATE RESPONSIBILITY  
REPORT 2018**

COMMUNICATION ON PROGRESS TO THE UN GLOBAL COMPACT (UNGC)

STATUTORY STATEMENT PURSUANT TO SECTION 99A OF THE DANISH FINANCIAL  
STATEMENTS ACT FOR THE FINANCIAL YEAR 2017/2018

# MESSAGE FROM THE CEO

IC Group owns a portfolio of fashion brands with employees engaged in operations globally. As a group, we are committed to developing our business while acting in a socially responsible manner. IC Group's different brands strive at not only being in compliance with international standards, but also, where possible make a positive difference in the industry.

Again this year, across all Group brands, a key focus area has been to analyze and assess risks in our value chain. We ceaselessly work to establish a transparent overview together with our supply chain partners that allows us to identify and dive deeper into areas where we see challenges and opportunities for improvement.

This year's sustainability report has changed in format as well as content as compared to last year. The changes have been implemented to allow for a clear and stringent reporting on the overall principles guiding all members of the Group, while ensuring that activities within each company are presented proportionally. As part of this, the risk assessment methodology has changed, it now strives to assess likelihood and impact of pre-selected corporate responsibility (CR) issues. It is our hope that the reader hereby will experience a concise and relevant reporting on CR issues.

IC Group will continue its support of the UN Global Compact Principles, and Group brands will continue to work towards even better implementation of CR efforts across the business. This includes continued emphasis on creating strong partnerships with suppliers with focus on dialogue and education as vehicles for the development of a more sustainable supply chain alongside with active memberships of relevant communities and NGOs.

Alexander Martensen-Larsen  
CEO, IC Group

# CORPORATE RESPONSIBILITY IN IC GROUP

## Introduction

IC Group's corporate responsibility framework of People, Planet and Profit is based on international principles and the UN Global Compact. Our work with these principles has played an important role in guiding our Company in making the right decisions while also contributing to our readiness to meet future challenges. By matching our overall framework with policies and processes allocated to the relevant functional departments, we have created a solid foundation for our CR work.

The first part of the corporate responsibility report contains a description of the Company's business model, an analysis of risks related to CR along with a description of KPIs and due diligence processes. The second part of the report focusses on our sustainability policy, its implementation and the results achieved across the Group. This second part is structured around our existing framework made up of People, Planet and Profit. The final and third part of the report contains a number of specific examples of how brands address sustainability and responsibility within the Group.

## Business model

IC Group creates value through active ownership of the Group brands, and we will continue to develop and invest in these brands with a view to maximise their future value. Active ownership is carried out through continuous follow-up on the realization of expected financial results as well as the strategy plans for each brand. We will on a continuous basis consider when it is in the best interest of the shareholders to divest these brands, and IC Group will act accordingly when the time and conditions are favourable for both the shareholders of IC Group and the brands.

As Peak Performance has been sold to Amer Sports Corporation with effect as at 29 June 2018, the Group's future portfolio comprises the Premium brands; Tiger of Sweden, By Malene Birger and Designers Remix (51% equity share) as well as the fast fashion brand Saint Tropez.

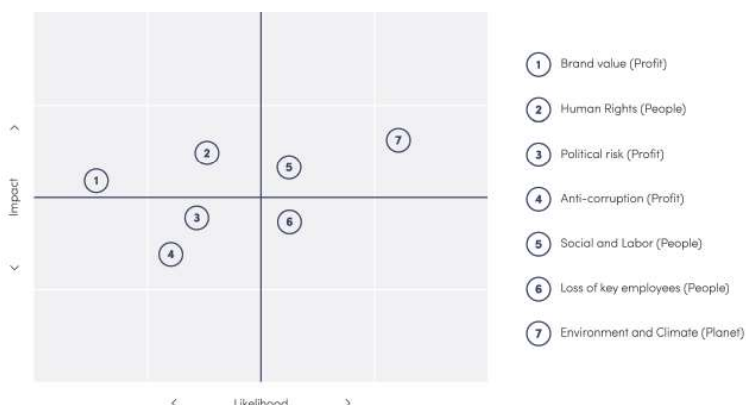
All Group brands operate as independent business units with well-defined strategy plans and responsibility for their respective earnings development.

Furthermore, the Group structure comprises corporate functions which are utilized by Tiger of Sweden and By Malene Birger. These infrastructure functions count Logistics, IT and Financial Shared Services. The overall target of these functions is to deliver cost-efficient and price-competitive services supporting the operations of each of the two brands.

## Risk management

Due to the Group's activities, IC Group is exposed to a number of risks. This entails a variety of risks all inherent in the apparel and fashion industry. The Management considers efficient risk management as an integrated part of all Group activities and works continuously to minimize uncertainty. Furthermore, the Management regularly assesses the risks in order to determine whether the risks have changed or the risk control measures are adequate or relevant.

Different from the financial year 2016/17, the 2017/18 risk assessment below is based on a method where risks are identified as the product of likelihood and impact on a set of pre-selected CR issues. The result of the risk assessment and the basic matrix score for the issues included can be seen in the below figure:



The risks scoring in the upper right quadrant (Environment and Climate, Human Rights, Social and Labour issues and Anti-corruption) of the matrix are managed and/or mitigated through the policies which the Group has adopted. Policy implementation, risk mitigation, actions and the results are presented throughout this report.

## Due diligence processes and the use of operational KPIs

Through our brands' memberships of amfori BSCI, we actively support and participate in improving CR-related topics and challenges in our supply chain. The memberships imply that we disclose our supply chain to amfori BSCI who then on behalf of IC Group, its brands and other member companies conducts audits and follow-up on issues detected. As part of our own due diligence process, we aim at requiring compliance with amfori BSCI and thereby our own Code of Conduct when engaging with new suppliers. In addition, we prepare and update a country risk analysis to support our decision-making when engaging with suppliers. Finally, we update our knowledge on specific issues in our business or in certain regions through participation in projects and surveys to disclose specific risks or issues we will need to address in our CR approach.

We have not set strategic target KPIs to form part of the continuous management reporting. However, all Group brands follow CR performance and development through monitoring data.

## Corporate responsibility policy

In IC Group we recognize that we are part of an industry with many corporate responsibility challenges both in terms of complex supply chains and resource challenges to mention a few. We take these challenges seriously and make sure that we are not a barrier to sustainable development. In addition, where possible, we work towards turning these challenges into opportunities and contribute to sustainable development.

For IC Group, corporate responsibility is about not only making sure our products live up to our high quality standards and customer expectations, but also that they are produced responsibly. We consider CR to be an integrated part of our business and an essential element in our Company's profitability. Furthermore, our work with CR plays an important role in making sure IC Group is ready to meet future challenges.

IC Group's CR efforts are grounded in the UN Global Compact's 10 principles which are based on internationally adopted declarations and conventions on human rights, labour rights, environmental protection and anti-corruption. We use these principles and the United Nations Guiding Principles as the overall framework to guide our CR policies and implementation processes.

We pledge to work pro-actively internally as well as externally with our suppliers to promote compliance with these principles. We will never be able to guarantee 100% compliance, but we strive to make a positive difference and set up due diligence processes to avoid non-compliance issues. Furthermore, we use our Compliance Hotline to enable access to remediation in cases of non-compliance.

Our work with Human Rights is based on the Universal Declaration of Human Rights and includes our efforts to create a conducive working environment for our employees, which provides the opportunity to develop and achieve a good work-life balance.

In IC Group we believe that integrating our social, environmental and economic responsibilities is essential for our long-term profitability. We also believe that this results in proper risk management for the benefit of our shareholders and other stakeholders. We support the 10th principle of the UN Global Compact and apply a zero tolerance approach against corruption in all its forms, including extortion and bribery.

**i** For a complete description of the CR policy including our specific People, Planet and Profit policies, please see the corporate web page [www.icgroup.net/responsibility/](http://www.icgroup.net/responsibility/)

## Our work on our People, Planet and Profit responsibilities

### People

#### PEOPLE POLICY

IC Group supports and respects the Universal Declaration of Human Rights which is outlined in the UN Global Compact principles 1-6. We do this by continuously identifying and assessing potential adverse human rights impacts both internally in IC Group as well as in cooperation with our suppliers.

Furthermore, we regularly assess opportunities for using our core competences to make a positive contribution to the realization of the Universal Declaration of Human Rights. Our work with Human Rights also includes our efforts to create a conducive working environment for our employees, which provides the opportunity to develop and achieve a good work-life balance.

In addition, we use education both externally with our suppliers and internally as a mean to develop the capacity and understanding of the importance and value of working with human rights.

In 2007, IC Group joined the Business Social Compliance Initiative amfori BSCI, and since then, amfori BSCI has played an important role in our work on responsible value chain management. Amfori BSCI is a business-driven initiative for companies committed to improving working conditions in the global supply chain. Built on the 3 pillars of Monitoring, Empowering and Engaging, amfori BSCI unites hundreds of companies around one common Code of Conduct and supports them in their efforts to build a responsible supply chain by providing them with a step-by-step development-oriented system.

As a result of a thorough consolidation of our supplier base, we have opened up for an even closer cooperation with our suppliers on CR and other related matters. We continue to encourage our suppliers to participate in training and workshops within amfori BSCI around the world. Our work with amfori BSCI continues to be an important foundation of our work with and commitment to CR. As a result of our ongoing efforts, 82% of our suppliers are certified under amfori BSCI.

Within the Group, we are continuously striving at strengthening the relationship with our suppliers, and we have further consolidated our purchase, focusing on using partner suppliers with whom we have long-lasting business relationships. But we have also increased the use of our supplier scorecard, which was implemented in 2012/13. Parameters like quality, price and delivery together with CR parameters form a solid base for promoting a dialogue between our suppliers and IC Group.

In 2017/18, all of our suppliers were covered by our supplier scorecard. The feedback from our suppliers has been positive. The dialogue not only strengthens our partnerships but our suppliers have also welcomed measurable performance targets and have been able to utilize the scorecard information internally. We will continue to develop and roll out the score card in cooperation with our suppliers.

## Planet

### PLANET POLICY

IC Group supports the UN Global Compact's principles for the environment (principles 7-9). Practically, we do this by continuously assessing our environmental challenges and following the overall principle of taking a precautionary approach to environmental challenges. Furthermore, we focus on educating our staff to become even better at identifying where in the supply chain we can take action to reduce our negative impact on the environment and where we can work with our suppliers to facilitate that they, e.g. use environmentally friendly technologies.

### ENVIRONMENTAL POLICY

As members of a global industry, we have a responsibility for reducing our emission of carbon footprint. We believe that taking charge of our carbon footprint is not only a sustainability imperative but also a way to future-proof our business to be able to keep growing while respecting the boundaries of our planet.

For IC Group, this entails focusing on the leverage points where we can make the biggest difference in terms on climate change. Among others, we use Environmental Profit and Loss accounting and The Higg Index to learn more about our biggest challenges where we can leverage change and to help set industry benchmarks. Knowing the climate impacts throughout our value chain means we can make better decisions in the design phase and in the way we source products.

Finally, we are aware that our actions alone only account for a minute share of our industry's carbon footprint, and we therefore participate actively through various organizations in making the fashion industry more sustainable.

All brands within the Group are constantly monitoring their environmental impact. A significant part of IC Group's potential negative impact on the environment stems from the use of chemical substances in early stages of the production. This is why we have an ongoing monitoring program to keep track of chemical substances in order to protect the environment, customers, employees and the wider community. The Group has worked thoroughly on minimizing harmful chemical usage and improving chemical test performance by better work flows, better communication and due diligence.

Our aim regarding the use of chemicals continues to be a reduction in total numbers of chemical test fails while ensuring better risk assessment and due diligence performed earlier in the design and development process. Throughout the year, staff and suppliers in the Group's brands have been trained by internal and external experts. Meanwhile we have updated our restricted substance list (RSL) and have an ambition of reporting results that are below EU REACH legislation stipulates. In order to secure that our policy is being enforced throughout the value chain, we constantly check and test our supply chain according to the RSL.

During 2017/18, we have tested 199 styles across all Group brands. Out of those 199 styles, 68% of the styles passed the test

during the first testing while 32% of the styles had to be adjusted in terms of materials and/or garments in order to be able to pass the chemical restriction test during the second round of testing.

The consequences of a material/chemical failure during the development and sales sample production stages are critical but we would still have time to improve the current material or find new/alternative material on time before bulk production starts. The consequences of material/chemical failure during the bulk production stage are more critical as timing and quick reaction are of essence in this case. Nevertheless, we are prepared to change and improve failed materials until they can pass our strict requirements and are prepared and ready to even cancel a production order if we are not able to accomplish this task on time and within the given limits.

Tiger of Sweden and By Malene Birger have joined the Leather Working Group in order to find feasible solutions on the challenges in the leather supply chain. Leather production may pose a high risk area which consequently makes it an issue that has the Group's full focus. The chemicals used in tanneries preparing raw leather potentially harm both workers and the surroundings.

We believe that the membership of The Leather Working Group will help create a more transparent leather supply chain. In cooperation with the suppliers, both brands are working towards ensuring that the tanneries are contacted and urged to become members of Leather Working Group. The tanneries will, after training and audits, be graded according to the level of compliance. One of our biggest product groups, accessories, has been produced by LWG approved tanneries.

**i** For more information on the Leather Working Group, please see [www.leatherworkinggroup.com](http://www.leatherworkinggroup.com).

## Profit

### PROFIT POLICY

In IC Group we believe that integrating our social, environmental and economic responsibilities is essential for our long-term profitability. In other words, we believe that running a company which respects our People, Planet and Profit responsibilities is not only the best thing for the profitability of IC Group but it is also how we can make the biggest contribution in the societies where we operate. Furthermore, we also believe that this results in proper risk management for the benefit our shareholders and other stakeholders.

### ANTI-CORRUPTION POLICY

With regards to anti-corruption, we support the 10th principle of the UN Global Compact and apply a zero tolerance approach against corruption in all its forms, including extortion and bribery. To further safeguard our Company against illegal activities and to identify corrupt practices, we apply our Compliance Hotline which provides a confidential system through which employees can report misconduct. Furthermore, we continuously work to improve our processes and educate our employees on how best to tackle situations where they face corruption challenges.

The Group's Compliance Hotline plays an important role in ensuring that IC Group complies with all internal policies and regulatory requirements and is an important part of the on-going due diligence work.

Though mentioned here under the Profit chapter, the Compliance Hotline is equally relevant with regards to People and Planet non-compliance issues. IC Group has not received any cases during the financial year 2017/18.

In order to implement our anti-corruption policy and therefore as a means to educate our staff and agents buying on our behalf, we have invested in an e-learning tool on anti-corruption. The tool is provided by a group of international experts on CR and e-learning. During 2017/18 we have successfully trained and re-trained 595 users with the anti-corruption e-learning tool. The e-learning has been provided to all our office staff with a completion rate of 66%.

Human rights are addressed in the already-described activities in relation to our supply chain and supplier audits. Furthermore, we also address human rights through country risk analysis, which has been carried out continuously during the year, on all sourcing countries as part of our human rights due diligence.

## CR cases

### By Malene Birger and the Danish Ethical Trading Initiative

The Danish Ethical Trading Initiative (DIEH) brings together companies, authorities, NGOs and labour unions with the aim of promoting ethical standards in trade. DIEH is an influential actor in promoting solutions to ethical dilemmas in global value chains.

By Malene Birger continues to play an active role in the initiative and the brand's engagement in DIEH reflects the belief in working together in a multi-stakeholder approach to create sustainable solutions to the challenges in the industry. This also reflects the growing awareness in the industry that no single stakeholder can solve the complex challenges alone. On the contrary, there is great potential in working together and in identifying where each stakeholder has the best competences to contribute to sustainable solutions.

### Tiger of Sweden and responsible supply management

For Tiger of Sweden there has been a strong focus on working closely with suppliers in Romania. Not only to help increase social and environmental awareness among producers and suppliers in Romania, but also to lower the risks that Tiger of Sweden is exposed to. Having a base of reliable and responsible suppliers is in itself of great value to the brand.

During the financial year of 2017/18, Tiger of Sweden has focused on maintaining the dialogue with suppliers about the process of amfori BSCI. It is of high importance to further educate enrolled suppliers in participating in continuous trainings and have an active dialogue of the importance in joining our work with social compliance. Since Tiger of Sweden's main production country is Romania, there has been a strong focus to involve suppliers in amfori BSCI and aim for continuous improvement. Tiger of Sweden is regularly visiting suppliers to discuss product development and has, together with brand production office located in Bucharest, a close cooperation and communication with all suppliers.

The result from Tiger of Sweden's actions during the year is that one supplier has completed an SA8000 audit, from previously not having been audited. Another supplier has renewed its expiring audit, and the brand has stopped collaboration with two suppliers without approved audits within Romania. Tiger of Sweden has also started collaboration with two new suppliers that are in the process of being introduced to the process and will start up production for the brand's FW 2018 line.

### Designers Remix and the 2020 Circular Fashion Commitment

At the end of 2017, Designers Remix signed up to the Global Fashion Agenda's 2020 Circular Fashion Commitment, which is an initiative to speed up the transition to a circular fashion system, instead of today's linear "take, make, dispose" economic model.

The commitment outlines four immediate actions points for the signing members to implement:

- Implementing design strategies for cyclability
- Increasing the volume of used garments collected
- Increasing the volume of used garments resold
- Increasing the share of garments made from recycled post-consumer textile fibres

In the efforts to implement the action points, Designers Remix first of all encourages its consumers to use the bought clothes for longer or pass it on to friends or relatives. However, Designers Remix has committed itself to never throw out any Designers Remix or Little Remix styles and consumers may return used clothes for free via postage or in physical stores and will receive a small gift for doing so. The clothes will then be reused or remixed into new styles to be sold in the brand's flagship stores.

**i** For more information on the 2020 Circular Fashion Commitment, please see [www.globalfashionagenda.com/commitment/](http://www.globalfashionagenda.com/commitment/)

### Peak Performance and the Higg Index

The Higg Index is a tool developed by the Sustainable Apparel Coalition (SAC). The implementation of this tool is one of Peak Performance's key focus areas. SAC is an organization bringing together some of the key players in the fashion industry accounting for approximately 40% of the world market for apparel and footwear. SAC leads the way in creating a common sustainability standard throughout a product's full lifecycle - both environmentally and socially. The core tool, The Higg Index, allows companies and suppliers to benchmark their scores against other users of the index in a transparent forum, supporting a new, partnership-based approach to value chain management. Peak Performance has participated actively in developing The Higg Index and implemented all three modules of the index - the product, the brand and the facility modules.

**i** For more information on the Sustainable Apparel Coalition, please see [www.apparelcoalition.org/](http://www.apparelcoalition.org/)

### *The Product Module –Design Development Module (DDM)*

The aim of the DDM is to provide designers and buyers with a tool to be able to compare the sustainability of different materials, manufacturing processes etc., already during the pre-production phase. The product module has been implemented in Peak Performance which applies the module to a large number of product categories.

Using the DDM has created increased awareness on the sustainability of different design choices and increased the dialogue and collaboration between designers and buyers. This has also spurred creative thinking and dialogue with the supply chain on how to implement new sustainability initiatives.

### *The Brand Module*

By using the brand module, companies are able to score their own performance on both environmental and social/labour issues, and then share the scores online with other value chain partners. Peak Performance is using the brand module and is pioneering this work in continuously trying to raise the Higg Index score.

### *The Facility Module*

The facility module is targeted at raw material suppliers and producers to allow them to score their performance on environmental and social/labour issues. Peak Performance has used the facility module for training our suppliers. Besides developing their capacity to work with The Higg Index, this module has also been used as a way to build trust and transparency in the value chain. When Peak Performance connects with a value chain partner using The Higg Index, they automatically shows them their scores. The index is not just another audit tool, but a tool that will help the users identify opportunities and potential for improvements in the value chain, and how stakeholders can work together to find sustainable solutions.