



IC GROUP

IC GROUP
**CORPORATE RESPONSIBILITY
REPORT 2019**

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 2018/2019

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 Groups brands strive at not only being in compliance with international standards, but also, where possible making a positive difference in the industry.

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 NGO's.

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 risk related to CR along with a description of KPI’s 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’s brands, and we will continue to develop and invest in these brands with a view to maximise their future value. 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.

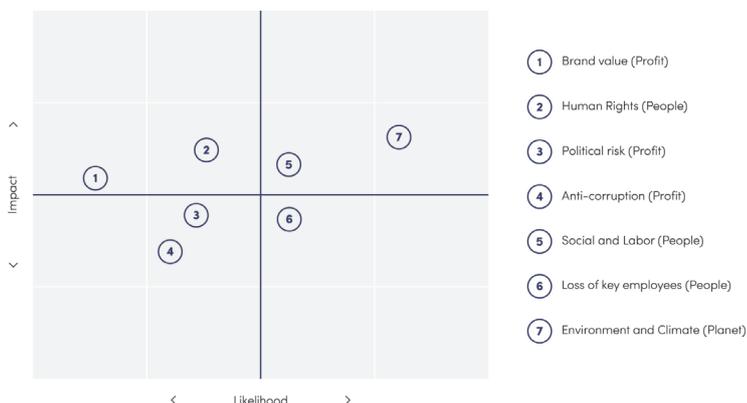
Following the divestment of Designers Remix and Saint Tropez during the past financial year, going forward the Group comprises the two Premium brands; Tiger of Sweden and By Malene Birger.

The two brands operate as independent business units with well-defined strategy plans and responsibility for their respective value chain and earnings development.

Risk management

Due to the activities of the two brands, 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.

The 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 rights quadrant (Environment and Climate and Social and Labour issues) of the matrix are managed and/or mitigated through the policy’s that 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 conduct 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 KPI's 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 recognise 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 Groups 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 please see the corporate web page icgroup.net/responsibility/our-policy/

Our work on People, Planet and Profit

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 realisation 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 in 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, we have reached our Amfori BSCI footprint to 78% for the year (i.e. 80% of our suppliers have been certified under Amfori BSCI).

Within the group, we have an ongoing effort to strengthen 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. Supplier scorecard has been implemented and used since 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 2018/19, 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 developing and rolling out the score card together with our suppliers.

During 2018/19 the Group's internal work on People has focused on ensuring continued employee well-being and engagement in numerous organizational change initiatives.

The Group's primary tools for retaining well-being and engagement have been (i) frequent and close dialogue within the Work Councils established in each business division, with participation of management and employee representatives, (ii) open and early employee communication via both Town Hall meetings and written organizational announcements and (iii) increased focus and awareness from the Group's HR departments and typical change management issues. Where any employee ill-treatment, for example stress symptoms, was identified, immediate action plans to provide the employee the needed relief, was developed and implemented in cooperation between employee, direct manager, HR and, if needed, an external party.

The Group continuously record and monitor absence levels, including sickness. No actions were taken during 2018/19 on the basis of absence levels.

All employees in the Group have access to a compliance hotline with full anonymity, to report any mistreatment, policy breach or other behaviour that causes concern. No reports have been received during 2018/19.

Employee development has during 2018/19 been focused on internal training and development to support the decentralization of IC HQ corporate and shared service functions into the brands.

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. 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 & 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 2018/19, we have tested 152 styles across all Group brands. Out of those 152 styles, 80% of the styles passed the test during the first testing while for 20% of the styles had to be adjusted in terms of materials and/or garments in order to being 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 is more critical, as timing and quick reaction is 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 group, accessories, in By Malene Birger has been produced with the LWG approved tanneries.

i For more information on the Leather Working Group, please see 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 2018/19.

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 2018/19 have successfully trained and re-trained 285 users with the anti-corruption e-learning tool. The e-learning have been given to all our office staff, with a completion rate of 67%.

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.

By Malene Birger's CR focus areas

At By Malene Birger, we have developed a 2018 Corporate Responsibility strategy to ensure our that our sustainability outcomes continue to improve. Our strategy is built around five focus areas (product, supply chain, people, planet, consumer), each with a mission and specific goals. Our aim is to reach these goals over the next five years.

We adhere to Amfori/BSCI's Code of Conduct that covers everything from company culture and mindful manufacturing to animal welfare. As we strive to become more sustainable and knowledgeable of our impact as both a brand and industry, we will engage in new initiatives and policies that bolster these changes. This consciousness is part of our growth strategy, and is essential to the way we operate. We call this initiative "Malene Cares".

Our goal is to not only address adverse impacts, but also to implement positive ones. Therefore, we work to ensure that our own company as well as our suppliers operate in accordance with the requirements our Code of Conduct.

Our CR Focus Areas:

Product: Increased focus on providing our customers with high-quality and long-lasting products made in the most sustainable way, in terms of design, materials and treatments.

For our AW19 collection, we included a range of sustainably made garments, rendered in environmentally conscious materials. This capsule is called "Made with Care".

The collections consist of a range of essentials such as t-shirts, a coat, bags, as well denim pieces made from organic cotton in partnership with the renowned denim producer ISKO. Some of the materials have been carried forward and included in our upcoming collections.

Supply Chain: We aim to increase transparency and knowledge throughout the whole supply chain to accelerate risk management and create positive change whenever possible. This also applies to transportation and packaging.

People: There is no part of By Malene Birger's supply chain that does not depend on humans in some way. Ensuring that they have a safe and healthy working environment that provides a fair wage is vital to the success of our brand.

We know that office culture is the ground floor of Human Care. Our Copenhagen HQ includes a full service canteen that offers both breakfast and lunch as well as healthy snacks and drinks throughout the day. Our employee policies comply with our Code of Conduct.

In addition to outlining these goals, we have engaged in a number of projects. Our 2019 Corporate Responsibility Projects include:

- 1. International Women's Day:** In collaboration with By Malene Birger, Danish artist Astrid Kruse Jensen has taken portraits of three unique, strong women: author Suzanne Brøgger, ballerina Amalie Adrian, and herself. These images are emblazoned on a tote bag that is available for a limited time from 8th March. A portion of proceeds (200 DKK/bag) go to Women for Women International, an NGO supporting women in conflict zones around the world. We held a one night exhibition of these works at the Martin Asbæk Gallery in Copenhagen.
- 2. Bike & Bloom:** Bike & Bloom is a Copenhagen-based social enterprise that employs and trains refugee women as florists. The company provides By Malene Birger with all flowers for events, our office and any time we want to send a gift.
- 3. Human Bridge:** We have a no-burn policy, so we never throw our products away. Instead, we donate a list of needed products including clothes and shoes to Human Bridge, a Swedish NGO that provides material relief to those in need around the world.
- 4. Continued:** We have partnered with circular fashion platform Continued to allow customers to rent occasion and party-wear from our latest collections and archives. This allows clothes to be reused in a sustainable way and encourages conscious consumer behavior.
- 5. Garment Care:** We have launched our own sustainable washing detergents for silk and wool. They are completely biodegradable as well as free from phosphates and softeners. The formulas are allergy-friendly and scent-free, and all bottles are 100% recyclable PET plastic. The detergents are specially formulated to keep your pieces in top quality, ensuring that they last longer.

By Malene Birger is committed to minimizing the use of harmful chemicals in our production in order to protect the environment, employees and the consumer. To ensure that our policies are enforced throughout the value chain, we regularly check and test our products according to REACH and our own RSL (Restricted Substance List), which for certain chemicals exceed REACH requirements.

Our animal welfare policy is part of our overall commitment to ethical and sustainable production. We support the Five Freedoms recommendations set out by the World Organization on Animal Health (OIE). We also pledge:

1. Not use materials sourced from endangered animals or flora. We don't accept materials sourced from animals listed on the CITES (Convention on International Trade in endangered Species of wild fauna and flora) or the IUCN (International Union for conservation of nature)list of endangered species.
2. Not to use sheep's wool sourced as a result of mulesing.
3. Not to use feathers plucked from a live bird.
4. Not to use fur or leather that is not a byproduct of the meat industry.

Tiger of Sweden's updated CSR mission statement

During the last year Tiger of Sweden has had a strong focus on updating their external communication of their sustainability mission and goals of improvements going forward. A mission statement has been formulated and Tiger of Sweden will have increased focus on the 3 below areas during the coming years.

- Transparency & traceability
- Sustainable material mix
- Climate offsetting

Mission statement:

We truly believe in sustainability and its importance for the better of our planet as well as society overall. We want to be in the forefront of a changing industry and develop sustainable fashion in a way that enables sustainable growth and will benefit future generations while leaving a smaller footprint on the world.

Transparency & traceability

Tiger of Sweden have started collaborating with the platform-based company Trustrace. By using blockchain technology we are investigating the possibility of tracking our impacts along the supply chain. The aim is to be able to use the information to make more evaluated and sustainable decisions within our supply chain.

Tiger of Sweden have also started a collaboration with QuizRR for our suppliers in China. We see QuizRR as a good complement to avoid audit fatigue and make education more readily available. QuizRR has developed easy-access education for employees at our suppliers to educate about human rights – beyond audits.

Sustainable material mix

Together with one of our partners, Sustainable Fashion Academy, we have designed a preferred fibres list, that enables our product team to make sustainable decisions when choosing materials. This will enable us to measure our progress over the coming years.

Climate offsetting

Tiger of Sweden has since 2018 compensate for all of our employees' travels with help from our partner Zero mission. The climate compensation funds from Tiger of Sweden is specifically supporting a project to save and restore pasture grazing in Mongolia.

During this year we have teamed up together with Sustainable Fashion Academy to educate our employees about sustainability within the textile industry. The training includes material choices, dyeing and finishing of textiles, manufacturing, worker conditions, production use and re-use and sustainable design. Our design, buying and operations team have currently joined this training and we plan to continuously enrol employees to widen the knowledge of sustainable textile manufacturing.

We have also joined the newly launched Swedish Textile Initiative for Climate Action (STICA).