

BJÖRN BORG'S CORPORATE RESPONSIBILITY

OVERARCHING GOALS AND PROCEDURES

One of Björn Borg's fundamental corporate values is to take responsibility and be a good corporate citizen. This shall be reflected in business decisions and the way operations are conducted. Ultimately it is a question of making sure that everyone who works for Björn Borg takes responsibility for the impact of their decisions. Gradually strengthening its corporate responsibility work is important to Björn Borg. It involves ensuring that products are safe, of high quality and manufactured sustainably, that individuals who directly or indirectly work for Björn Borg are treated with respect and work under reasonable conditions, and that efforts are made to minimize the impact on the environment. Corporate social responsibility also means influencing partners, especially manufacturers, to think sustainably.

A guiding principle for Björn Borg's corporate responsibility work is that it is carried out in a conscientious and structured way and with transparency and openness. The company tries to learn from successful examples of measures and approaches in the corporate responsibility area.

The President has the overall responsibility for corporate responsibility issues. The Group also has a person with ties to the management team who shares responsibility for these issues and another with responsibility at the operating level. This work includes control and monitoring of manufacturers, licensees and other parties to ensure that they follow established requirements and to provide information and training internally and externally.

Björn Borg tries to work as closely as possible with its licensees, which design and outsource production of Björn Borg products in areas other than underwear, including footwear, bags and sportswear. The company also works continuously to raise understanding and knowledge of corporate responsibility issues in its network of distributors and other partners as well as among employees, partly through various forms of training.

STAKEHOLDERS

Björn Borg has identified the following stakeholders for its corporate responsibility work:

Stakeholder(s)	Comment
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Customers and employees	Björn Borg's customers and employees trust that the products are safe and that the company takes responsibility for its impact on people and the environment. The company wants to earn this trust.
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Shareholders	Corporate responsibility work creates value and minimizes risk. Shareholders are concerned about the value of the company and the brand and expect the company to be transparent about its corporate responsibility work.
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Authorities and interest groups	The role of authorities and interest groups is to ensure that Björn Borg complies with current laws, requirements and expectations. The company strives to maintain an open dialogue with these stakeholders to better understand the requirements it faces and to share the necessary information.
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Media	The role of the media is to monitor the company's actions in various ways. Björn Borg tries to respond to queries from the media concerning corporate responsibility issues in an open and transparent way.
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By openly reporting its corporate responsibility work in the annual report, on the web site, through direct queries and in other ways, Björn Borg meets the information needs of these stakeholders.

PARTNERS

Björn Borg collaborates with a number of partners in the area of corporate responsibility, including:

- Business Social Compliance Initiative (BSCI)
- Swerea
- The Textile Importers' Association in Sweden
- Social Initiative
- MYSA

PLANNED ACTIVITIES IN 2012

Goal/activity

- Continued evaluation of routines for control and follow-up in the area of corporate responsibility in general and chemicals in particular.
- Concrete training and information activities for employees and the network of licensees and distributors.
- Measure and monitor transports of Björn Borg's own production in a more structured manner.
- Conduct a market survey to, among other things, evaluate whether consumers perceive Björn Borg as a sustainable brand.

OVERARCHING GOALS AND RISKS

Björn Borg has formulated the following overarching goals for its corporate responsibility work:

Goals	Activities	Status
2/3 of volumes of Björn Borg's own production will come from BSCI-audited production units.	<ul style="list-style-type: none"> • All manufacturers of Björn Borg's own production will conduct self-assessments as well as sign and comply with the company's code of conduct. • Audits (recurring) will be conducted on all manufacturers introduced into the BSCI system to ensure compliance with the code of conduct. 	<p>Met.</p> <p>The company continuously evaluates whether new/additional manufacturers should be introduced into the BSCI system.</p>
Björn Borg will have good control over chemical use in its production based on REACH and the company's own requirements.	<ul style="list-style-type: none"> • All manufacturers of Björn Borg's own production will commit to comply with REACH and Björn Borg's own requirements. • Tests will be conducted continuously of chemicals used in Björn Borg's own production and on all manufacturers each season. 	Ongoing. Chemical requirements and routines for control and follow-up were reviewed in 2011. This work will continue in 2012.
CO ₂ emissions will be factored into the final choice of shipping alternatives, and the one with the least environmental impact will be chosen unless there are strong reasons not to.	<ul style="list-style-type: none"> • Annual follow-up of shipping methods used. • Licensees and distributors will be encouraged to work toward this goal. 	Continuous. Only a small share of production is currently shipped by air.
Environmental aspects will be a concrete alternative factor in selecting materials for Björn Borg's own production.	<ul style="list-style-type: none"> • Continuous intelligence gathering on sustainable material. • Ensure that employees remain informed about various materials. • Concretely evaluate and consider alternatives such as the Better Cotton Initiative. 	Ongoing. Further evaluations of materials will be made in 2012.

SPECIFIC CHALLENGES

Björn Borg has identified the following specific challenges in the area of corporate responsibility:

Challenge	Comment
Production involves complex supply chains, which complicates transparency, control and follow-up in terms of product quality in general and chemical use in particular.	Björn Borg works with a limited number of manufacturers and tries to work as close to them as possible to implement and monitor corporate responsibility requirements throughout the supply chain.
Commercial interests, e.g., short lead times and different margin requirements, sometimes conflict with Social and environmental interests.	The company continuously tries to manage conflicts between such interests, e.g., with respect to its choice of material (sustainable materials can be more expensive), working conditions at production plants (certain delivery lead time demands will lead to more overtime) and shipping modes (air is faster).
It can be difficult for manufacturers and employees to fully comprehend current laws and regulations, e.g., with respect to chemicals.	Björn Borg continuously gathers information on changes and provides various types of training to keep employees informed.
Footwear, bags, fragrances and eyewear are designed and manufactured by third-party licensees outside the Björn Borg Group's organization.	Björn Borg tries to work closely with licensees to coordinate policies approaches in the area of corporate responsibility, and to monitor their corporate responsibility work.
Shipping decisions are often made by customers/retailers, not always by Björn Borg.	Björn Borg tries to design its sourcing process in a way that makes it easier for customers/retailers to ship with a more environmentally friendly alternative than air.

RESPONSIBLE PRODUCTION

WORKING CONDITIONS IN PRODUCTION FACILITIES

Björn Borg wants to ensure that people who produce Björn Borg products do so in a safe environment and under reasonable working conditions. The requirements that Björn Borg places on its manufacturers in this respect are spelled out in written guidelines, including the company's code of conduct, and agreements. The company purposely works with a limited number of principal suppliers in order to facilitate a continuous dialogue and control/oversight. Björn Borg has close, and in several cases longstanding, relationships with its major manufacturers, which gives it good insight into production conditions and enables a constructive dialogue on corporate social responsibility issues. Such cooperations, and the opportunities they afford to support these manufacturers' own corporate responsibility work, are an important success factor to achieve real long-term improvements in working environments and conditions.

Facts about Björn Borg's manufacturing*

Total number of manufacturers	21
Member of BSCI since	2008
Share of manufacturers that have signed the code of conduct, %	100
Share of production volume being monitored and controlled	88

*refers to products sold in 2011

The following process is applied when contracting new manufacturers and in product purchases:

Activity	Process
Evaluation of potential manufacturers	Before Björn Borg decides to outsource to a new manufacturer, it must complete a self-assessment.
Contracting of manufacturers	When it contracts a new manufacturer, Björn Borg requires it to sign BSCI's code of conduct.
Monitoring of manufacturers	Björn Borg's largest and most important manufacturers have been formally introduced into the BSCI system and are regularly audited. In addition, a continuous dialogue is maintained with manufacturers on working conditions, including through product managers, as part of the day-to-day cooperation.
Training	Björn Borg encourages its manufacturers to participate in various forms of training. For example, manufacturers that have not yet reached the highest level (level 2) are asked to participate in BSCI workshops. The company also conducts its own information training activities for manufacturers.

BSCI AND CODE OF CONDUCT

Björn Borg is a member of the Business Social Compliance Initiative, BSCI, which comprises a large number of retail, brand and import companies that are trying to improve working conditions in the supply chain by applying the same standardized requirements to working conditions. Björn Borg applies BSCI's Code of Conduct, which is based on, among other things, the ILO's Core Conventions, the UN Declaration of Human Rights and the UN's Convention on the Rights of the Child.

The code of conduct includes requirements in the following areas:

- Legal compliance
- Freedom of association and the right to collective bargaining
- Non discrimination
- Right to reasonable wages and benefits
- Prohibition of child labor and forced labor
- Limitations on overtime
- Workplace health and safety

BSCI's requirement is that production units that supply 2/3 or more of the total production volume must be introduced into the BSCI system, which includes recurring audits. Björn Borg meets this requirement; currently manufacturers representing nearly 90 percent of its total production volume has been audited. Björn Borg's licensees in footwear and bags are also members of BSCI and have worked actively with audits and other measures during the year. They also meet BSCI's requirements.

Practically all BSCI audits of the company's manufacturers have produced fairly satisfactory results. The company's largest manufacturer got remarks in 2010 for the amount of overtime, but the follow-up audit in 2011 showed that improvements have been made in this area – although the amount of overtime was still high from a Western standpoint and should be further reduced. Some other areas of improvement remain as well. One priority in 2012 is to work closely with manufacturers which still have areas to improve to ensure that any remaining deficiencies are alleviated as soon as possible. One example is ensuring that thorough documentation is made available to facilitate control and follow-up. Björn Borg's manufacturers participated during the year in BSCI's Capacity Building Workshops.

Geographical distribution of production*:

Country of origin	Share of total volume, %
China	94.5
Turkey	4.2
Bangladesh	0.8
Mauritius	0.3
Indonesia	0.2

*refers to products sold in 2011

ENVIRONMENTAL RESPONSIBILITY

QUALITY AND SUSTAINABILITY

Ensuring the quality of its products and production processes is an important part of Björn Borg's corporate social responsibility work. When a consumer buys a product of high quality, it will last. If the product is something the buyer values and enjoys, they will typically use it more often and for longer. A longer product life cycle can help to reduce the environmental impacts. Björn Borg strives to maintain consistently high quality. Specialists within each product area work continuously to improve every step of the manufacturing process, from design and choice of materials to production, to reach the right level of quality. The aim is that the customer will be able, and want, to use Björn Borg's products for a long time. The feedback that the company receives from customers confirms that this is the case.

Björn Borg tries to minimize the environmental impact of its operations. It applies a lifecycle perspective to account for environmental impacts in production, shipping and at the consumer level. The products Björn Borg sells must as an absolute minimum meet the requirements of current laws and other binding regulations. People who come into contact with Björn Borg products, primarily customers and employees in the supply chain (e.g., factory personnel), must not be exposed to chemicals in a way that is hazardous.

CHEMICALS

Chemical use and chemical contents are a key element of Björn Borg's corporate responsibility work. Chemicals are used in apparel manufacture to convert cotton to yarn and to dye fabrics. Since all manufacturing is outsourced, a continuous dialogue is required with the manufacturers on the production methods and chemicals they use to ensure safe working environments as well as safe end products. Regular visits to production facilities allow Björn Borg to take concrete control measures. In addition, manufacturers are required to comply with the EU's REACH regulation as well as Björn Borg's own guidelines on the use of chemicals in production, which are based in part on the chemical guide issued by the Textile Importers' Association in Sweden. In this way, these manufacturers commit to certain predefined maximum levels for various chemicals. Samples are continuously taken from each company's production to verify that chemical contents meet the stated requirements.

Björn Borg also requires its manufacturers to apply the necessary safety routines in terms of protective equipment and storage as well as chemical use. In 2011 Björn Borg began a review of its guidelines and control procedures, which will continue in 2012. It also plans to take measures during the year to generally increase the level of understanding of chemicals internally. The company's licensees for footwear and bags are working actively with chemical controls as well.

Björn Borg collaborates with the research organization Swerea on chemicals and product testing and participates in Swerea's chemical group for textile companies, which includes a number of Swedish apparel brands. Through this collaboration, Björn Borg receives valuable support in its work with chemical issues and up-to-date information on new or amended rules and alternative chemicals and methods with less impact on the environment.

ENVIRONMENTAL IMPACTS ON VARIOUS LEVELS: CO₂ EMISSIONS, ETC.

In 2010 Björn Borg conducted a lifecycle analysis of its underwear, which showed that the biggest environmental impact was from washing by the customer. The company has since added a text to its underwear packaging and care labels to inform end users how they can help the environment, e.g., by filling up their washing machine, washing at lower temperatures, using less detergent and not using a clothes dryer.

Another impact in the product lifecycle is from shipping, including in the form of CO₂ emissions. Björn Borg's products are rarely shipped by air. Airmail shipments currently account for only a small share of the total transport volume, and by far the majority of shipments are sent by sea. Deliveries within Europe are made by truck. The company's policy is to factor CO₂ emissions in its choice of shipping modes, i.e., it will choose the method with the least environmental impact unless there are strong reasons not to. Shipments normally go directly from the country of origin to distributors in each market, which generates less emissions and lower costs than if sent through a central warehouse. However, this means that the choice of shipping mode is not always in the company's control. In 2012 Björn Borg will begin to measure what percentage is shipped by which mode of transport, which will facilitate future monitoring and create a benchmark for various types of measures.

HEAD OFFICE

When Björn Borg moved the head office to a new location in 2011, it signed a so-called green lease with the landlord, which commits both parties to work systematically and conscientiously to reduce energy consumption and CO₂ emissions. This is in line with the company's policy to reduce CO₂ emissions within its operations. All electricity used in the office is renewable, according to the criteria of the Swedish Society for Nature Conservation.

PACKAGING

The products Björn Borg produces are shipped in plastic and paper packaging that are affixed with labels. A number of years ago Björn Borg introduced plastic packaging produced from PVC-free material in the form of EVA and polypropylene, both of which are recyclable. Björn Borg also continuously monitors developments in terms of new, environmentally friendly packaging alternatives.

ENVIRONMENTAL CAMPAIGN

In spring 2012 Björn Borg is launching a campaign to encourage consumers to turn off the lights. This will be done in typical

Björn Borg fashion, with the company suggesting tongue-in-cheek that there are a number of enjoyable things that can be done in the dark while saving electricity and in the long run conserving natural resources. The campaign coincides with Earth Hour on March 31, 2012, when WWF encourages everyone to turn off their lights for an hour to stress the seriousness of climate change.

SUSTAINABLE MATERIALS AND RECYCLING

Cotton is a very popular material, especially for underwear, but poses an environmental challenge in the sense that a great deal of water and chemicals are needed to produce textiles from cotton. Björn Borg continuously monitors developments in terms of alternative materials with less environmental impact, e.g., organic cotton. The company's policy is that environmental aspects shall be a concrete factor in the choice of materials in the design and sourcing process.

The materials used in Björn Borg's own production are currently distributed as follows*:

Material	%
95% Cotton, 5% Elastane	79
100% Cotton	3
Polyamide blends	18

*refers to products sold in 2011

Björn Borg plans to launch a collection called "Cut the crap" in 2012. The collection is the result of a project to reuse production left-overs. Two different materials with prints will be combined into a new pair of underwear – which also means that each piece will have its own unique design. Through this type of recycling, Björn Borg is helping to reduce its impact on the environment.

COMMUNITY ENGAGEMENT

In an effort to give back to society, Björn Borg has since 2010 provided financial support to the Mathare Youth Sports Association (MYSA), a self-help program that has worked with children and young adults in the slums of Nairobi, Kenya, for around 25 years. MYSA combines sports with leadership training by organizing activities to improve local environments, e.g., through cleanups. The organization currently serves around 27,000 children and young adults. In 2011 an additional SEK 2.3 million was allocated from funds derived from the sale of Björn Borg Kids products to MYSA for specific projects, including financing for scholarships and another local office for the organization. A campaign to encourage girls to stay active has also been successful. Björn Borg previously contributed in this way to a library and an AIDS information center. Allocations will continue in 2012. Björn Borg's partner, Social Initiative, conducts an annual follow-up to verify that established plans and budgets are being followed, that the support reaches recipients and is having an impact, and that the organization is producing positive results. The follow-ups conducted to date (most recently in the fall of 2011) have confirmed that the donations are having an impact and that Björn Borg is providing a real contribution to local development in the area.

In summer 2011 a collection was launched with two underwear styles designed by Björn Borg and two by John McEnroe as part of a campaign called Björn Loves John. Four percent of the revenue was donated to charity through the John and Patty McEnroe Foundation, which supports nonprofits such as Laureus USA (which works with sports as a tool for social change, not unlike MYSA), J/P Haitian Relief Organization (which supports earthquake-ravaged Haiti) and Riverkeeper (which works to protect watersheds and safeguard drinking water).

Together with several other brands, Björn Borg also participated in fall 2011 in a fundraiser to support the Swedish charity Radiohjälpen. The donations will ensure that children receive healthcare, an education and a dignified future. The fundraiser generated SEK 112,880, enough, for example, to pay for 376 children to go to school for an entire year.