

# BJÖRN BORG'S CORPORATE RESPONSIBILITY

## BJÖRN BORG'S OVERARCHING VIEW OF ITS RESPONSIBILITY

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One of Björn Borg's fundamental corporate values is to act responsibly. Björn Borg wants to be a good corporate citizen by taking responsibility in a number of areas: for the people who work for and with the company, for its environmental impacts, for the impact on the customer, and for operating ethically. Bottom line products shall be safe, of high quality and manufactured sustainably, and individuals who directly or indirectly work for Björn Borg shall be treated with respect and work under reasonable conditions. Also, efforts shall be made to minimize environmental impacts, e.g., through lower CO<sub>2</sub> emissions. This will be reflected in every business decision and in the way the company operates. Ultimately it means ensuring that everyone who works for Björn Borg takes responsibility for the impact of their decisions and actions. We also encourage our partners, especially manufacturers and licensees but also distributors, to work sustainably.

## APPROACH

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Björn Borg's corporate responsibility work shall be conducted in a conscientious and structured way, with transparency and openness, and by gradually raising the level of ambition over time.

This work includes control and monitoring of manufacturers and other partners to ensure their compliance with established requirements as well as measures to continuously improve the knowledge of Björn Borg's personnel and, to some extent, outside parties. The product department, which works with design, product development and sourcing, also plays a key role in the practical aspects of this work.

### STAKEHOLDERS

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

#### Stakeholder(s) Comment

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Customers	Consumers (end customers) trust that Björn Borg's products are safe and that the company takes responsibility for its impacts on people and the environment. Björn Borg wants to earn this trust. Commercial customers such as retailers in addition often have their own concrete sustainability requirements that Björn Borg as a company must fulfill.
Employees	More and more employees expect their employer to take corporate responsibility and want to be proud of where they work. It is important for Björn Borg to meet these expectations and be an employer that also offers a positive, stimulating working environment.
Shareholders	Sustainability 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 sustainability work.
Authorities and interest groups	The role of authorities and NGOs is to ensure that companies comply with current laws and regulations. Björn Borg tries to maintain an open dialogue with these stakeholders to better understand their expectations and to share necessary information.
Media	The media's role is to monitor the company's actions, including negative impacts. Björn Borg tries to respond as openly and transparently as possible to queries on its sustainability work.

By openly reporting its sustainability work in the annual report, on the website, through direct queries and in other ways, Björn Borg meets the information needs of these stakeholders.

Björn Borg's licensed products in areas other than underwear, such as footwear and bags & luggage, are designed and sourced by external licensees, who contract their own manufacturers, dialogue with them and monitor working conditions and chemicals, among other things. Björn Borg places concrete sustainability requirements on its licensees, and helps them coordinate their actions and support each other in various ways, including by identifying and implementing best practices everyone can benefit from. Björn Borg also continuously monitors its licensees' sustainability work.

## BJÖRN BORG'S PARTNERS

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

- Business Social Compliance Initiative (BSCI)
- The Textile Importers' Association in Sweden
- Swerea IVF
- Social Initiative
- Mathare Youth Sports Association MYSA
- Numerous charity organizations

## EXAMPLES OF ACTIVITIES CONDUCTED IN 2013

- Developed model to measure and monitor climate impacts, based on CO<sub>2</sub> emissions from Björn Borg's own operations.
- Developed structured evaluation scheme for manufacturers of Björn Borg's own production with concrete KPIs for sustainability, e.g., working conditions and the environment.
- Extensive training in sustainable fashion for Björn Borg's personnel through Sustainable Fashion Academy (SFA).

## EXAMPLES OF ACTIVITIES PLANNED IN 2014

- Implement climate reporting in Björn Borg's own operations, based on CO<sub>2</sub> emissions.
- Implement structured evaluation scheme for manufacturers of Björn Borg's own production.
- Review the Supplier Guide, including environmental requirements.
- Begin collecting worn-out clothing in stores on a trial basis.

## OVERARCHING GOALS AND RISKS

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

Goals	Status/comment
All manufacturers of Björn Borg's own production* must follow the company's code of conduct. Of total volumes purchased for Björn Borg's own production, at least i) 2/3 will come from factories that have been BSCI-audited and achieved at least level 1 (of 2) and ii) 50% will come from factories that have achieved the highest level (2).	All manufacturers of Björn Borg's own production have signed the company's code of conduct, 92 percent (based on total volumes purchased in 2013) have achieved at least BSCI level 1 and 86 percent have also achieved level 2. Read more on page 28 under Responsible production.
Björn Borg will maintain good control over chemical use in its own production and sample testing will be performed at all manufacturers of Björn Borg's own production each season.	All manufacturers of Björn Borg's own production have pledged to comply with Björn Borg's chemical requirements, and chemical tests are conducted at manufacturers of Björn Borg's own production each season. Björn Borg considers its chemical control satisfactory, but reviews its routines and requirements continuously. Read more on page 30 under Chemicals.
Significantly reduce CO <sub>2</sub> emissions from Björn Borg's own operations by 2020.	In 2014 Björn Borg will implement a climate measurement and monitoring model for its own production. Concrete goals for CO <sub>2</sub> emissions by 2020 and results for 2014 will be reported in 2015. Read more on page 30 under Environmental responsibility.

\* "Björn Borg's own production" refers to factories contracted by Björn Borg, excluding factories contracted by the company's licensees (e.g., footwear, bags & luggage and sportswear).

## CHALLENGES

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

Challenge	Comment
Production involves long chains of suppliers at various levels, which complicates transparency, control and oversight of working conditions and chemicals, for example.	Björn Borg cooperates with a limited number of manufacturers, tries to work as closely with them as possible to implement and monitor sustainability requirements, and requires them to place similar requirements backwards in the supply chain.
Commercial interests sometimes conflict with sustainability interests.	A serious discussion is needed about conflicts that can arise between different interests, e.g., that sustainable materials can be a more expensive alternative in a market with growing margin pressure and that short delivery schedules can increase overtime in factories or shipments by air. At the same time sustainability improvements can be cost-effective if they optimize shipments or lead to energy efficiencies.
It can be difficult for manufacturers and the company's own employees to fully comprehend current laws and regulations, not least in the chemical area.	Björn Borg continuously gathers information on changes and development over time and provides various types of training to keep employees properly informed and knowledgeable. The company also cooperates with and receives support from external parties in each area.
Design and production of products other than underwear, such as footwear and bags & luggage, are handled by third-party licensees outside the company's organization and control.	Björn Borg places concrete requirements on its licensees, coordinates sustainability policies, and monitors licensees' sustainability work.
Shipping decisions are often made by Björn Borg's distributors, not within the Group.	Björn Borg designs its sourcing process in a way that leaves enough time to choose shipping alternatives which are less environmentally harmful than air freight, while also trying to encourage and influence its distributors to choose better alternatives.

## RESPONSIBLE PRODUCTION

### NUMBER OF MANUFACTURERS AND GEOGRAPHICAL DISTRIBUTION

Björn Borg outsources its production to a total of around 15 manufacturers with production at 18 factories. China accounts for about 90 percent of Björn Borg's total production, followed by Turkey and India. The large part of Björn Borg's production is in southern and eastern China.

### WORKING CONDITIONS IN PRODUCTION FACILITIES

Björn Borg does not own the production facilities used for its own production, but feels responsible for ensuring that the people who make Björn Borg products have a safe working environment and fair working conditions. The company therefore places concrete requirements on its manufacturers in these areas. Björn Borg requires suppliers of its own production to comply with the company's code of

conduct. The code is based on BSCI's code of conduct, which in turn rests on several important international conventions on human rights. Compliance is monitored continuously. For more information, see below.

Björn Borg purposely works with a limited number of suppliers to facilitate an open dialogue and monitoring, and maintains close relationships with its major manufacturers, in several cases dating back many years. The company is confident that this provides good insight into production conditions and fosters a constructive dialogue on sustainability issues. Creating a dialogue, in Björn Borg's experience, is more effective than one-sided, formal demands to achieve real, lasting improvements in working conditions. This is a long-term process that requires persistence.

### BSCI AND CODE OF CONDUCT

Björn Borg has participated since 2008 in the Business Social Compliance Initiative, BSCI, which currently comprises over 1,000 retail, trading and import companies which are trying to improve working conditions in the supply chain. Several well-known brands and chains participate in BSCI. The idea behind BSCI is that when companies join together and place the same standardized requirements on production conditions they can achieve real improvements over time. Through the BSCI system, participants can

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 prescreening according to criteria formulated for this purpose. The company considers, among other things, whether the manufacturer in question has received recognized certification (e.g., SA8000 or WRAP), undergoes BSCI audits or, for other reasons, can show that it meets Björn Borg's requirements or has the essential elements (resources, willingness and so on) to meet them, with the company's support, within the foreseeable future.
Contracting of manufacturers	When it contracts a new manufacturer, Björn Borg requires it to sign the company's code of conduct, which is based on BSCI's code of conduct.
Monitoring of manufacturers	Björn Borg's larger/more important manufacturers are introduced into the BSCI system by Björn Borg if they have not already been introduced by another buyer, and are monitored continuously through formal BSCI audits. In addition, a continuous dialogue is maintained with manufacturers on working conditions, including through product managers, as part of the day-to-day cooperation, e.g., in connection with on-site visits in the country of production. As of 2014 manufacturers will also be graded on concrete KPIs within the sustainability area.
Training	Björn Borg encourages its manufacturers to participate in various forms of training such as BSCI workshops.

benefit from each other's work, since customers that buy from the same producers can share the costs and responsibility for control and monitoring. Because so many buyers apply the same requirements, it also makes it easier for producers to understand and embrace them and means that they do not have to undergo similar inspections by multiple customers.

Björn Borg therefore 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
- Prohibition of discrimination
- Right to reasonable wages and benefits
- Prohibition of child labor and forced labor
- Limitations on overtime
- Workplace health and safety

BSCI members require their producers to comply with the code of conduct and submit to recurring audits to verify compliance. The audits grade producers on a three-point scale. Level 0 means that a supplier is

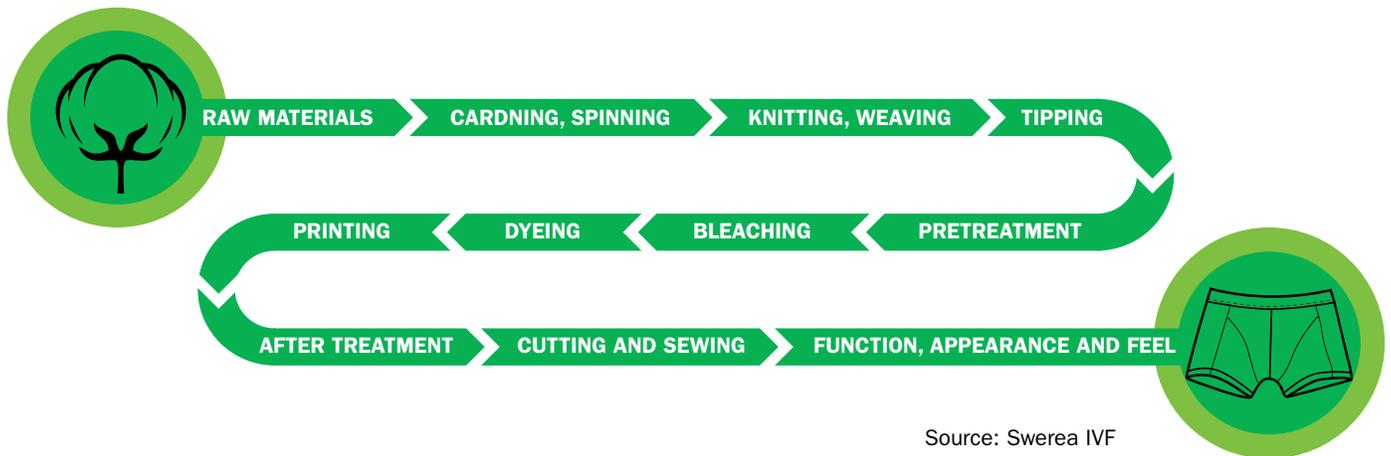
non-compliant and must implement a number of improvements. Level 1 ("Improvements needed") means that the producer has deviations that must be addressed, while Level 2 ("Good") means that the producer has been approved. If a supplier reaches Level 2, a re-audit is not conducted for another three years. If the audit identifies areas of improvement, i.e., Level 1 or lower, a re-audit must be conducted the following year. BSCI requires Björn Borg to ensure that production units which supply 2/3 or more of its total production volume in so-called risk countries have been introduced into the BSCI system (by Björn Borg itself or another BSCI member) and have reached at least Level 1.

Björn Borg currently meets the above requirements. In 2013 over 92 percent of its total production volume came from manufacturing units that have reached at least Level 1 within BSCI. A growing number of its manufacturers have reached the highest level, Level 2. Seven of the company's ten largest manufacturers, which account 86 percent of total purchases in 2013, achieve this level. One of the company's largest manufacturers, which previously had not reached Level 2 and which Björn Borg has worked closely with over an extended time to support its efforts, reached Level 2 in 2013 after having taken concrete improvement measures.

Björn Borg decides on a continuous basis whether to introduce additional producers into the BSCI system. Several of its producers are audited by other buyers within BSCI. An updated code of conduct is currently being implemented within BSCI and in 2014 Björn Borg will integrate it into its supplier requirements. This could mean, however, that some scheduled audits will have to be postponed until 2015, until the new code is fully implemented.

Several of Björn Borg's producers have received sustainability certification from SA8000 and WRAP, for example.

Björn Borg's licensees in the footwear and bags & luggage product categories are also members of, and active in, BSCI.



Source: Swerea IVF

## CHEMICALS

The use of various types of chemicals is unavoidable in the manufacture of apparel – e.g., to convert cotton to yarn and to dye fabrics. See the illustration of the production chain above.

Björn Borg takes measures to avoid that products contain hazardous chemicals which could harm the user (end customer) and that those who work in the company’s production chain, such as factory workers, are not exposed to chemicals in a hazardous manner. The company’s chemical control program is a key element in its sustainability work. Since all manufacturing is outsourced, a continuous dialogue is needed with producers on the production methods and chemicals they use to ensure a safe end product and working environment, complemented by additional controls. Producers must follow legal requirements as pertain to chemicals, including the EU’s REACH regulation. Björn Borg also sets its own, more extensive chemical requirements on its own production, based on the chemical guide issued by the Textile Importers’ Association in Sweden. In this way the producers pledge to ensure that certain potentially hazardous chemicals are not used. Chemical tests (sample testing) are continuously conducted in Björn Borg’s own production to verify that the stated requirements are being met.

Björn Borg also requires its producers to apply generally accepted safety routines in terms of protective clothing as well as storage and use of chemicals in their production facilities. Regular visits to these factories facilitate Björn Borg’s control.

Björn Borg requires its licensees to follow appropriate legal requirements as pertain to chemicals. Its licensees in footwear and bags & luggage also work actively with chemical controls in a similar way to Björn Borg (according to the above).

Björn Borg has been working for several years with the research organization Swerea IVF on chemical questions and with the global services company UL on product testing. Björn Borg participates in Swerea IVF’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 environmental impact. Employees of Björn Borg also attend Swerea IVF’s workshops and seminars to improve their competence in this area.

## ENVIRONMENTAL RESPONSIBILITY

### RESPONSIBILITY FOR CLIMATE CHANGE

Concern about climate change and shortages of natural resources are increasingly affecting the apparel industry and have made more businesses realize the importance of helping to conserve the planet’s resources and in various ways addressing the risks of climate change. Buying new clothes all the time and just throw away old is not sustainable. For this reason, it is becoming more important for consumers to buy quality products that last. For Björn Borg, product quality has always been a core issue, but its importance has grown as it has also clearly become a sustainability issue. When consumers buy a quality product, they can use it longer. A product that lasts longer has less impact on the environment. Björn Borg places a great emphasis on assuring the quality of its products and production processes. Specialists in each product area are continuously refining every level of the manufacturing process, from design and material selection to production in order to achieve a high quality level. The aim is that the customer can and will want to use Björn Borg products longer. But of course, this is not enough. As a company, Björn Borg wants to do much more to take its share of responsibility for the environment.

## CO<sub>2</sub> EMISSIONS

Björn Borg's operations generate CO<sub>2</sub> emissions, which contribute to global warming. In 2013 the company formulated a model to measure and monitor CO<sub>2</sub> emissions from the Group's own operations. The model will be implemented in 2014 and targets and initial results will be reported from 2015. The focus will be on energy consumption, business travel and product transports. Shipments of goods from the country of origin to country of sale account for a significant share of CO<sub>2</sub> emissions, especially air freight. Only a limited share of Björn Borg's products is shipped by air, however. By far the majority are sent by sea, with deliveries within Europe made by truck. In 2014 the company will move additional production to Turkey, reducing the distance between the country of origin and country of sale. The company's policy is to factor CO<sub>2</sub> emissions into its choice of shipping modes, i.e., to choose the method with the least environmental impact unless there are strong reasons otherwise. In the current business model Björn Borg does not control the choice of shipping mode, since product deliveries are normally ordered by and shipped directly to distributors in each market. However, the company is taking measures to encourage its distributors to use the greenest alternative whenever possible, e.g., by designing and timing the sourcing process to allow for shipments by sea.

## ENVIRONMENTAL IMPACTS DURING THE PRODUCT LIFECYCLE

Björn Borg plans over time to significantly reduce the environmental impacts from its operations in a broader sense as well, by applying a lifestyle perspective that takes into account impacts in production and at the user level. Achieving concrete improvements in these parts of the product lifecycle is a major challenge, however, since they require commitment and actions by outside parties. A close dialogue is needed with production partners to encourage them to reduce impacts from their operations, along with influencing consumers on washing, recycling and reusing products. Consumers can limit their impacts, for example, by filling up their washing machine, washing at lower temperatures, using less detergent and hanging their clothes to dry rather than using a dryer. A lifecycle analysis (LCA) conducted by Björn Borg a few years ago showed that the biggest environmental impact from a garment, nearly 60 percent, is from the end user's washing. By simply lowering the temperature from 60°C to 40°C, they can significantly reduce their impact. Possible measures that would broaden environmental efforts include initiating concrete environment projects in suppliers' factories, using less resource-intensive and environmentally damaging materials and production methods, and helping to extend product lifecycles by encouraging end-users to sell or donate usable products instead of throwing them away. With respect to the latter, Björn Borg has already taken certain action, as described below.

## SMARTER RESOURCE CONSUMPTION

Cotton is a very popular material, especially for underwear, but poses an environmental challenge in that a great deal of water and chemicals is needed to produce textiles from conventional cotton. Recently the company has devoted considerable resources to increasing knowledge by its personnel, especially designers and buyers, of alternative, more sustainable materials. These efforts will continue in 2014. The hope is to significantly increase the share of sustainable material over time.

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

Material	% of total volume
95% cotton, 5% elastane	75
Synthetic blends	17
Other cotton blends	5
100% cotton	2
<b>Total</b>	<b>100</b>

\* Refers to products invoiced by the company in 2013.

Björn Borg's collections from its own production are delivered in plastic or cardboard packaging. Plastic packaging is produced in recognized materials such as polyethylene terephthalate (PET), ethylene vinyl acetate (EVA) or polypropylene (PP). All Björn Borg packaging is recyclable, with sorting symbols clearly displayed. The company's packaging is designed to withstand rough handling before reaching and when in stores. A number of measures are being taken to ensure that the packaging will last as long as it should with as little environmental impact as possible.

In spring 2014 certain Björn Borg stores will begin collecting worn-out products from consumers on a trial basis with the goal of recycling or reusing them in an appropriate way rather than having them thrown away by the consumer. Major progress has been made in recent years in the research and practical application of textile recycling, and it is now becoming feasible to take fibers from old garments to make new fibers that can be spun into yarn for new garments. Material that can't be recycled in this way can sometimes be converted into something else, such as various types of composites. There is growing discussion in the industry about "closing the loop" and "cradle to cradle." The goal is to reuse the planet's resources in a new product lifecycle rather than just let them go to waste.

About a year ago Björn Borg introduced a limited collection born out of a desire to use production leftovers. Two leftover fabrics with different prints were combined into a new pair of underwear with its own unique design. By taking production waste and putting it to use again, Björn Borg is reducing its impact on the environment.

## COMMUNITY ENGAGEMENT

Björn Borg wants to give back to society. For about four years, since 2011, it has provided financial support to the Mathare Youth Sports Association (MYSA), a self-help program that combines team sports with leadership training to assist children and young adults in the slums of Nairobi, Kenya. In total, nearly SEK 6 million has been donated to MYSA and contributed to a library and information center as well as to decentralizing operations and increasing the number of active girls. In 2013 Björn Borg's support was primarily used to strengthen MYSA's internal organization and regulations. Björn Borg's partner, Social Initiative, conducts an annual follow-up to verify that established plans and budgets are being followed, that support is reaching recipients and having an impact, and that the organization is producing positive results.

In 2013 Björn Borg began a collaboration with the MTV Staying Alive Foundation, which supports HIV prevention through small, local projects often run by young social entrepreneurs with a passion for making a difference. During the year Björn Borg launched a limited underwear collection designed to increase awareness of HIV, which affects people, especially young people, around the world. One euro from each item sold was donated to the foundation.

Björn Borg also continues to support human rights. One issue dear to the company is the fight for LGBT (Lesbian, Gay, Bisexual and Transsexual) rights. In 2013 Björn Borg was one of the main sponsors of Stockholm Pride and participated in the Pride Parade and on the festival grounds. The company also produced the official Pride film. In fall 2013 Björn Borg advertised a full-page ad in the Moscow Times to support LGBT rights, which have been denied by the Russian government. Björn Borg will continue to fight for human rights.



In 2013 Björn Borg donated money or products to, among other charities:

- Radiohjälpen (administers donations to global children's charities)
- Stadsmissionen (humanitarian organization for the homeless)
- Unga Reumatiker (supports young rheumatism sufferers)
- Pediatric cancer ward at Astrid Lindgren Children's Hospital
- Ung Cancer (nonprofit helping young cancer sufferers)
- Movember

Björn Borg has made a policy decision not to throw away or destroy usable products, including inventory from old collections or confiscated fake products (so called counterfeits), unless absolutely necessary. In 2013 Björn Borg began collaborating with His Church Charity in England. Whenever practical, Björn Borg sends primarily counterfeit products to the charity, which resews them, covers the Björn Borg label and donates the clothing to the needy.

In total, gifts with an estimated value of SEK 2 million have been donated to the above-mentioned charities.