



# SUSTAINABILITY REPORT 2015

BJÖRN BORG 

## TO MAKE A DIFFERENCE

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We believe all humans carry the will to make a difference – for themselves, for someone else, or for the world. We believe that we all can be different and make things better. Together we can change the game and break what is impossible.



## IMPORTANT EVENTS 2015

### INTEGRATION OF DESIGN AND PRODUCT DEVELOPMENT OF SPORTS APPAREL

The business previously conducted by third party licensee Björn Borg Sport B.V. in the Netherlands is currently being wound down, and design and product development have instead been integrated into Björn Borg centrally. As a consequence, these areas can be more effectively incorporated into Björn Borg's overarching sustainability program, including with respect to working conditions in factories, chemical management, environmental footprint and animal welfare.

### CONTINUED IMPLEMENTATION OF BSCI 2.0

In 2015 Björn Borg continued to implement BSCI 2.0, the second generation framework of the Business Social Compliance Initiative, to improve working conditions in the supply chain. During the year Björn Borg provided training to its buyers and informed suppliers about BSCI's new code of conduct and the new BSCI 2.0 structure.

### MEN'S UNDERWEAR IN ORGANIC COTTON

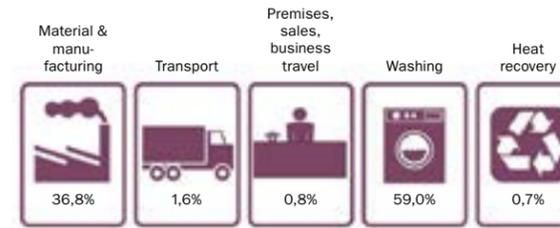
A collection of men's underwear in organic cotton was launched in fall 2015 as a first step toward the long-term goal to use more sustainable material in collections. The effort will intensify in 2016.

### BJÖRN BORG SUSTAINABILITY ROADMAP 2016-2019

In 2015 Björn Borg developed a Sustainability Roadmap pinpointing the specific measures necessary to meet the sustainability goals for 2016-2019. The plan contains concrete goals and actions to reduce Björn Borg's environmental impact, including in external production by using more sustainable material and production methods.

### MEMBERSHIP IN STWI AND INITIAL ENVIRONMENTAL PROJECT IN PRODUCTION

At the beginning of the year Björn Borg became a member of the Sweden Textile Water Initiative (STWI). During the year STWI's guidelines on sustainable water consumption in production were integrated into Björn Borg's requirements for suppliers. A first STWI project was conducted at a factory in China and materialized energy savings, reduced the load on the environment and led to financial gains for the supplier.



**SHARE OF ENVIRONMENTAL IMPACT ACCORDING TO LCA**

Based on these conclusions, the company’s sustainability program is designed with the ambition to minimize negative impacts throughout the product lifecycle, even when they are caused by external production partners or the consumer.

**IMPACT IN PRODUCTION IS THE KEY**

The LCA showed that about 37 percent of the environmental impact is in production, in the process stretching from fibers to finished garment. This part of the lifecycle lies with external parties. However, Björn Borg uses a relatively small, manageable number of factories, which facilitates dialogue and monitoring. Björn Borg had production at a total of 11 external factories in 2015, the majority in China and a

smaller share in Turkey. The sports apparel business, which had previously been managed by the licensee Björn Borg Sport B.V., was integrated during the year into Björn Borg’s design and product development at the head office. Four factories were used for sports apparel.

Behind the factories contracted by Björn Borg lies a chain of subcontractors that includes cotton growers, spinners, weavers and dyeing and printing houses. The company’s LCA showed that as much as 67 percent of the total impact in the production stage is in the first steps of the process, fiber selection and fabric manufacturing. Björn Borg currently does not have any direct contractual relationships at this level, but the long-term goal is to find effective ways to address impacts in these earlier stages of the production chain. The first step is to significantly improve transparency throughout the supply chain.

**FOCUS AREAS FOR SUSTAINABILITY**

Working conditions in factories have been a priority for Björn Borg for many years. Since the company subcontracts production, special controls have to be implemented to ensure that factory workers have acceptable and safe working conditions. To achieve this, Björn Borg applies, e.g., the framework developed by the Business Social Compliance Initiative (BSCI).

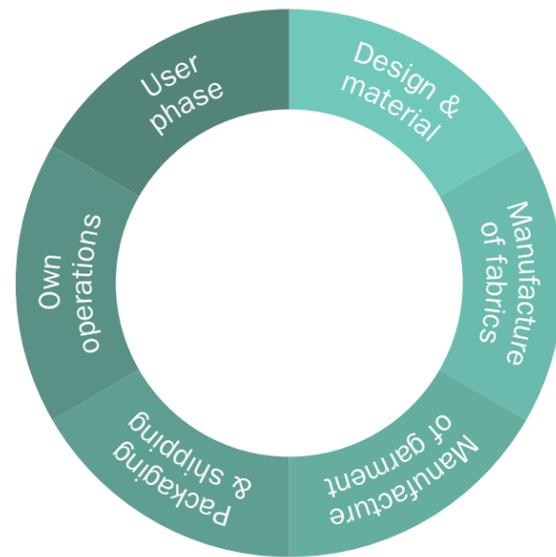
**SUSTAINABLE DEVELOPMENT FOR BJÖRN BORG  
BJÖRN BORG TAKES RESPONSIBILITY**

Björn Borg acknowledges and embraces its responsibility for how people and the environment are affected by its operations and takes actions to minimize negative impacts, including encouraging production partners and consumers to see their role and change their behavior. A focus on the environment and climate change is important. The challenges of reduced access to essential raw materials and shared responsibility for the environment and climate are a reality as the earth’s population grows and consumption accelerates. What’s clear is that everyone will have to do things differently in the future. As part of an industry with a major environmental impact, Björn Borg has a role to play in reducing that impact. Driving us is a conviction that we can make a difference.

**STARTING POINT IN PRODUCT LIFECYCLE**

The natural starting point for Björn Borg’s sustainability programs is the product lifecycle – the various stages involved in producing and marketing products, followed by the user phase by the consumer. The product lifecycle describes Björn Borg’s operations based on which stakeholders are affected and the impacts on the environment and society through the value chain.

In 2010 Björn Borg completed a lifecycle assessment (LCA) of a pair of underwear to identify the biggest environmental impacts. The assessment focused on air emissions and water pollution from greenhouse, acidifying and ozone-depleting



gases as well as hazardous waste and was conducted according to the ISO 14040 standard. The conclusion was that the biggest impacts are in the production and user phases.



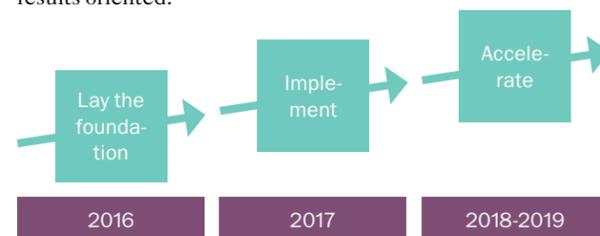


In addition, Björn Borg has formulated three focus areas for its sustainability program in coming years. The priorities are based on where the negative impact is greatest (“Impact”) and Björn Borg’s sphere of influence (“Control”).

- **Product** – A very large share of the impact is in production, in manufacturing the fibers and other inputs and in the production process itself. By making a more sustainable product, we create a framework to address impacts related to design and the choice of materials and in the production stage.
- **Our own operations** – Björn Borg undoubtedly has a responsibility in its own operations (including transports), and it is here that the company also has the greatest opportunity to make a difference.
- **Transparency** – Björn Borg is open about its sustainability goals and results. The aim is to gradually increase transparency in the production chain, with the goal over time of obtaining greater insight into the various stages of the chain of subcontractors.

## INTEGRATION AND GOVERNANCE OF SUSTAINABILITY

In 2015 Björn Borg formulated a Sustainability Roadmap for 2016-2019 consisting of a number of goals and actions in a step-by-step process which ensures that the work will be results oriented.



### INTEGRATION OF SUSTAINABILITY IN OPERATIONS

Sustainability is an express part of the company’s business plan for 2015-2019, which contains a number of concrete goals that are broken down into annual departmental milestones and activities – now also integrated into the Sustainability Roadmap. The plan is to gradually increase sustainability efforts and to increasingly integrate the work into the different departments within the company. In 2015 about 15 percent of employees had sustainability goals as part of

their individual goals. In 2016 over 55 percent of employees have sustainability goals.

Another key to integrate sustainability at an operational level is that the company’s Sustainability Director is a member of the management team, which keeps the issue on management’s agenda. The management team has formulated a number of priorities for 2016, a specific item approved by the Board of Directors. Stepping up the commitment level and more clearly integrating sustainability into operations are among the priority areas, which are followed up at every management meeting. Sustainability is also on the Board’s agenda at least once a year, most recently in November 2015.

### SUSTAINABILITY GOVERNANCE

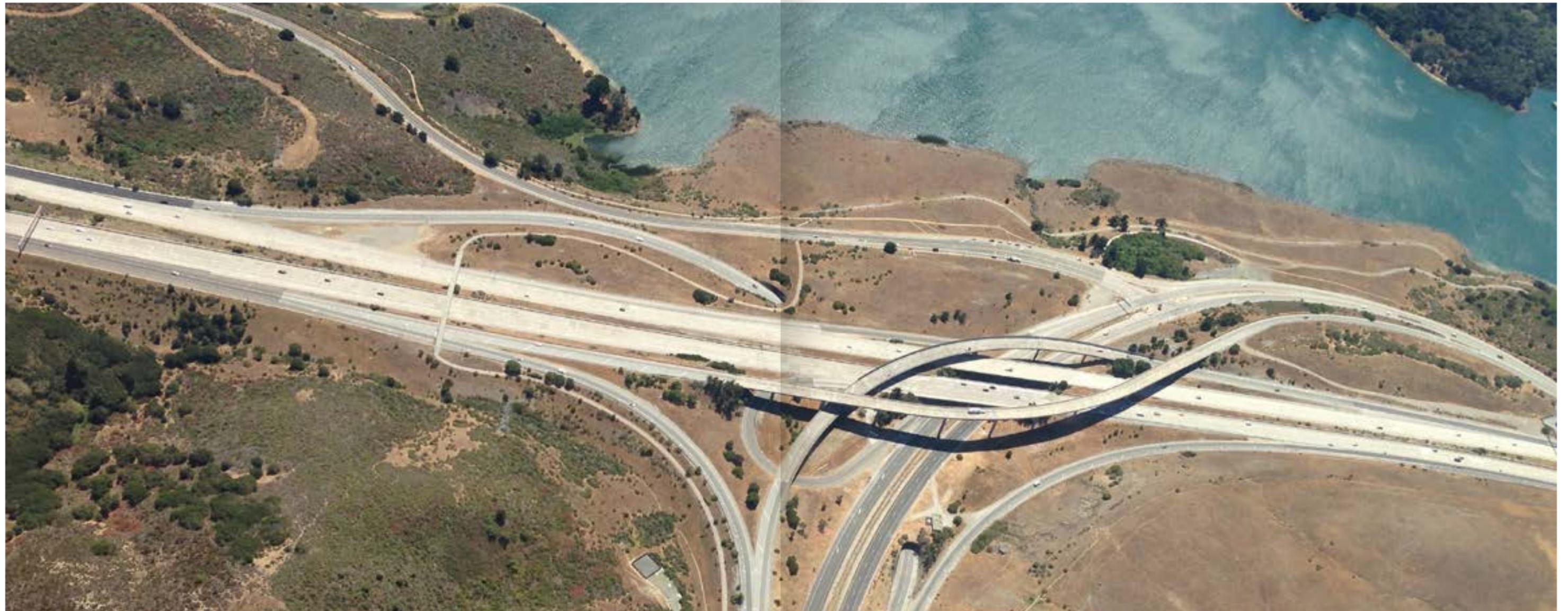
Björn Borg uses a number of Key Performance Indicators (KPIs) to implement its sustainability program. The target implementation process described above is an important part of this. A number of policies are in place as well to guide employees and encourage them to embrace the sustainability goals.

Regular follow-ups are conducted within the various departments. In 2015, for example, a workshop was held for each department on the theme of sustainability to clarify

### EXAMPLES OF POLICIES THAT GUIDE SUSTAINABILITY WORK:

- Gender equality plan
- Occupational health and safety policy
- Anti-discrimination policy
- Anti-corruption policy
- Business travel policy (environmental aspects, etc.)
- Advertising policy

Björn Borg’s overarching goals and plans and illustrate for everyone how they play a role in creating a more sustainable company. The aim is that every employee shall see the role they play in ensuring that the company reaches its goals. Another way to ensure that sustainability is integrated into day-to-day operations is through various types of training. In 2015 buyers were among those to receive training, to raise awareness on how price pressure can force suppliers to reduce their labor costs by lowering wages or hiring younger, less educated workers and that short lead time demands can lead to overtime in factories or a greater need for air freight. Strengthening know-how and under



standing of sustainability internally is a continuous, and important, process. Other important governance tools are Björn Borg's Code of Conduct for working conditions in factories, STWI's guidelines on sustainable water use in production and the chemical requirements (including the company's Restricted Substances List) used to set demands for external suppliers. Compliance with these requirements is monitored continuously.

## STAKEHOLDER DIALOGUE

By openly reporting its sustainability work in this report, on the website and through direct queries, Björn Borg meets the needs of its various stakeholders. Through an open and continuous dialogue, the company also learns what stakeholders think is important and how they perceive Björn Borg's sustainability work.

Stakeholders	Status/comment
Consumers	Consumers trust that Björn Borg's products are safe and expect the company to take responsibility for impacts on people and the environment. Björn Borg wants to earn this trust. A major consumer survey conducted in 2015 showed that 70% of women and 62% of men think that sustainability is important in choosing what brand to buy. More than half also feel that Björn Borg could more clearly describe its activities and results in the sustainability area.
Commercial customers	Commercial customers such as retailers often set their own concrete requirements that Björn Borg as a supplier must meet. In 2015 Björn Borg signed several codes of conduct and other requirements documents from customers.
Employees	More and more employees expect their employer to take corporate responsibility and want to be proud of where they work. A 2015 survey on sustainability engagement showed that no less than 97% of Björn Borg's employees felt it was important to work for a company that takes responsibility and has a clear sustainability agenda.
Stock market	A sustainability program creates value and minimizes risk. Shareholders are concerned about the value of the company and the brand and expect transparency about sustainability efforts. In 2015 Björn Borg dialogued with fund managers and rating agencies, including in face-to-face meetings, to create a clearer understanding of expectations from financial investors or for qualification for ethical funds.

## GOALS AND RESULTS

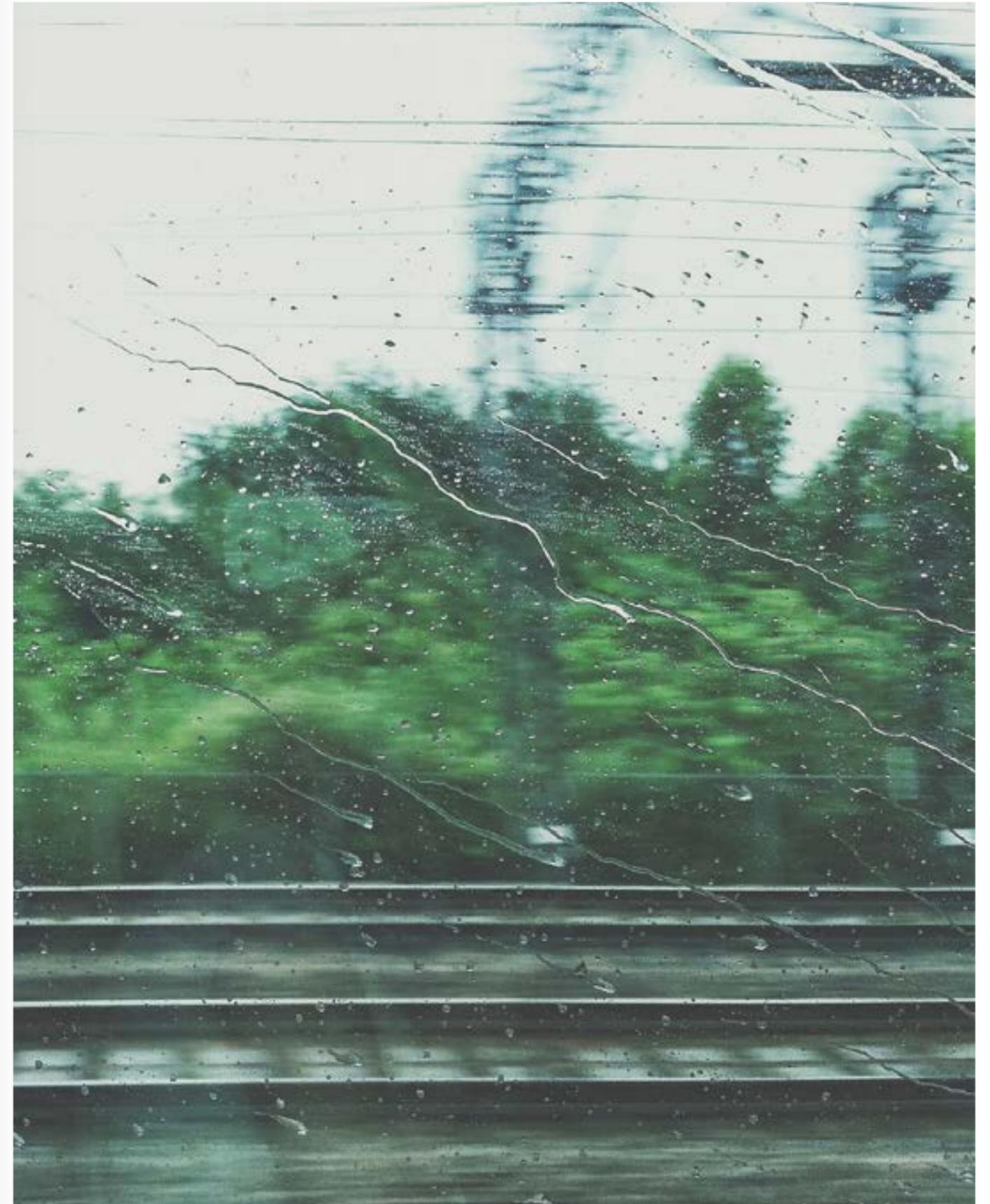
Björn Borg's sustainability program is designed around concrete, measurable goals and implemented through relevant activities. The goals have been formulated based on, among other things, the focus areas Product and Own operations. The company further is committed to

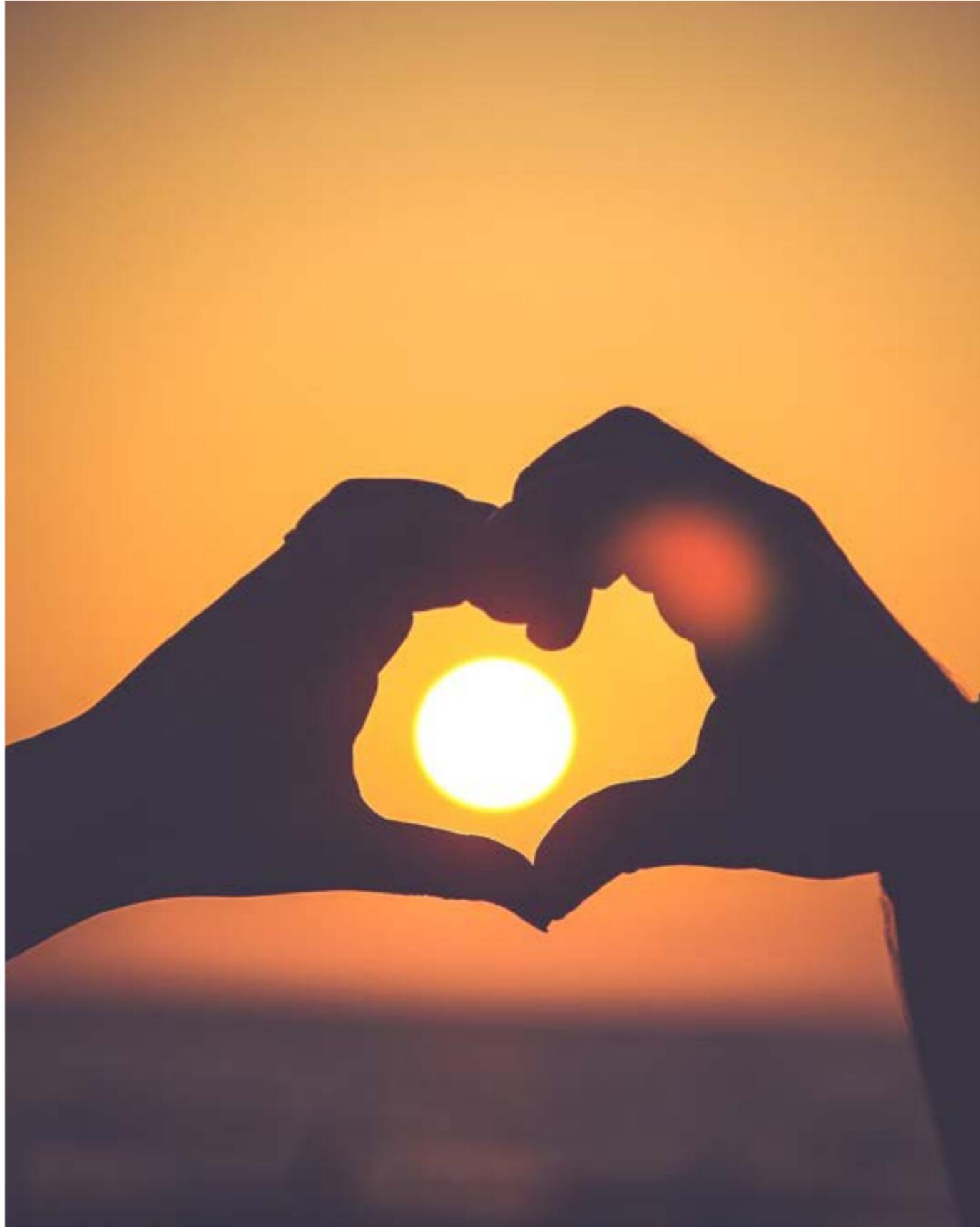
openly reporting its results in accordance with the focus area Transparency. The goal parameters are "Impact" and "Control." The idea is to concentrate efforts where the biggest positive effect can be achieved and where the company's sphere of influence is greatest.

Björn Borg has established the following concrete sustainability goals, which are also expressed in the Sustainability Roadmap:

Goals	Status/comment
By 2019 at least 70% of products developed will contain sustainable material, and conventional cotton will be completely phased out (own production*).	Björn Borg is now rolling out more sustainable material. For collections developed in 2016 at least 15% of underwear products and at least 10% of sports apparel will be more sustainable. The initial focus will be on transitioning to better cotton.
By 2019 a substantial part of Björn Borg's collections (own production*) will be produced using better processes in terms of water and chemical use. A more concrete goal (%) will be set in 2016.	Björn Borg is a member of STWI and implements STWI's guidelines for sustainable water use in production. The company also has detailed chemical requirements. Implementation of measures to reach the long-term goal will begin in 2017 with better dyeing and printing alternatives. An environmental project further down the production chain, with a focus on water, will be launched in 2016.
The Björn Borg Group's CO2 emissions per SEK of sales will be reduced by 40% between 2013 and 2019.	Between 2014 and 2015 CO2 emissions were reduced by 7% nominally and by 12% per SEK of sales. Since 2013 CO2 emissions per SEK have been reduced by 29%.
By 2019 a maximum of 2% of collections (own production*) will be shipped by air. The goal for 2016 is a maximum of 4% (based on total number of units shipped).	At present 8% of collections (units shipped) are sent by air. This is too high and in 2016 a number of measures will be implemented to reduce air freight, including a formalized internal approval process.
At least 80% of the total purchase volume for Björn Borg's own production* will come from factories that have been approved (according to BCSI's classification) through BSCI audits or similar standards, or which otherwise have widely accepted certification such as SA8000.	In 2015 the goal was raised from 67% to 80%. During the year 85% of Björn Borg's products (in volume) came from approved factories (at least level 1 of 2 or the equivalent) in BSCI audits, meeting the goal.
No so-called Substances of Very High Concern will be prevalent in Björn Borg's products (own production*).	All manufacturers must sign Björn Borg's chemical requirements and undergo chemical tests each season. In 2015 extensive testing was done without any non-compliance identified.

\* "Own production" refers to factories contracted by Björn Borg, excluding factories contracted by licensees (e.g., footwear and bags).



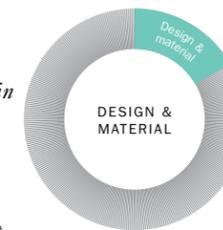


## MEASURES AND RESULTS DURING THE PRODUCT LIFECYCLE

The company's sustainability program is structured around the product lifecycle with the Björn Borg Sustainability Roadmap as a foundation. The concrete issues topping the agenda, the results achieved in 2015 and the priorities going forward are listed below.

### DESIGN AND MATERIAL

*The sustainability performance of Björn Borg's products is largely determined in the planning stages in product development. When collection work is kicked off and design work initiated, many decisions are made that affect the sustainability impact of a garment over its lifecycle. The choice of materials and the garment's quality and useful life are critical and are therefore high priorities for Björn Borg.*

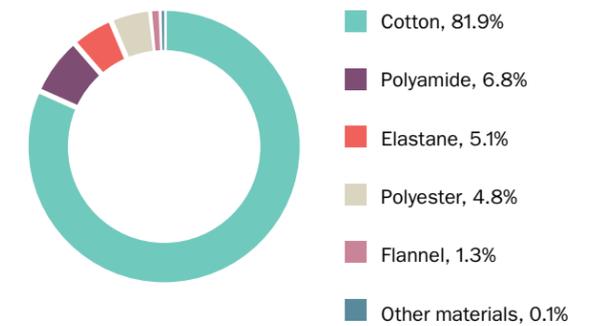


### IMPACT OF CHOICE OF MATERIALS

Like most clothing companies, Björn Borg uses a lot of cotton. Cotton currently accounts for more than 80 percent of the fibers used in the company's garments (based on number of units and percentage of cotton in them). As a fiber, cotton poses considerable sustainability challenges. Significant amounts of chemicals are used to

cultivate cotton and extract the fiber, which has an adverse impact on people and the environment. In addition, a great deal of water is required to grow and process cotton.

### BJÖRN BORGS FIBERMIX (2015)



Animal products require special considerations. In 2016 design and product development of sports apparel will be integrated into Björn Borg centrally, and the guidelines on the use of animal products has therefore been clarified. Björn Borg does not use fur from living animals in its products and does not use down, instead using alternatives with similar qualities. In 2016 Björn Borg is launching a

collection in merino wool (so-called first layer) that comes from suppliers that have pledged not to use mulesing, a painful method to remove wool from sheep which is considered unethical.

#### Our goal

By 2019 at least 70% of products developed will consist of sustainable material, and conventional cotton will be completely phased out (own production\*). For the collections developed in 2016 sustainable material will be used in at least 15 percent of underwear products and at least 10 percent of sports apparel.

#### What we are doing to achieve our goal

In 2015 Björn Borg launched a collection of men's underwear in organic cotton. Though accounting for just a small share of the total product range, this is an important first step in a gradual rollout of more sustainable material. A key activity in 2016 will be establishing a concrete rollout plan to achieve the long-term goal. Initial focus is to transition to better cotton alternatives or substitute cotton with other, more sustainable materials with similar functional properties. As part of this work, alternatives are being analyzed based on environmental and functional parameters.

Björn Borg has provided training on sustainable materials for all employees in the design and product department. It is vital that designers and product developers understand the environmental aspects of various materials and that buyers within the company have the skills and tools to concretely discuss these issues with suppliers.

#### QUALITY AND USEFUL LIFE

One of the big environmental challenges is global over-consumption of inexpensive clothing of poor quality. Björn Borg's goal is to make high quality products that last.

#### Our goal

All of the company's products are designed for a long useful life and shall meet stringent quality demands. The products will hold up after repeated use and washing

#### What we are doing to achieve our goal

The company has a rigorous quality assurance process to ensure a high level of quality. It consists of specific quality requirements in production and extensive quality testing to ensure that the requirements are met. Continuous improvements in the requirements and quality assurance process are made year after year.

#### MANUFACTURE OF FABRICS

*Significant amounts of chemicals and water are typically used in the manufacture of fabrics, which poses a number of environmental challenges. Björn Borg has no direct contractual relationships with this part of the supply chain, but has a chemical management program that indirectly has an impact. An important next step is to find ways to more directly influence impacts at this level as well. This work is being carried out within the framework of the company's focus area Transparency.*



#### CHEMICALS

The manufacture of fabrics requires the use of chemicals, especially to dye and print threads and fabrics. Certain chemicals can be hazardous to people that come into contact with them or for the environment, e.g., emissions in production or from the consumer's washing.

#### Our goal

Björn Borg's goal is that no so-called Substances of Very High Concern (SVHC) will be prevalent in its products. The target is also to manufacture a significant share of its collections using better processes that consume less water and chemicals by 2019. A more concrete goal will be set in 2016 with targets and activities to reach the long-term goal.

#### What we are doing to achieve our goal

Björn Borg has had a chemical management program for many years to ensure that its products do not contain hazardous substances. The company applies a Restricted Substances List (RSL) that all suppliers must follow. The list, which sets the maximum content levels for chemicals in products, is based on the guide prepared by the Swedish textile importers association and ultimately on EU's REACH legislation. Björn Borg's requirements are even stricter, however, including a ban on SVHC's, which are considered a gray zone chemical. The emphasis is on phthalates, fluorocarbons and alkylphenol ethoxylates (including nonylphenol ethoxylate), which may not exceed stated limits or, in the case of SVHC's, may not be prevalent in Björn Borg's products. Compliance is verified through testing at least once per collection and supplier.

Björn Borg also requires factories to maintain safety routines with respect to protective clothing and the storage and use of chemicals in production facilities. Regular visits allow the company to conduct its own controls.



Björn Borg also requires external licensees to follow relevant chemical laws. The company's licensees in footwear and bags, for example, work actively with control systems in a similar way to Björn Borg. Björn Borg cooperates with the research organization Swerea IVF and participates in its chemical group for textile companies along with a number of other Swedish clothing companies. The testing itself is conducted by experienced third parties. Product developers and buyers are also provided skills training and various types of tools to design and buy safe products.

#### WATER

The clothing industry is the world's third largest consumer of water at a time when the global water shortage is growing. Traditional clothing production requires a lot of water, especially to dye and print yarns, threads and fabrics. The main issues are water efficiency, water pollution prevention and wastewater treatment. In practice, water issues usually have to be addressed together with chemical issues.

#### Our goal

Björn Borg's goal is that a large part of its collections (own production\*) will be produced by 2019 with better processes that use less water and chemicals. A more concrete goal will be set in 2016 with targets and activities to reach the long-term objective. As mentioned above, the plan is also to gradually transition away from conventional cotton, which in itself will significantly reduce the company's total water footprint.

#### What we are doing to achieve our goal

Björn Borg is a member of the Sweden Water Textile Initiative (STWI) and implements its guidelines on sustainable water use in the supply chain. A STWI project conducted at one of Björn Borg's factories in 2015 (see the section "Manufacture of garments" below) focused on energy improvements in factories that produce finished garments. The goal is also to actively contribute over time to improving the water footprint of sub-suppliers that use wet processes. In 2016 the company is launching a water project in a production unit for dyeing and printing textiles operated by a subcontractor in China.



**SWEDEN TEXTILE WATER INITIATIVE (STWI)**

STWI is working to improve environmental impacts in the clothing industry's production chain, especially with regard to water, energy consumption and chemicals. Since 2013 it has improved the environmental footprint of more than 140 factories in Bangladesh, Ethiopia, China, India and Turkey that supply Swedish clothing companies. In China the focus is on Guangdong, Zhejiang and Jiangsu, areas where Björn Borg has production. The STWI program seeks to build close relationships with the manufacturers and teach factory workers what needs to be done to reduce the environmental footprint using best practices to manage and consume various production resources. The measures usually produce long-term savings for the manufacturers. The goal is to create a triple-win situation by improving profitability, the environmental footprint and the production facility's reputation.

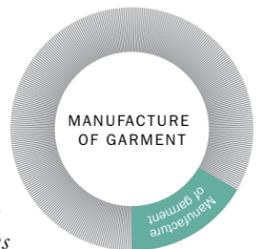
To meet its long-term water and chemical goals, the company is pinpointing effective measures in dyeing and printing that will enable it to reduce its footprint, based on the parameters Control and Impact. An important first step is to gradually obtain a more complete understanding of the parties at different levels of the production chain. This is part of a larger effort to increase transparency in production (Transparency).

**OTHER CLIMATE IMPACTS FROM MANUFACTURE OF FABRICS**

CO2 emissions in the manufacture of fabrics and other inputs used in Björn Borg's products are significant. The company is therefore working with garment-making factories to encourage them to place demands on and persuade their subcontractors to reduce CO2 emissions. Björn Borg's aim is to drive these improvements more actively as transparency in the production chain increases, which also creates more opportunities to influence participants at various levels of production. The project, scheduled for 2016 at a subcontractor to a factory in China, will also address CO2 emissions. This is an example of a concrete way the company can make a difference in early stages of the production process.

**MANUFACTURE OF GARMENTS**

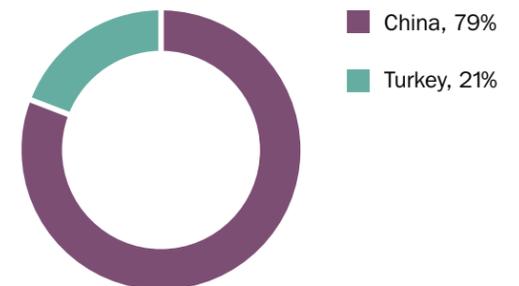
*Björn Borg does not own the factories that manufacture its products, but takes several measures to still ensure that suppliers improve their sustainability performance. This includes making sure that the factories meet the company's demands in terms of fair and safe working conditions and reduce their environmental impact.*



**BJÖRN BORG'S FACTORIES**

The company has manufacturing(own production) at a total of 11 external factories (2015), most in China, and a small but increasing share in Turkey. In addition, Björn Borg's sports apparel is produced at a total of four factories, mainly in China.

**PRODUCTION COUNTRIES (2015)**



**WORKING CONDITIONS**

Working conditions in external factories that manufacture Björn Borg's products have long been a priority issue. Björn Borg has been a member of the Business Social Compliance Initiative (BSCI) for many years and applies BSCI's Code of Conduct. All manufacturers must sign, and commit to abide by, the code of conduct, which is verified through periodic monitoring. The company's licensees for bags and footwear are also active in BSCI.

**Our goal**

Björn Borg's goal is that at least 80 percent of the total purchase volume (own production) will come from manufacturers that have been audited by BSCI and achieved at least an approved level or have another recognized certification such as SA8000. Another goal is that all key suppliers will participate in BSCI's monitoring system and undergo regular audits. A key supplier is one that supplies a significant share of the product volume (at least 10%) and/or products that are considered especially important for any reason.

**What we are doing to achieve our goal**

Björn Borg has a structured supplier control program to identify and address challenges and risks associated with suppliers. An important part of the program is the Business Social Compliance Initiative (BSCI). The company applies BSCI's code of conduct.

BSCI's code draws on the International Labour Organization's (ILO) core conventions, the UN declaration on human rights and the UN Convention on the Rights of the Child. The code is an integral part of Björn Borg's supplier control program. The factories commit in writing to abide by it. Compliance is verified through audits by the companies participating in BSCI. BSCI participants that buy products from the same manufacturer can benefit from each other's audits and monitoring. BSCI focuses on risk countries such as China and Turkey, where Björn Borg has its production.

The company monitors that factories undergo BSCI audits. If any key factories have not already been introduced to the control program by another BSCI participant, Björn Borg takes ownership, so-called RSP (Responsibility), for the factory in question. This means that Björn Borg has principal responsibility for monitoring and control of the factory. Deviations from the code detected during an audit must be addressed through a special action plan, which in turn is followed up within one year to verify that the issues have been alleviated.



Björn Borg's suppliers are encouraged to participate in BSCI's Capacity Building training, with a focus on those that need developing.

98 percent of Björn Borg's products come from factories that are part of the BSCI program and have undergone audits.

In 2015, 85 percent of the total purchased volume came from production units that have been approved by BSCI, meaning having reached at least level 1 of 2, according

to BSCI's original scale. The company's four largest manufacturers, together accounting for over 80 percent of Björn Borg's production (based on volume, i.e., number of units produced), were all approved; see below. One of these factories, the company's largest, also holds SA8000 certification, an internationally recognized workplace standard for factories. Björn Borg has RSP for all four of its principal suppliers.

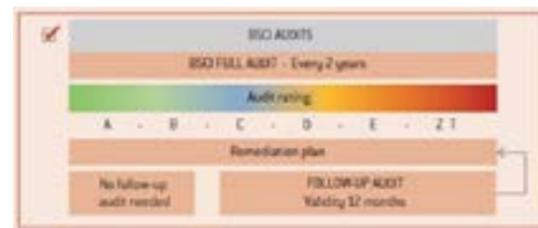
In 2015 a total of five supplier audits were conducted: two by Björn Borg at two large factories and three by other BSCI participants that manufacture at the same factories as the company. Of the two factories that Björn Borg audited (which are also included in the table below), one received the highest grade (Level 2, "Good"), while the other was rated as "Improvement Needed" (Level 1).

Factory	Share of production	RSP	Result
Factory 1, China	26%	Yes	Good (2), SA8000
Factory 2, China	25%	Yes	Improvement Needed (1)
Factory 3, China	20%	Yes	Good (2)
Factory 4, Turkey	12%	Yes	Good (2)

Identified remarks in the case of the factory with the rating "Improvement Needed" involved insufficient documentation, e.g., policies that fell short of regulations and unclear roles and responsibilities internally (management system), but also excess overtime. An action plan was implemented in 2015 at the factory and a new audit will be performed in 2016. According to BSCI's current grading system, however, both of the factories audited by Björn Borg in 2015 formally achieved a rating of approved (at least 1 of 2).

One of Björn Borg's smaller factories is non-compliant in terms of maximum overtime, documentation of compensation and verification of employee ages. Safety issues were raised as well. Björn Borg takes this seriously and in 2015 therefore took RSP for the factory. In 2016 an initial audit according to BSCI 2.0 will be conducted. Due to the nature of the non-compliance, the company felt this was necessary even though the factory accounts for just a small share of its total production.

2015 was the last year that audits were performed according to the old grading system. From 2016 onwards all suppliers will be graded according to the new system below, which Björn Borg will transition to.



In 2015 purchasing for sports apparel was gradually phased out from the former licensee in the Netherlands (Björn Borg Sport B.V.), which is being wound down, and taken over by Björn Borg centrally. As part of this transition,

Björn Borg focused during the year on ensuring that all manufacturers of sports apparel sign and commit to BSCI's code of conduct. In 2016 Björn Borg will bring the most important factories for sports apparel into BSCI, including taking RSP and initiating audits when necessary. Formally, purchase orders are still placed by the previous licensee, but from mid-year 2016 it will be done by Björn Borg centrally. Going forward these manufacturers will therefore be included in the comparative figures in this report.

As part of its overall supplier control program, Björn Borg also conducts its own semiannual factory audits. Once a year a more comprehensive evaluation of all manufacturers is done as well. For more information on the evaluation, see below.

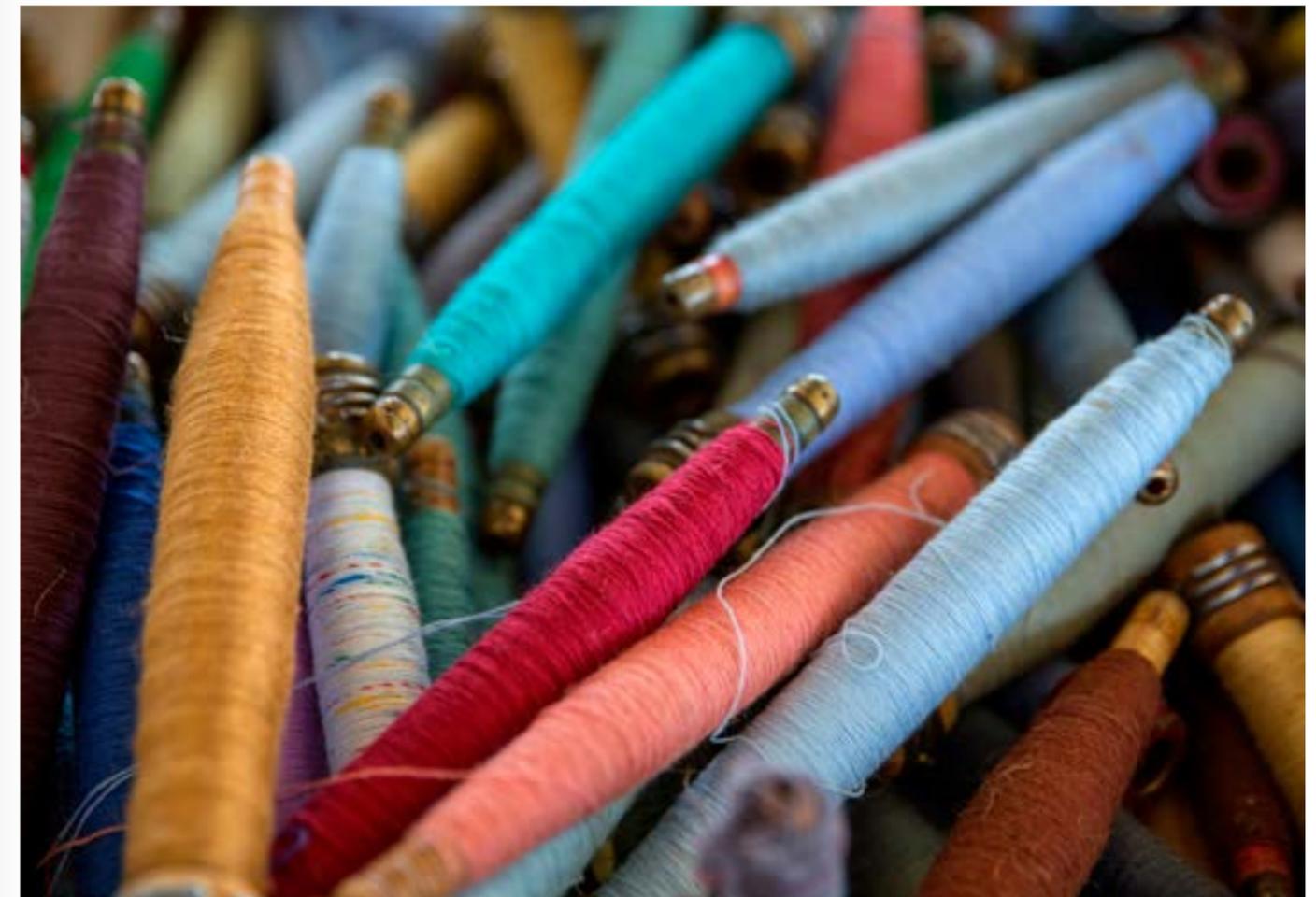
**CLIMATE IMPACT FROM MANUFACTURE OF GARMENTS**

CO2 emissions from external factories that manufacture Björn Borg's products contribute to the environmental impact in the production chain. Production is often done in

countries with little renewable energy and at facilities that rarely have the most efficient equipment, sometimes because it is older or poorly maintained. In many traditional production countries renewable energy accounts for a smaller share of the electricity produced and available. Given this, the choice of country of manufacture also affects the total environmental footprint. In recent years Björn Borg has increased the percentage of production in Europe, which offers more renewable energy. At the same time China is the country that currently invests the most in renewable energy.

**Our goal**

To address climate impacts in the production chain, it is natural that Björn Borg takes action to influence the factories it has direct relationships with (Control). The goal is that contracted factories will reduce their energy consumption and climate impacts in general (e.g., from emissions) and over time achieve measurable improvements.



**What we are doing to achieve our goal**

Björn Borg is evaluating the ability of its factories to reduce their climate impact. It conducts semiannual evaluations of factories as well as an annual follow-up of their environmental performance. This includes their BSCI results (above). The evaluation is based on various Key Performance Indicators (KPI) for sustainability such as audit results, certifications, environmental performance or documented measures to reduce electricity and water consumption, lower emissions and improve chemicals management. Supplier engagement and willingness to improve are evaluated as well. Each manufacturer receives a total score, and those with good results and that improve over time have a chance for more purchases from Björn Borg, and in that way can develop their businesses.

In 2015 an environmental project was implemented at a production facility in Björn Borg's supply chain as part of the Sweden Textile Water Initiative. The project was done at a factory in China that produces finished garments with the aim of identifying potential energy improvements. As a result, the factory was able to reduce its energy consumption and chemical usage by 12 percent. The project also resulted in concrete proposals to better inform employees about energy efficiency, optimize air compression in the factory, install measurement instruments to better monitor consumption, reuse steam in order to conserve water, and switch the lighting to LED.

**PACKAGING AND SHIPPING**

*Packaging is also part of the total environmental footprint in the product lifecycle – both the packaging used in logistics and product packaging. Transporting products has a significant impact as well. In the climate footprint from Björn Borg's own operations, shipping accounts for about 60 percent of total CO2 emissions.*

*This represents a large part of the impact that the company has direct control over, and it is therefore an area where the company can make a difference through various types of measures.*





**PACKAGING**

**Our goal**

Björn Borg’s goal is that all of its product packaging will be environmentally certified (e.g., by FSC) or consist of recycled material by 2019. The goal is that 80 percent of the company’s underwear packaging will be FSC certified beginning in 2017.

**What we are doing to achieve our goal**

The new underwear packaging that Björn Borg is rolling out in 2016 will include a gradually increasing amount of FSC-certified carton from responsibly managed forests.

**FOREST STEWARDSHIP COUNCIL – FSC**

The basis of FSC’s voluntary certification system is its global principles and criteria. Regional and national forestry standards are in place based on the global rules but adapted to the conditions in various countries or regions. Raw materials from FSC-certified forests must be traceable in the supply chain for a finished product to carry the FSC label. Each level in the chain leading up to the finished product must meet FSC’s chain of custody certification, which requires, among other things, that FSC-certified material is separated from uncertified material and that the material is handled in another, approved ways.

Björn Borg is continuously looking for ways to reduce the amount of material in its packaging, since total environmental footprint decreases the less material is used. As a rule, the company questions whether a certain packaging material is really necessary, mainly for functional reasons.

Another important part of the environmental footprint is to ensure that packaging is sorted by the consumer and can be recycled as far as possible. When designing packaging, ease in separating materials so that the customer can sort them is factored into the equation. Björn Borg also encourages consumers to reuse packaging, and provides instructions on the packaging how to do so.

**CLIMATE IMPACT FROM SHIPPING FINISHED GARMENTS**

**Our goal**

Björn Borg’s goal is to reduce emissions from the Group’s operations by 40 percent per SEK of sales by 2019 compared with 2013 (see the section “Climate impact from own operations” below). A large share of total CO2 emissions, about 60 percent, is from transporting products. The company has therefore set a goal that by 2019 a maximum of 2 percent of its total product shipments will be sent by air (based on number of units shipped). The goal for 2016 is a maximum of 4 percent air freight of total

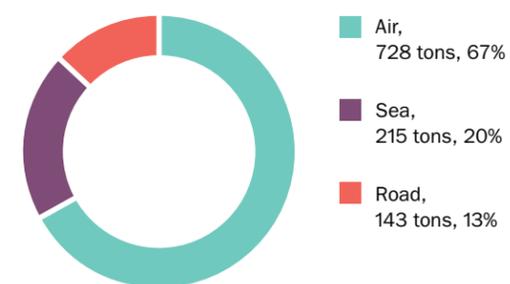
collection shipments. 4 procent flygfrakt av totala kollektionstransporter.

**What we are doing to achieve our goal**

Björn Borg produces a climate report according to the GHG protocol to measure impacts from in 2015. The company’s total climate impact from in 2015 decreased marginally between 2014 and 2015 due to a slightly larger share of shipments by truck rather than air (mainly because a larger percentage of production was handled in Europe, in Turkey).

Air freight accounted for 8 percent of all transports (collection units shipped) and for as much as 67 percent of the total climate impact from transports in 2015.

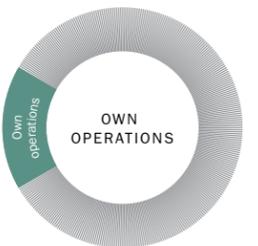
**LOGISTICS (TONS OF CO2E)**



The percentage of air freight is too high and in 2016 the company will take several measures to reduce air shipments. Björn Borg’s policy is that shipments from Asia should go by boat except in special circumstances. A priority here is to improve the planning of shipments as well as internal discipline in complying with the policy. Among other things, a formalized process to approve air shipments has been implemented and use of air freight is being monitored for each collection. Measures are also being taken to reduce air shipment of product samples during the development process. As a rule, the company questions whether samples are necessary for a specific product, and whether transports can be coordinated.

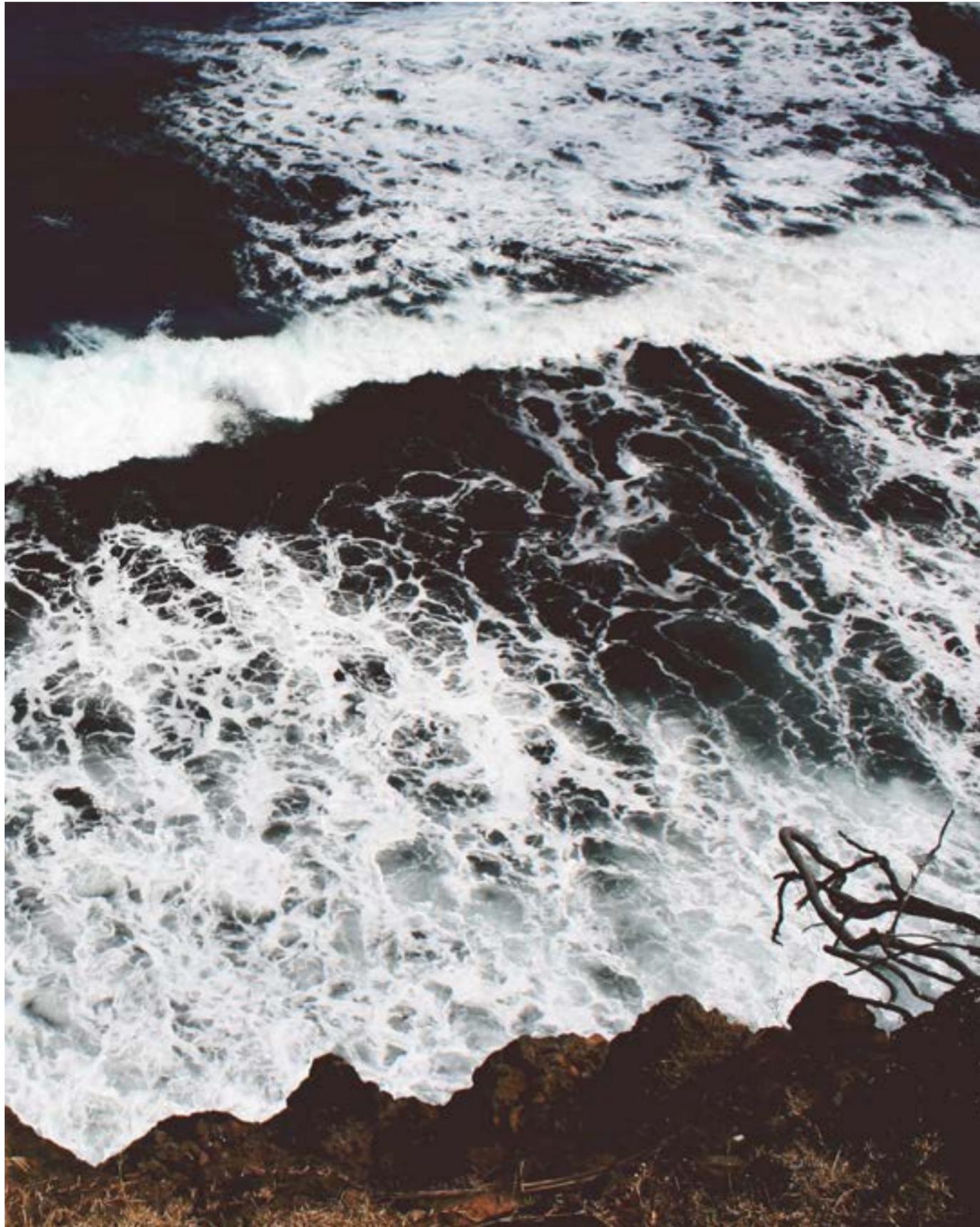
**OUR OWN OPERATIONS**

*In Björn Borg’s own operations the highest priority areas are climate impacts from operations, ethics, working environments and job satisfaction.*



**CLIMATE IMPACT FROM OUR OWN OPERATIONS**

Though the climate impact is greater in other parts of the product lifecycle, Björn Borg takes clear actions to reduce its own impacts in areas where it has the most control and which employees can see and impact daily. In addition to



transports of products, as described above, business travel by employees and energy consumption in the company's premises are addressed.

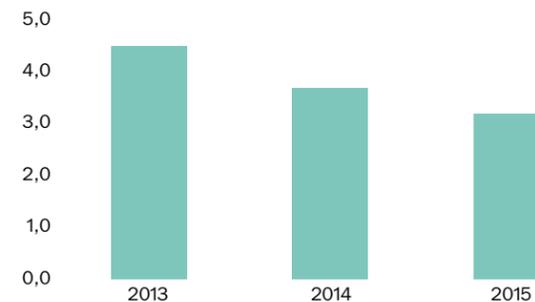
**Our goal**

Björn Borg's goal is to reduce CO2 emissions within the Group by 40 percent per SEK of sales by 2019 compared with 2013. For 2016 Björn Borg has also set as a target to reduce energy consumption at the head office by 10 percent compared with 2015.

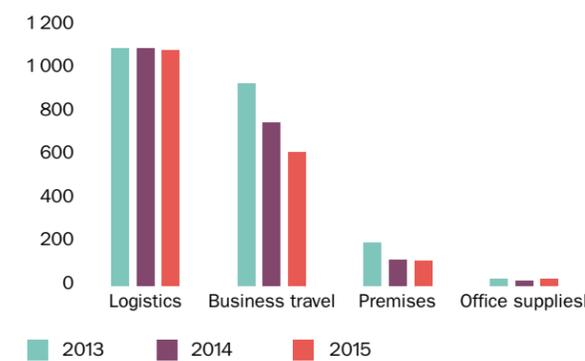
**What we are doing to achieve our goal**

Björn Borg follows up its long-term climate goals and reports according to the GHG protocol – Scope 1, Scope 2 and Scope 3 – comprising product transports from factory to stores, business travel by employees and energy consumption in offices and stores. In 2015 the Group reduced its carbon footprint per SEK of sales by 12 percent and in absolute terms by 7 percent compared with 2014. The company is well on its way to meeting the long-term goal of 40 percent. From the starting year of 2013 through 2015 the total reduction per SEK of sales is 29 percent.

**EMISSIONS PER SEK OF SALES 2013-2015 (TONS OF CO2e/SEKm)**



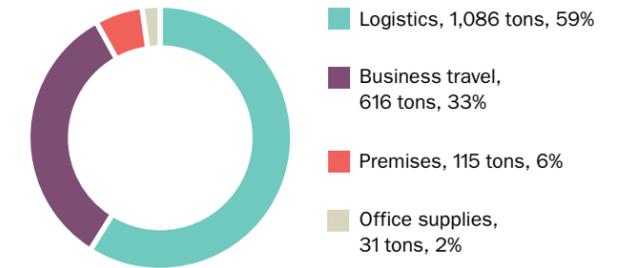
**EMISSIONS PER CATEGORY 2013-2015 (TONS OF CO2e)**



Premises Travel Logistics Office supplies  
 1 Due to inaccurate sources, the climate impact from logistics for 2013 has been adjusted to the 2014 level for 2015 comparisons.

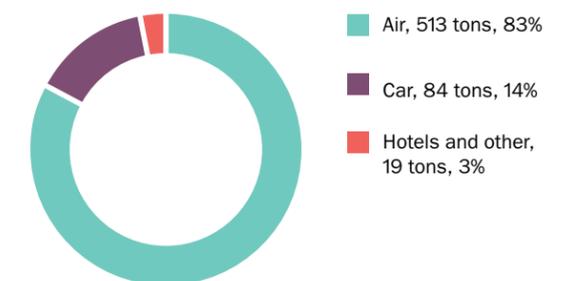
The company's product transports clearly have the biggest climate impact, nearly 60 percent of the total footprint (see more above), followed by business travel.

**CLIMATE FOOTPRINT 2015 (TONS OF CO2e)**



Improvements were achieved in 2015 thanks in part to less air travel. Flying on the job has a significant climate impact, accounting for no less than 83 percent of the total impact from business travel, as indicated below. Because production is primarily in Asia, some air travel is necessary, but as a rule the company questions whether some trips are really necessary, how many people have to travel and whether visits to suppliers can be coordinated. This is reflected in the company's business travel policy.

**BUSINESS TRAVEL 2015 (TONS OF CO2e)**



There was a noticeable improvement for premises between 2013 and 2014, when the electricity used in Sweden was replaced by renewable alternatives. In total, 71 percent of the electricity that the Group buys now comes from renewable sources, primarily hydroelectric power. Going forward the goal is to continue to roll out renewable electricity in foreign subsidiaries as well as reduce consumption in premises through LED and motion-activated lighting, among other measures.

The big challenge to date has been to significantly reduce the share of products shipped by air. Consequently, one of the priorities in 2016 is to reduce air freight, as described above in the section on transports.

## BJÖRN BORG AS A WORKPLACE

### Our goal

Björn Borg's goal is to be the best workplace in the industry, with at least 90% employee engagement by 2019, as measured by a survey by Ennova. The company also has an overarching goal that neither gender shall represent over 60 percent of Björn Borg's key governing bodies.

### What we are doing to achieve our goal

#### Employee engagement

Björn Borg focuses a great deal on building engagement among employees. Engagement is one of the four KPIs that the company uses to measure its overall performance. In 2015 it rose from 69 to 72 percent. The goal is to reach 77 percent in 2016. During the year employees were involved in formulating updated corporate values and gained a greater understanding of them through dialogue and group exercises. Skills training, internal communication and performance management have also been important focus areas to increase engagement. Inspiring leadership is important as well to capitalize on and develop employee competence and engagement, which is why the company offered leadership development training in four different groups in 2015.

#### Well-being

The company tries to offer a positive and healthy working environment and a workplace where management and employees join together to create a sense of well-being and maintain a culture of mutual respect. Björn Borg invests heavily in the well-being of its employees based on a conviction that exercise and an active lifestyle are a key to better health, lower sick leave and higher performance. Every Friday Björn Borg has a mandatory hour of exercise for all employees at its head office. All employees also receive physical fitness tests and set personal fitness and/or health goals, which are followed up together with a personal trainer. In 2015 employee strength (both perceived and actual) improved by more than 100 percent, according to these tests.

#### Diversity

Björn Borg aims for diversity; 68 percent (2015) of Group employees are women. The overarching goal is that neither gender will make up over 60 percent of Björn Borg's key governing bodies. Half of the management team is currently women and half men, and 40 percent of the Board of Directors are women. In a report released in March 2016, the AllBright Foundation included Björn Borg on its list of publicly listed companies with the highest gender equality. The mission of the AllBright Foundation is to identify and shape public opinion on gender equality in business with an emphasis on publicly listed companies.

Recruitment and promotion within Björn Borg is done using a model called CPR, for Competence, Personality and Results. These are the determining criteria, and experience shows that this model, when used correctly, tends to lead to diversity. The composition of the Board of Directors is ultimately a question for the Nomination Committee, but gender equality is one of a number of criteria that the committee applies. The composition of the Board is decided by the Annual General Meeting.

The company also has a separate gender equality policy.

#### Zero tolerance for discrimination

The company has zero tolerance for discrimination based on race, skin color, ethnicity, age, religion, gender, sexual orientation or disability. This is also expressed in an internal anti-discrimination policy. All types of discrimination further run counter to the essence of Björn Borg's brand values.

#### Ethics

Björn Borg has a policy to combat bribery and corruption. Relevant employees receive training on corruption risks and how they can be managed. In the company's experience, an important part of creating an ethical environment is a workplace where people are free to say what they want and point out irregularities without the risk of repercussions and that has a high degree of transparency, where various decisions and actions can pass muster externally. As a listed company, Björn Borg also faces compliance requirements and must report on its internal controls. Each year Björn Borg publishes a separate corporate governance report that describes, among other things, the Board's risk control through financial controls, among other ways.

#### CHARITABLE DONATIONS AND SOCIAL ENGAGEMENT

Like many other companies and organizations, Björn Borg was engaged during the year in helping those fleeing from war and severe living conditions. The company decided in 2015 to donate all revenue from its fall employee clothing sale to Save the Children's work on behalf of refugees. During the year Björn Borg also participated in the Swedish clothing industry's benefit for the charity Världens Barn, donating products for its auction.

Each year Björn Borg confiscates a large number of counterfeit copies of its products. Most are sent to a partner in England, His Church Charity, which removes the Björn Borg tag and sews on its own generic brand name, HIS. The products are then donated to the needy, including the homeless in England and sometimes Africa. This is also a way to extend the useful life of products made from the earth's resources. Products from previous seasons' collections are sometimes donated as well.

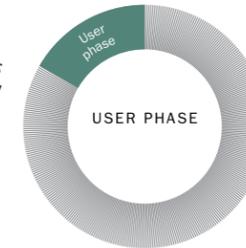




**USER PHASE**

**Our goal**

*Björn Borg's goal is that the users of its products – consumers – will reduce their climate footprint, e.g., by taking care of garments and washing them responsibly.*



**What we are doing to achieve our goal**

The lifecycle analysis Björn Borg conducted on a pair of underwear showed that nearly 60 percent of the climate impact is in the user phase, mainly from washing. The company's products, especially underwear and sports apparel, are washed often and usually at high temperatures. Frequent washing and high temperatures have a significant environmental impact and affect the useful life of the garment in that its color and quality can deteriorate more quickly. Björn Borg therefore tries in various ways to

encourage consumers to handle garments in a way that reduces the environmental footprint and extends their useful life. The company provides customers with simple washing instructions on the label and in more detail on and in the packaging.

The company measures its ability to build engagement for sustainability by consumers in periodic surveys.

**"END OF LIFE"**

**Our goal**

Björn Borg's goal is to take concrete action by 2019 to improve its environmental footprint in the final stage of the product lifecycle, the main objective being to create or contribute to a circular process where products and/or materials begin a new life in some other form. Concrete goals will be set in 2016 and implemented from 2017 onwards.

**What we are doing to achieve our goal**

An important task, and a challenge, for the clothing industry and society as a whole is to try to create a cyclical flow of the earth's natural resources. Expressions such as "closing the loop" and "circular product lifecycle" are often used. The goal is to take material at the end of one lifecycle and begin a new lifecycle instead of throwing it in a landfill. A product can extend its life, e.g., by being sold secondhand or recycling the textile in some other form. Here Björn Borg has product categories (underwear and sports apparel) that pose challenges in terms of secondhand sales, and textile recycling is not yet a widespread commercial application. But there are other ways to contribute. Björn Borg has offered consumers a discount coupon for donating old clothing in its stores, donating the clothing to charity, including Stadsmissionen, a Swedish homeless organization. This initiative has temporarily been put on hold, mainly because the volume of clothing collected was not as large as expected. The company is now analyzing what to do going forward.

The collaboration with His Church Charity, described above, is also an expression of a desire not to end the lifecycle of a fully functional product too early or unnecessarily and instead find better options.

Björn Borg has also reused production waste in an upcycling initiative. By sewing together material from two different prints, a new, unique pair of underwear was created. Production waste is also channeled in some cases to industrial recycling, including for use as stuffing in car seats. Through this type of reuse, Björn Borg helps to reduce the impact on the environment. The work will continue with the goal of placing greater focus on end of life issues.

**TAKE GOOD CARE OF THIS PRODUCT AND OUR PLANET!**

**Brief recommendations**



DO NOT TUMBLE DRY



LOWER TEMPERATURE



LESS DETERGENT

**Wash responsibly**

Make sure to fill up your machine, rather than running it many times with light loads. Wash at the right temperature. Warmer water doesn't necessarily mean cleaner clothes. Don't overdose on detergent. Modern washing machines are

much more efficient than we think. With the right dosage, less detergent and money goes down the drain. Line dry instead of tumble dry. It is gentler on your clothes and gentler on the environment.



Shop online at bjornborg.com