

BJÖRN BORG

SUSTAINABILITY REPORT 2017

CONTENTS

4	ABOUT THE REPORT
6	BUSINESS PRESENTATION; THIS IS BJÖRN BORG
12	IMPORTANT EVENTS DURING 2017
16	MATERIALITY ASPECTS (RESOURCE EFFICIENT BUSINESS) MINIMISE WASTE, SMARTER PACKAGING, ENERGY USAGE
18	Sustainability Roadmap
20	Details around KPIs, footprint and consequences, goals and actions
22	ENVIRONMENTAL MATTERS
38	HUMAN RIGHTS, SOCIAL AND EMPLOYEE MATTERS, DIVERSITY POLICY
44	ANTI-CORRUPTION
46	INDEX
47	AUDITOR'S REPORT ON THE SUSTAINABILITY REPORT

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ABOUT THE REPORT

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The purpose of this *Sustainability Report* is to communicate to all stakeholders about the Björn Borg short and long-term sustainability goals, actions and goal fulfilments. It presents issues that reflect the significant economic, environmental and social impacts of the Björn Borg Group, including its licensees and contracted distributors.

The Report has taken the new Global Reporting Initiative standards as benchmark. This report is separate

from our Annual Report and concerns the year 2017. Our last sustainability report, for 2016, was released in April 2017. The Björn Borg Annual Report can be found on our [corporate web site](#).

The report has been prepared in accordance with the *Swedish Annual Accounts Act* (Årsredovisningslagen), chapter 6. See index at the end of the report for page references.



PHOTO: AUSTIN-PROCK, UNSPLASH

BUSINESS PRESENTATION

HENRIK BUNGE, CEO

“Björn Borg operates in a business which by nature has a negative impact on our environment. It is our responsibility to keep our ecological footprint as small as ever possible. We work actively with reducing our carbon footprint as well as securing good working conditions and respecting human rights for people manufacturing our products.

Our sustainability work is integrated in the core of our business and takes a central part in our product development strategy. The ambition is to close the loop and minimise the environmental impact during the whole product lifecycle. In tight collaboration with our suppliers, we work continuously with matters within social responsibility and environment through, among other things, codes of conduct and chemical restrictions”.



PHOTO: JARED ERONDU, UNSPLASH



PHOTO: AVRIELLE SULEIMAN, UNSPLASH

BJÖRN BORG – OUR SUSTAINABILITY RESPONSIBILITY

Sustainability acceleration is part of the Björn Borg *Business Plan* for 2015-2019. The business plan contains concrete yearly focus areas and targets, which are broken down every year into annual department targets and activities. In the end of 2015 we set a specific *Sustainability Roadmap*, outlining yearly sustainability commitments in the form of targets and activities. The *Sustainability Roadmap* thereby is a break-down of the sustainability targets of our general long-term business plan. The plan is to gradually increase sustainability efforts and to increasingly integrate the sustainability work into the business, including into different departments within the Björn Borg Group.

In 2016, our Board of Directors adopted an internal *Code of Conduct* expressing how Björn Borg takes responsi-

bility as a corporate citizen in a global world, ensuring long-term value creation in society. This *Code of Conduct* reflected several of the express commitments of our *Sustainability Roadmap*.

The Björn Borg Group Sustainability Director sits in the Management Team. Our *Sustainability Roadmap* further is factored into the yearly strategy implementation planning of the Management Team each fall, for the upcoming business year. Further, the *Sustainability Roadmap* is integrated into the overall *Performance Management Model* applied within the company, where we set and follow up on yearly targets for each individual. In 2017, 75 percent of employees had sustainability targets as part of their targets for the year. Corresponding number for 2016 was 57 percent, and for 2015, 15 percent. In addition to this, we have policies in place to guide employees and encourage them to embrace and move towards our different sustainability targets.

MIJA NIDEBORN, SUSTAINABILITY DIRECTOR

“We set an ambitious *Sustainability Roadmap* for 2016-2019 in 2015, which covers six primary modules: *Product, Own Operations, Packaging and Transport, Transparency, Manufacturing, and People*. Within these areas, we have clear annual targets and actions taking us towards becoming a more sustainable brand. Two additional modules, *Product Waste* and *Use and Durability*, will have a larger focus going forward. We have taken our first steps through controlling and supporting our vendors, implementing more sustainable components in our products, and assuring internal competence.

Our implementation of more sustainable components, such as fabrics and packaging, has been successful versus annual targets. We can see an increasing interest among consumers to buy more sustainable products and our internal team has sustainability top of mind every day. Sustainability is turning into a hygiene factor – for consumers and for us. This effects our approach to design and product creation in a positive way through an increasing number of aspects being considered.

We make sure our sustainable products are reliable and honest, but can also see challenges in getting to a fully transparent supply chain. We are a medium size company with limited resources to track every step of all our vendors. To open up transparency will take time, but is also necessary to improve our own understanding for what will be imperative going forward.

The sustainability awareness and priority among consumers is key to balance the added cost for making a more sustainable product. Our focus lies primarily on assuring that we source our products from the right partners and make sure components of our volume products are better alternatives. We also put focus on creating interesting consumer stories to increase awareness on the shop floor. The sustainability benefits are communicated to our end consumer in an understandable way both on products and on our website”.

Key to successfully implement sustainability is building internal capacity, in terms of hands-on knowledge and understanding, including more sustainable ways to carry out business in our industry. In 2016 for example we rolled out internal training on sustainable fibre, aligned with the sustainable fibre focus of our *Roadmap* for the year. In transitioning to better fibre, it is crucial ensure that designers, product developers and sourcing team are strengthened in their knowledge and understanding of the *Roadmap* as well of sustainability processes and fibres.

Other important governance tools are the *Amfori BSCI Code of Conduct* for working conditions in factories, *STWI's Guidelines on Sustainable Water Use in Production* and the *Chemical Management Program* (including our *Restricted Substances List*), which are all implemented in the supply chain. Compliance with these requirements is followed-up continuously and is integrated into our overall *Supply Chain Management Program*.

Through our sustainability vision and roadmap, we commit to:

- Minimise our waste and dependency on finite resources.
- Measure ourselves accountable.
- Enforce that sustainable production will always be a central part within our design development (conscious design).
- Take full responsibility that our suppliers follow our code of conduct; reduce the environmental and social impacts of our production.
- Include criteria of sustainability throughout the whole journey of the product towards the consumer.
- Commit ourselves to stay transparent.
- Always strive to be better, never stop innovating.
- Promote ethics and sustainability with consumers and other stakeholders.



PHOTO: ADITYA SAXENA, UNSPLASH

BJÖRN BORG IN SHORT

The Björn Borg Group has operations at every level from branding to consumer sales in its own Björn Borg stores and e-commerce. Operations comprise brand development and services for the network of licensees and distributors as well as product development in the core businesses underwear and sports apparel.

Through this business model with a network of its own units and independent partners, Björn Borg can be involved in the key parts of the value chain and develop the brand internationally with a compact organisation and limited financial investment and risks. The business model is relatively capital efficient, since the external licensees and distributors in the network are responsible for marketing, including investments and inventory in their markets.

The Björn Borg head office is located in Stockholm, Sweden, and products are sold in around 20 markets, of which

Sweden and the Netherlands are the largest. In 2017, we offered a range of around 800 product faces (all products and all print/colour combinations) for our *Spring/Summer* and *Autumn/Winter* collections and around 500 faces for our *HighSummer* and *Christmas* collections.

Björn Borg has a small number of suppliers which facilitates constant dialogue and monitoring. The textiles in Björn Borg products are produced by facilities in China, Bangladesh, Turkey, Italy and Lithuania.

The Björn Borg share has been listed on Nasdaq Stockholm since 2007. The Björn Borg Group owns and develops the Björn Borg brand. As a guideline to decide on future direction, the company uses a simple framework, which is the key to the future success of the company. The framework is called *The Björn Borg framework of performance* and consists of five questions. The questions are: *Where are we going? Where are we? What to do? How do we do things? and Why do we do this?*



The brand's mission (the answer to the first question in the business plan framework; *Where are we going?*) is: *To be the No 1 Sports Fashion Brand for people who want to feel active and attractive.* To secure that all staff and licensees work toward the overall company goals, the framework is

broken down on department and individual level. Clear goals and training have always been central parts in the Björn Borg culture, and will continue to be so on our future journey.

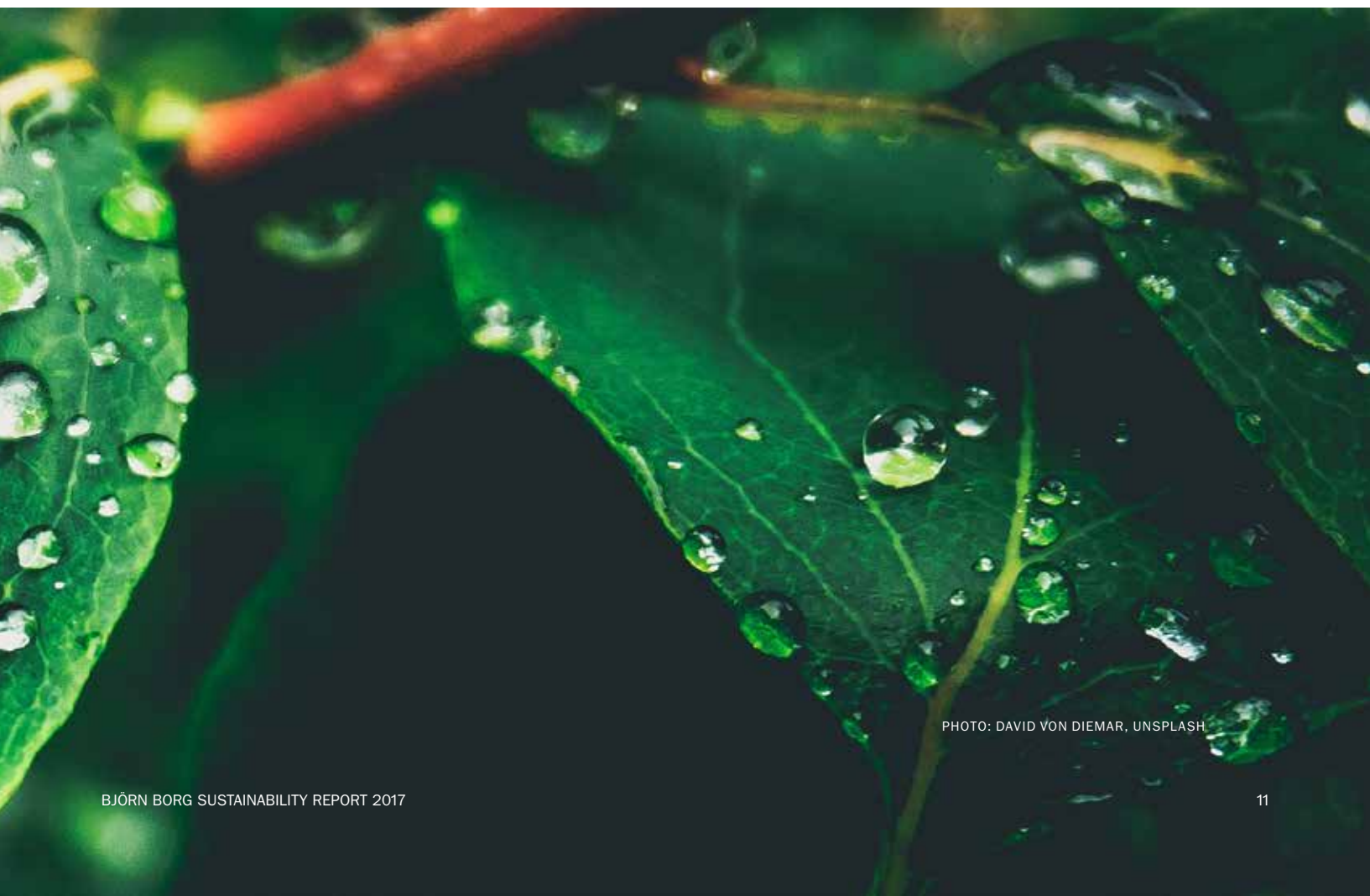
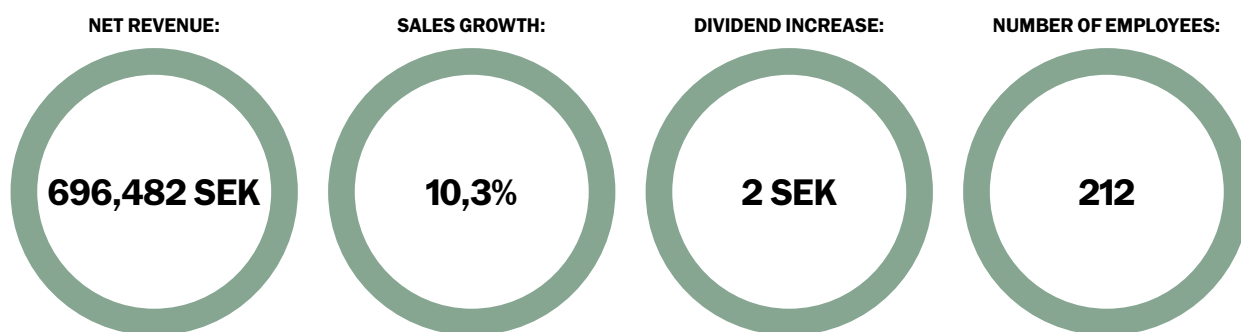


PHOTO: DAVID VON DIEMAR, UNSPLASH

IMPORTANT EVENTS DURING 2017

CONTINUED IMPLEMENTATION OF OUR LONG-TERM PLAN

As mentioned, an ambitious *Sustainability Roadmap* for 2016-2019 was set in 2015. The plan includes targets and actions for each year, aiming to ensure concrete progress over time and ability to meet our long-term targets by committing to a step-by-step action plan year-on-year. We have accomplished a lot, but with two years left, of four in the plan, we still have plenty of work to do. During 2017 our first new sustainable products reached the market, new textiles have been sourced, new technologies adopted, and social actions have been taken. A summary below.

PRODUCT

IMPORTANT FIRST STEPS IN INCREASING SHARE OF SUSTAINABLE FIBRE

In time for the *Autumn/Winter 2017* collection, the first sustainable Björn Borg products were introduced to the market. This is an important first milestone since it is the first time that our consumers get to see, and are able to choose products from, the result of all the sustainability work that our product department has put during the past two years.

Within the *Autumn/Winter 2017* collection, which was the first season we offered sustainable products, 27 percent of all sports apparel and 16 percent of our underwear (volume) were made of sustainable materials. Corresponding numbers for the *Christmas 2017* collection were 8,5 percent of the underwear, and 12 percent of the apparel collection. A product is deemed sustainable when it consists of at least 70 percent sustainable fibre and our 2020 goal is to have 70 percent of the garments in our collections developed during 2019 to be made from sustainable materials and that conventional cotton will be phased out (own production*). The sustainable Björn Borg products that reached the market during the year included between 80 percent and 95 percent sustainable material.

The sustainable products reaching the market during 2017 are made from organic cotton, Better Cotton and recycled polyester.

For collections developed during 2017, solution dye, recyclable polyamide, hemp, and tencel are sustainable materials included in collections that will reach the market during 2018. The *Spring/Summer 2018* collection for instance, includes 36 percent sustainable materials for our performance products (goal 15 percent) and 11 percent (goal 10 percent) for our sportswear garments.

* *Own production* refers to factories contracted by Björn Borg, excluding factories contracted by licensees (such as for footwear and bags).

TRANSPARENCY

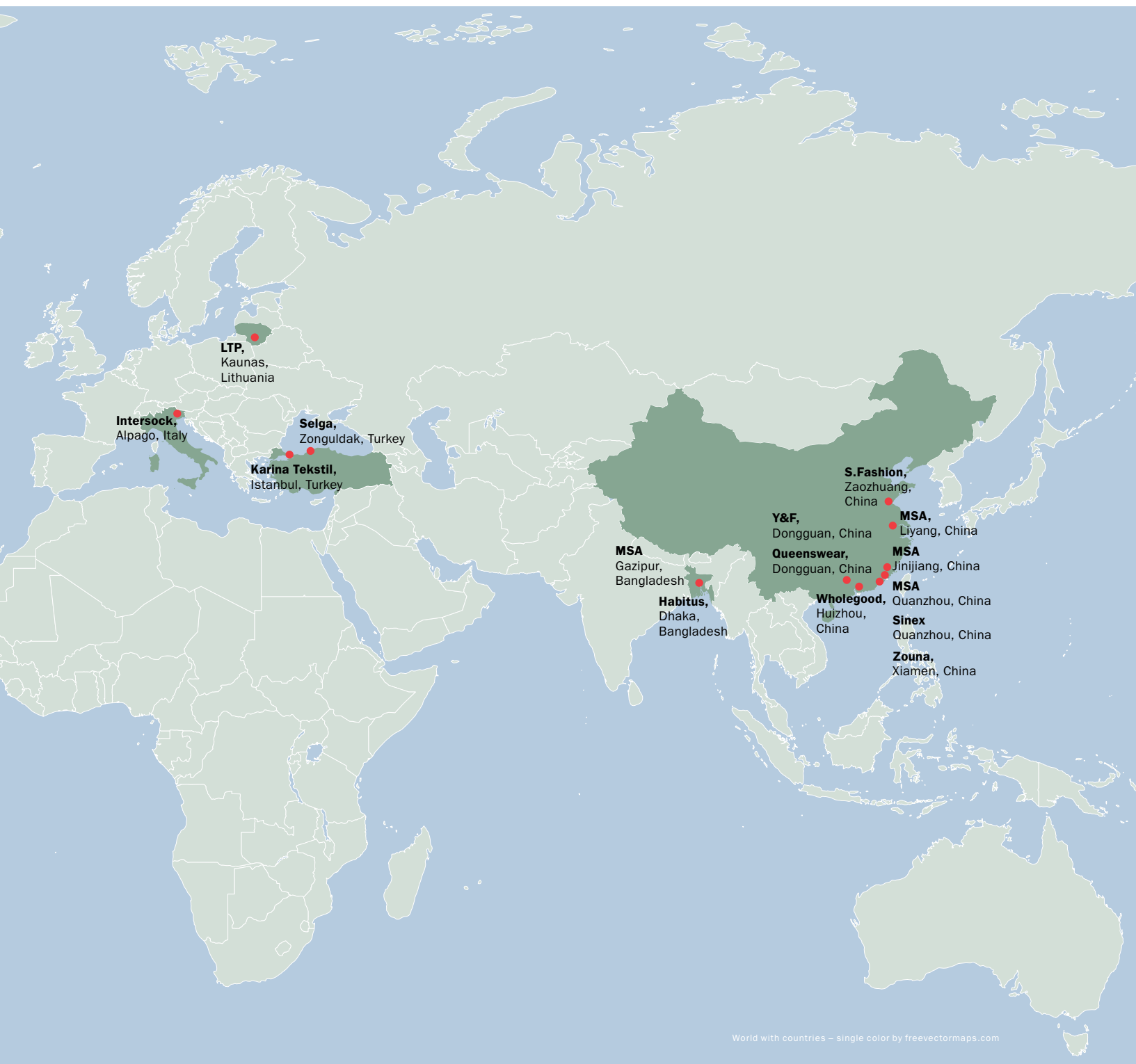
During the year, in our work towards the 2020 goal to achieve an 80 percent transparency in the supply chain, we have taken the first steps in mapping our supply chain. Based on, among other things, a back-tracking of a piece of underwear, showed a total of no less than 47 sources, our conclusion is that full transparency will be close to impossible for us to reach for us. We source the majority of our products directly with our vendors and without supporting sourcing offices, our time to open up transparency in vertical sourcing is limited. Through our *Supplier Guide* we give our vendors clear directions on what and how to source components and follow up accordingly.

A decision is taken to move a complete mapping to the future and focus on choosing sustainable materials, improve dyeing and printing production processes for fabrics, as well as contracting suppliers that will abide under our, and Amfori BSCI's *Code of Conduct*. All of this combined will take us as close to a guarantee of sustainability in our manufacturing as we can accomplish.

We are constantly increasing the number of nominated fabric, trim and accessory components which also increases our transparency towards our vendors.

- Tier 1 Through our *Code of Conduct*, we have full transparency with tier one, our garment manufacturers. We would, however, like to be able to show more.
- Tier 2: Wet processes – a lot of our focus during 2017 has laid on improving our dyeing processes and during 2018 we will launch our first products produced using more sustainable dyeing alternatives.
- Tier 3 Weaving and Spinning: We increase our volumes from nominated fabric suppliers which means that we increase our control of the origin of our fabrics.

Read more about manufacture of garments under section *Environmental Matters* in this report.



MANUFACTURING

The European Textile Chemical Guide (REACH), and consequently our RSL (*Restricted Substances List*), gets continuously updated and signed by vendors. The list was updated once in 2017.

Through continued controls, we make sure that these restrictions are followed. Manufacturers are also obliged to send samples through to us for chemical testing of the fabric at an early stage.

A FIRST IMPORTANT STEP IN ADDRESSING WATER FOOTPRINT

As a member of the *Sweden Textile Water Initiative* (STWI), we have committed to implement STWI's *Guidelines on sustainable water and waste water management in supply chains*. In 2017, our design department developed a garment produced with solution dye, a technique dyeing fibres without water, resulting in no dye or water waste, as well as reduced chemical waste. The product is due for release in *Autumn/Winter 2018* and is a first step on the way to a more active work for a reduced water footprint. Our continued efforts in this area in 2018 will focus on building internal understanding and knowledge about wet processing techniques in our supply chain.

PEOPLE

In 2017, all of our factories are enrolled either in Amfori, or meet equivalent standards or certification, such as SA8000, which means they don't need an audit.

Audits performed through Amfori are made by an independent inspection firm checking thirteen different *Performance Areas* during the audit. They interview workers, check documents, and thoroughly go through everything that has to do with social compliance but also protection of the environment.

More about Amfori and human rights under *Social and employee matters*.

PACKAGING & TRANSPORT

An action plan has been set for packaging of products delivered from the Björn Borg online shop, involving reduced environmental footprint partly through moving from packaging in boxes to bags. The new bags will require less space in transport and a new supplier can deliver 100 percent climate neutral packaging, through full climate compensation thanks to certified plantation of trees in Colombia. The plan will become effective during 2018.

OWN OPERATIONS

- Training programme for staff on environmental footprint, both in workshops and individual trainings.
- Sustainability targets and activities in 71 percent of all department Performance Management goals.
- The sustainability aspect is weighed in to all our procurements. During 2017, many suppliers were changed and therefore led to a better sustainability performance overall. From large to small, we now changed to organic coffee and fruits in our offices.

USE & DURABILITY

With an increasing interest and engagement in sustainability it is natural to also include longevity, product use and waste management into our creation of products. We have during the year established test processes to assure that the products we launch have the longest life time possible. This includes both wear tests and increased focus on laboratory tests of components.



PHOTO: JOSHUA EARLE, UNSPLASH

MATERIALITY ASPECTS

As part of an industry with a substantial environmental impact, we have a role to play in reducing that impact.

This responsibility is the starting point for our sustainability work. Over time, it is imperative that we transition into more sustainable ways to develop, manufacture and transport our products as well as approaching consumption, product use and product waste differently than before. Our overall vision is that someday in the future, sustainable ways to develop, manufacture, transport, consume and use products will be the new normal, the new norm.

Through our *Sustainability Roadmap*, and the actions we take in implementing that roadmap, we take one step at a time to transition Björn Borg into a more sustainable company and brand.

SUSTAINABLE DEVELOPMENT FOR BJÖRN BORG

STARTING POINT IN PRODUCT LIFECYCLE

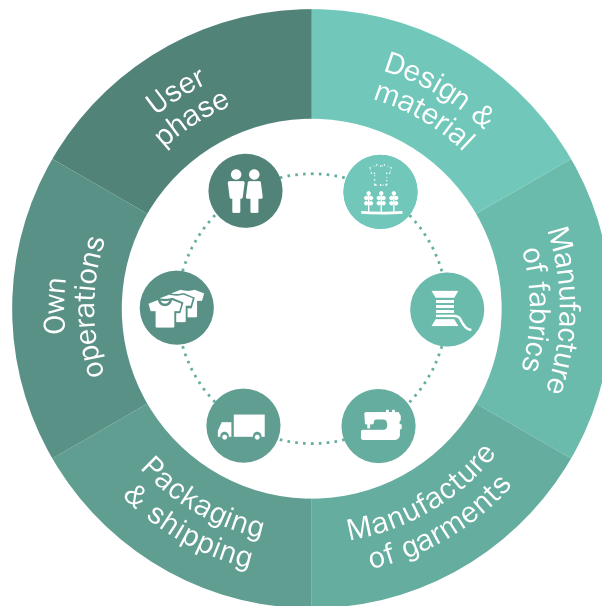
The natural starting point for our sustainability programs is the product lifecycle – the various stages involved in developing, producing, transporting, selling and using products. The product lifecycle describes our operations based on which stakeholders are affected and the impacts on the environment and society through the value chain.

Some years back we had a lifecycle assessment (LCA) done on a pair of underwear. The goal was to identify the biggest environmental impacts over the product life cycle. 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.

Based on these conclusions and other insights gained throughout the years, we have designed our sustainability program to minimize negative impacts throughout the product lifecycle, including in phases of the life cycle influenced mainly by our external production partners or the consumer. With our holistic approach, we must interact with and engage our production partners and our consumers to improve the overall footprint.

IMPACT IN THE PRODUCTION PHASE IS KEY

The LCA showed that about 37 percent of the total environmental impact lies in the production phase, which includes several steps in the process stretching from retrieving fibres to sewing a finished garment. This part of the lifecycle depends on external parties who are contracted under our clearly stipulated conditions. We use a relatively small, manageable number of factories, which facilitates dialogue and monitoring.



Björn Borg presently uses production facilities in China, Bangladesh, Turkey, Italy and Lithuania, a total of 13 suppliers. For more information about our production facilities and controls thereof, see section about Amfori.

Behind the factories contracted by Björn Borg directly, lies a chain of subcontractors that includes cotton growers, spinners, weavers, and dyeing and printing houses. Our LCA showed that as much as 67 percent of the total impact in the production phase lies in the first steps of the process, meaning in the fibre and fabric manufacturing. We currently do not have any direct contractual relationships at this level, which means that we depend on our production facilities to follow our codes of conduct. In our control is also product testing, which we do regularly.

MAIN FOCUS AREAS FOR SUSTAINABILITY AT BJÖRN BORG

Working conditions in factories have been a priority for Björn Borg for many years. We subcontract our production, meaning we do not own or run the factories ourselves. Our *Supply Chain Management* program enables us to ensure that factory workers have acceptable and safe working conditions. We participate in the Amfori framework since 2008, and apply the Amfori BSCI *Code of Conduct*. Amfori is a well-established and well-known framework, previously known as BSCI, for working with social conditions in the supply chain, and our suppliers are contracted to follow the Amfori guidelines.



PHOTO: ALEX POVOLYASHKO, UNSPLASH

In addition to the focus on social conditions through the Amfori BSCI *Code of Conduct*, we have identified three specific focus areas for our sustainability program in coming years. The priorities have been determined based on where the negative impact is greatest (*Impact*) and on where we have the biggest sphere of influence (*Control*).

- **Product** – A very large share of our impact is in the production phase, including in making the fibres and the fabrics. By committing to make a more sustainable product, we create a framework to map and address impacts related to for example design and the choice of materials and different textile process options.
- **Transparency** – We want to be open about our sustainability targets and our results over time. We have also committed to gradually increase transparency in our production chain, with the humble appreciation that full transparency is very difficult to achieve.
- **Our own operations** – This is where we have the greatest influence in making a difference. We simply need to start with ourselves, looking ourselves in the mirror. Improving our own operations is also a strong sustainability engagement driver for our team.



	Impact within BB	Impact on stakeholders	Impact on environment	Impact on society
Economic	X	X		
Design & material		X	X	X
Transparency	X		X	
Manufacturing	X	X	X	X
People	X	X	X	X
Packaging & transport	X		X	X
Own Operations	X		X	
Use and durability	X	X	X	X

STAKEHOLDER DIALOGUE

We communicate and engage with our stakeholders in many different ways. We always aim to being transparent about our sustainability work and we welcome dialogue with stakeholders. We are convinced that an open dialogue makes us better, because it helps us understand the interests and expectations of our stakeholders and also challenges us to improve over time.

Sustainable products have a higher production cost than others, which can be a challenge from a business perspective. We apply certain tactics to cope with higher costs;

- Higher volumes give us more negotiation power
- Move production to FTA zones (=countries with lower tariffs)
- Produce in low seasons
- Help suppliers with cost management (STWI)
- Produce in low seasons
- Closer collaboration with suppliers to understand sourcing limits
- Introduce price negotiation strategy during 2018.

OUR SUSTAINABILITY ROADMAP

In the end of 2015 we set a specific *Sustainability Roadmap*, outlining annual sustainability commitments in the form of targets and activities. The plan is to gradually increase sustainability efforts and to increasingly integrate the sustainability work into the business, including into different departments within the Björn Borg Group.

In 2016, our Board of Directors adopted an internal *Code of Conduct* expressing how Björn Borg takes responsibility as a corporate citizen in a global world, ensuring long-term value creation in society. This *Code of Conduct* reflects several of the expressed commitments of our *Sustainability Roadmap*.

The roadmap, with its targets and activities, is integrated into the priority areas (top 10) set for each year. As part of the overall business plan, the roadmap is also broken down to goal-setting not only for the company as a whole but also on department level and all the way down to individual level.



PHOTO: CASSIE BOCA, UNSPLASH

Stakeholders	Status/comment
Consumers	Most consumers care about sustainability and many factor sustainability into purchasing decisions. Our consumers expect that we take responsibility and improve over time and we want to earn this trust. In short, our sustainability efforts are key to stay relevant to our consumers. In an annual consumer survey, consumers are asked to rate how important sustainability is to them, to which extent they perceive us as a sustainable brand, and what they think about our sustainability performance. Conclusion is that our consumers think sustainability is very important and that they perceive Björn Borg as a sustainable brand. Always wanting to improve, we are raising the bar, and aim to further increase the level of communication toward our consumers in this area.
Commercial customers	Commercial customers, such as third-party retailers, increasingly factor sustainability performance of suppliers into purchasing decisions, and many request us to meet concrete requirements in this area, relating to social compliance at factories and chemical management, but also increasingly on sustainable fibres in collections and expressed animal welfare commitments. We expect these kinds of requirements to increase further in the future. This illustrates how sustainability performance is clearly a commercial success factor, also in the business to business segment.
Employees	Sustainability is increasingly important for attracting talented people to join our team. Employees want to feel proud of where they work. In the annual Björn Borg sustainability engagement survey for 2017, the average rating on whether sustainability is important to the respondent lands at an average of 4.5 out of 5, and at 3.93 on whether they think sustainability is a prioritised question for Björn Borg.
Stock market and rating institutes	Shareholders expect value creation and risk management. Our sustainability program both creates value, in building the brand and ensuring we are competitive in the market, and minimizes risk for reputational damage. Shareholders expect transparency in this area. Dialogue with external parties helps us understand the expectations from financial investors, and what kind of transparency (such as areas and level of detail) are generally expected.

TARGETS AND RESULTS

Our sustainability program is implemented through concrete, measurable activities to meet our targets. The target parameters are *Impact* and *Control*, where our focus lies on where our influence is the greatest. These are our main targets for 2020:

Targets	Status/comment
By 2019, at least 70% of the range, for products developed that year, will carry sustainable material, and conventional cotton will be phased out (own production*).	In 2017, we continued to increase the share of sustainable fibre in collections. For collections developed, which will be in store from the second half of 2018, target is that 25% will carry sustainable fibre. Sustainable fibres for these collections are organic cotton, better cotton, recycled polyester, recycled polyamide, tencel for instance.
By 2019, at least 40% of range, for products developed that year, will be produced using better processes for water or chemicals (own production*).	During 2018, we will launch products where less water is used in the manufacturing process. We are constantly looking to make our processes as sustainable as possible.
By 2020, plan is to have transparency in 80% of our supply chain, meaning that we will know the name and location of suppliers in all tiers of the production chain.	Transparency is key to properly address the production phase of the product life cycle, including the textile processing carried out by sub-contractors to our contracted production partners. Transparency will give us better understanding of the processes used and the parties involved.
Suppliers of at least 90% of total purchase volume (own production*) will: <ul style="list-style-type: none"> • be enrolled in the Amfori monitoring programme or meet equivalent standards or certification (such as SA8000), and • measurably improve over time towards meeting the long-term targets set. 	The Amfori BSCI Code of Conduct that we follow focuses on development and dialogue between Amfori participants and their suppliers. Our focus is to work closely with our production partners to build capacity for improvements. Suppliers representing 100% of our purchased volume are now enrolled in Amfori or meet equivalent standards, and we hold RSP for (are ourselves responsible for follow-up of) suppliers representing 86% of our total purchase volume. This means that we work actively with all our key suppliers on continuous improvement over time.
There will be no Substances of Very High Concern (SVHC) in any of our products (own production*).	All manufacturers must sign off and adhere to our Chemical Requirements, including our Restricted Substances List (RSL). Chemical testing (random testing) is performed at every factory at least once per collection. In 2017 no non-compliance was identified in any chemical testing that we performed. Apart from following European Union regulations through REACH, our RSL also includes a ban for certain chemicals which are permitted by law but are considered <i>grey zone substances</i> (so called SVHCs).
The CO ₂ emissions of the Björn Borg Group, per SEK turnover, will be reduced by 40% between 2013 and 2019 and by 2019 a maximum of 2% of collections (own production*) will be shipped by air.	Between 2016 and 2017 CO ₂ emissions were increased by 3.2% nominally but decreased 6% per SEK turnover. Since 2013, CO ₂ emission per SEK have been reduced by 43%. The share of collections (units) shipped by air was reduced from 8% in 2015 to 5,1% in 2016. This is a reduction of almost 40%, but the share is still too high and the work to reduce air shipments will continue in 2018, with a focus on taking more preventive actions.

* *Own production* refers to factories contracted by Björn Borg, excluding factories contracted by licensees (such as for footwear and bags).



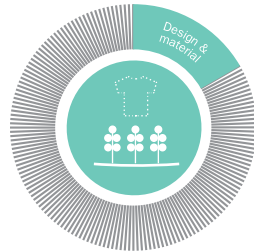
PHOTO: LEIO MCLAREN, UNSPLASH

ENVIRONMENTAL MATTERS

DESIGN & MATERIAL

SUSTAINABLE MATERIAL ROLL-OUT – IMPORTANT FIRST STEPS IN INCREASING SHARE OF SUSTAINABLE FIBRE

In 2016, we finalized a concrete *Sustainable Material Roll-out Plan* for meeting our long-term target of having 70 percent of the range carry better fibre. In a step-by-step approach, we make sure that our suppliers have the capacity necessary for supporting us in this shift. As a first important step on the continued implementation, the roll-out plan is now being integrated into collection planning and sourcing.



In time for the *Autumn/Winter 2017* collection, the first sustainable Björn Borg products were introduced to the market. Within that collection, 27 percent of all sports apparel and 16 percent of our underwear (volume) were made in sustainable materials. Corresponding numbers for the *Christmas 2017* collection, 8,5 percent of the underwear, and 12 percent of the apparel collection were sustainable. Launched in the beginning of 2018, the *Spring/Summer 2018* collection sees 11 percent sustainable underwear and 22 percent sustainable apparel products.

A product is deemed sustainable when it consists of at least 70 percent sustainable fibre and our 2020 goal is to have 70 percent of the garments in our collections developed during 2019 to be made from sustainable materials and that conventional cotton will be phased out (own production*).

The target for 2017 was that for products developed during the year, at least 25 percent of the range in average in collections *Autumn/Winter 2018* and *Spring/Summer 2019* would carry sustainable fibre.

A sustainable material roll-out plan, finalised in 2016, includes the overall direction and action steps for meeting the long-term targets specified in our *Sustainability Roadmap*.

* *Own production* refers to factories contracted by Björn Borg, excluding factories contracted by licensees (such as for footwear and bags).

MADE-BY ENVIRONMENTAL BENCHMARK FOR FIBRES



www.made-by.org

CLASS A	CLASS B	CLASS C	CLASS D	CLASS E	UNCLASSIFIED
Mechanically Recycled Nylon	Chemically Recycled Nylon	Conventional Flax (Linen)	Modal® (Lenzing Viscose Product)	Bamboo Viscose	Acetate
Mechanically Recycled Polyester	Chemically Recycled Polyester	Conventional Hemp	Poly-acrylic	Conventional Cotton	Alpaca Wool
Organic Flax (Linen)	CRAILAR® Flax	PLA	Virgin Polyester	Generic Viscose	Cashmere Wool
Organic Hemp	In Conversion Cotton	Ramie		Rayon	Leather
Recycled Cotton	Monocel® (Bamboo Lyocell Product)			Spandex (Elastane)	Mohair Wool
Recycled Wool	Organic Cotton			Virgin Nylon	Natural Bamboo
	TENCEL® (Lenzing Lyocell Product)			Wool	Organic Wool
					Silk
More Sustainable			Less Sustainable		

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PHOTO: TOBIAS JELSKOV, UNSPLASH

WHAT IS A SUSTAINABLE FIBRE?

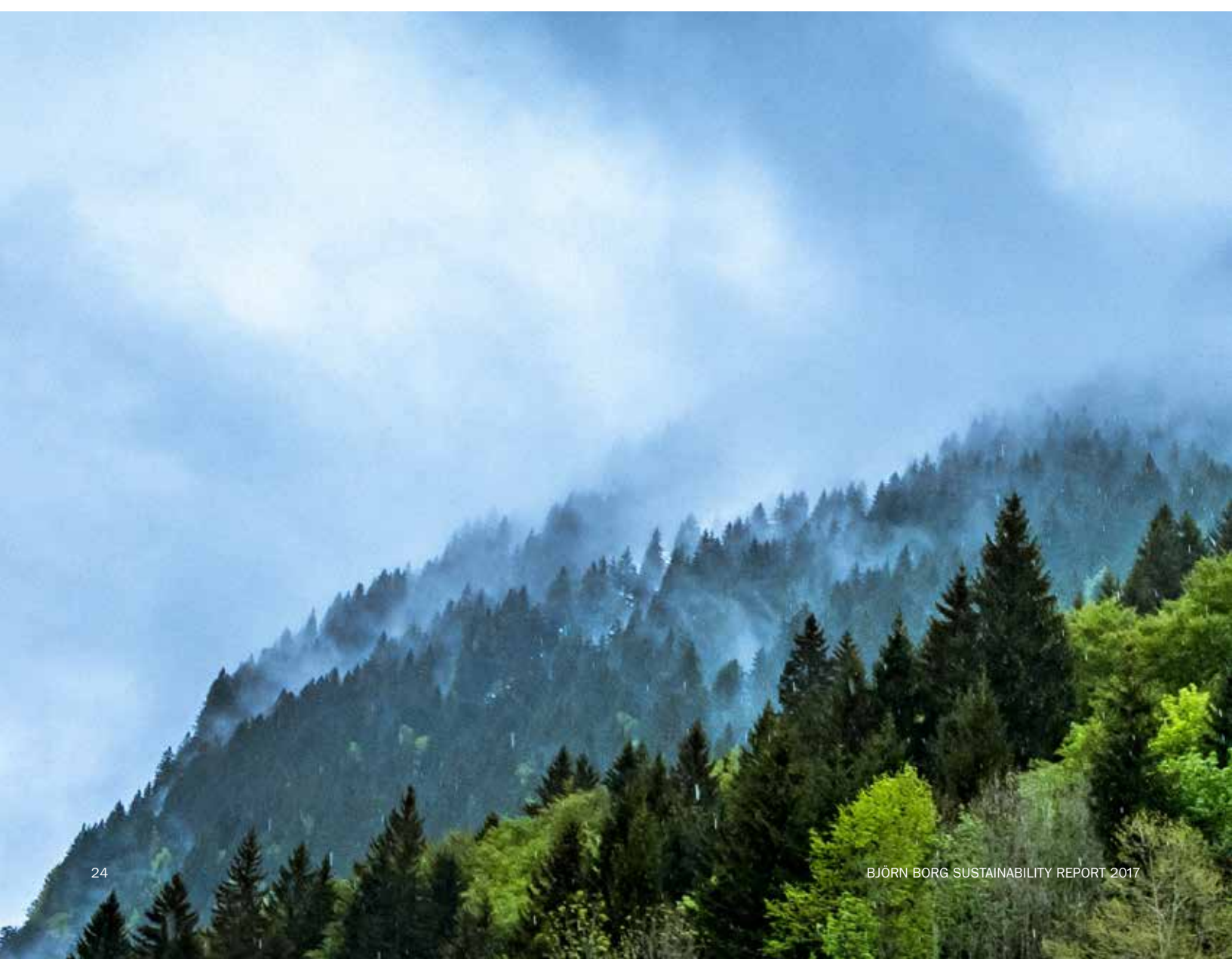
Our definition of sustainable fibre is that it shall be Class A or B according to the *Sustainable Fibre Benchmark* of not for profit sustainability organization Made-By (see table on page 22), which has become a widespread and generally accepted benchmark for better fibre classification.

Made-By's fibre benchmark has been a natural starting point for us, since we have partnered with Made-By in developing our *Sustainability Roadmap* and our *Sustainable Material Roll-out Plan*.

Conventional cotton and polyester are not sustainable.

- **Cotton:** high water footprint, competes with land for food farming, substantial use of pesticides in farming, chemicals sometimes used in harvesting process, scarce resource long term.
- **Polyester:** requires petroleum and other chemicals to produce (CO₂ impact + contamination) Requires energy to heat and power the process (CO₂ impact). Large water usage in processing, for cooling. Non-biodegradable.

Our sustainable material roll-out plan is integrated in our collection planning and we constantly challenge ourselves



on measures necessary to transition to a more sustainable range. In 2017, we introduced products in organic cotton, BCI cotton, and recycled polyester, but we are also developing multiple new sustainable options for launch in 2018 and 2019. Our sourcing policy and supplier guides have been *updated and a mapping of current dyeing and printing methods* and implementation of more sustainable options started.

Björn Borg is a member of the Better Cotton Initiative (BCI) since January 2016 and is committed to transforming the cotton sector by supporting more sustainable ways to produce cotton. To bring benefits to the environment, BCI

Farmers learn to use synthetic fertilisers and pesticides more efficiently, conserve water, maintain soil health and preserve natural habitats through responsible farming practices. To improve social conditions, BCI addresses the most pressing challenges in cotton production by training farmers to actively phase out human rights abuses, such as child labour, gender inequality, and health and safety risks.



PHOTO: GUY BOWDEN, UNSPLASH

CLIMATE IMPACT FROM MANUFACTURE OF GARMENTS

Our manufacturing partners are key for us to reach out to the second and third tier level of our production chain, their sub-contractors, in cascading our requirements further.

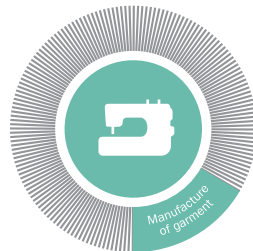
The energy used in our production countries are oftentimes not from renewable energy sources and some production facilities may not have energy efficient equipment, because it is old or not regularly maintained. The country of manufacture also plays part in the environmental footprint. In recent years, we have moved some production to Europe, such as to Turkey and Lithuania. At the same time, China is one of the countries in the world that currently invests most in renewable energy.

Our target is that the factories will reduce their energy consumption and other climate impacts, such as from emissions or waste handling, and over time achieve measurable improvements.

What we are doing to achieve our target

We factor environmental performance into our supplier evaluation. We perform a supplier evaluation twice per year, covering several performance areas of which sustainability is one. Supplier engagement and willingness to improve are evaluated as well. Each manufacturer receives a total score in our evaluation, and those with good scores, and particularly those that improve over time, have a chance to get more business (purchase volumes) from us.

Among areas controlled are type of energy used at the premises, energy-reduction efforts, emissions, water, waste and chemical handling. Environmental certificates or standards are also taken into account. Based on the results, we have a basis to set improvement priorities over the next years. Yearly specific targets are set with each supplier to enable tracking of progress.



OUR FACTORIES

We manufacture our products (own production) at a total of thirteen external factories (2017), most of which are in China and some are in Turkey and Lithuania.

PRODUCTION COUNTRIES (2017)

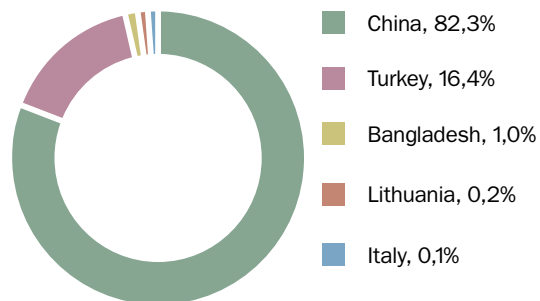




PHOTO: RYAN SEARLE, UNSPLASH



PHOTO: TRISHA DOWNING, UNSPLASH

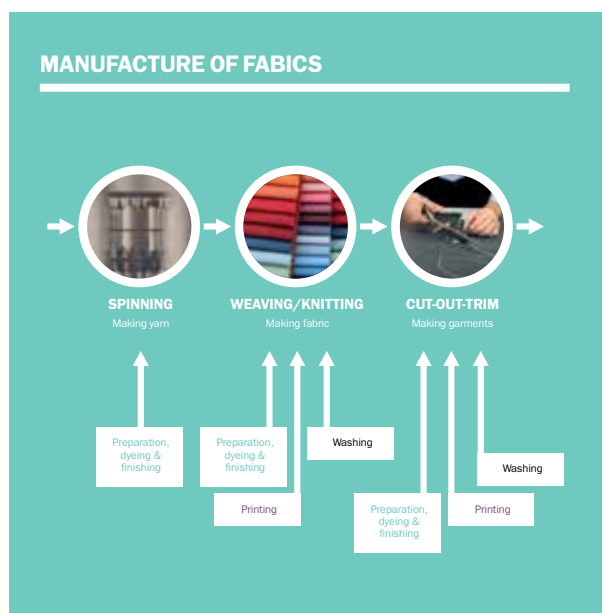
MANUFACTURE OF FABRICS

Significant amounts of chemicals and water are used in the traditional manufacture of fabrics. There is a water shortage in many parts of the world, and poor waste water management in the textile industry contributes to pollution of fertile grounds providing food to people in other areas.



Chemicals are also a potential problem and can be harmful for workers in the production. Since we don't have direct contractual relationships with this earlier part of our supply chain, where the fabric is produced, we take action to have an impact through for instance our *Chemical Management Requirements*, our *Guidelines on Sustainable Use of Water*, and our *Code of Conduct* on working conditions.

A key focus for us going forward is finding ways to more directly influence impacts at this level. Water footprint and chemical footprint in textile production must often be addressed together, since these two areas are closely interlinked. Success in this area further requires increased transparency in the supply chain, into the levels of the product life cycle where there is processing involving water and chemicals.



CHEMICALS

The manufacture of fabrics requires the use of chemicals, especially dyeing and printing processes. Certain chemicals can be harmful to people that come into contact with them or for the environment, such as through emissions in production or from the consumer's washing.

Our target

Our target is that no so-called *Substances of Very High Concern* (SVHC) will be prevalent in our end products. Another target we have set is that by 2019, at least 40 percent of products developed will be produced using better production processes for water or chemicals.

What we are doing to achieve our target

We have a thorough *Chemical Management Program* to ensure that our products do not contain harmful substances. We apply a *Restricted Substances List* (so called RSL) that all suppliers must sign off and adhere to. The list sets the maximum content levels for certain chemicals in products. The list we apply is based on the Swedish Textile Importers Association's chemical guide and ultimately on the REACH regulation adopted within the EU. Our requirements are stricter than the REACH regulation, including a full ban on *Substances of Very High Concern* (SVHCs), which are considered *grey-zone chemicals* that could potentially be harmful, but are not yet proven to be so. Examples of chemicals we place extra attention on are phthalates, fluorocarbons and alkylphenol ethoxylates (including nonylphenol ethoxylate),

Compliance to our *Chemical Management Program* is verified through testing at least once per collection and supplier. The chemical testing is conducted by experienced external partners.

We also require our third-party factories to maintain safety routines with respect to protective clothing and the storage and use of chemicals in production facilities. Through regular visits we conduct our own audits. Workplace safety, including chemicals management, is also addressed in our code of conduct on working conditions in factories and in audits under that code.

Björn Borg is a member of the *Swerea IVF Chemical Group for Textile companies*, along with a number of other Swedish clothing companies, from where we get training and updates about chemicals used in textile processing. Our product development and sourcing teams sometimes participate in training in the chemical area, to maintain an updated knowledge and understanding about chemicals used in textile processing and new research on what chemicals can be harmful to people and the environment.

Our licensees in footwear and bags also work actively with chemical management in a similar way as we do.

WATER

The clothing industry is the second largest user of water in the world, next to the oil industry, at a time when the global water shortage is growing. Traditional clothing production consumes a lot of water, especially to dye yarns, threads and fabrics. Some important issues involve water efficiency, water pollution prevention, and waste water treatment.

Our target

During 2017, our efforts have been lying on trying to map current dyeing and printing methods to secure a better water footprint. Our sustainable material roll-out plan includes a plan to gradually transition from conventional cotton into more sustainable options, which alone will significantly reduce our overall water footprint.

What we are doing to achieve our target

In 2016, we participated in an STWI (Sweden Textile Water Initiative) project, following up on one we did in 2015. These projects have focused on energy and water footprint improvements with one factory and one sub-contractor with wet processing. The 2016 project led to water savings for the particular entity of over 13 percent. The ambition is to continue working with STWI.

TRANSPARENCY

Our target

By 2020, plan is to have full transparency our first-tier supply chain as well as minimise the risk of environmental damage in second or third tier suppliers through thorough controls and preventive actions.

What we are doing to achieve our target

Due to the indirect relationship we have with our suppliers' sub-contractors, we put pressure through our code of conduct for suppliers.

With the complex supply chain involved in producing a garment, increased transparency in the supply-chain poses a big challenge. Mapping must be broken down into manageable bits and pieces and be handled step by step.

During 2018, we will continue our work with preventive actions such as working with audits, chemical testing and product development through for instance less water dependent manufacturing technologies.

PACKAGING & TRANSPORT

Our target is that by 2019, all our product packaging will hold an environmental certification, for example be FSC certified or be made from recycled material. The target has been that already by the beginning of 2017, at least 80 percent of our underwear packaging will be FSC certified.



What we are doing to achieve our target

During 2016 we rolled out packaging gradually, increasing the share of FSC certified carton from responsibly managed forests. By early 2017 around 70 percent of underwear packaging were FSC certified, which meant we did not fully reach our target for 2016. When summarising 2017, just over 60 percent of our underwear packaging has been sustainable. The decrease in sustainability per volume is due to the fact that we have been selling larger volumes of our underwear line *Essential*, which is not yet enclosed in sustainable packaging.

We continuously look for ways to reduce the CO₂ emission from our packaging, both through challenging ourselves in choice of materials and design, and our consumers through recycling.

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.





PHOTO: CHUTERSNAP, -UNSPLASH



CLIMATE IMPACT FROM SHIPPING FINISHED GARMENTS

Our target

Our target is to reduce emissions from the Group's operations by 40 percent per SEK of turnover by 2019 compared with 2013 (see the section *Climate impact from own operations*). A large share of total CO₂ emissions, about 60 percent, is from transporting products. For that reason, we have set a specific target that by 2019 a maximum of 2 percent of total product shipments will be sent by air (based on number of units shipped). The target for 2017 was a maximum of 4 percent air freight of total collection shipments (pieces transported).

What we are doing to achieve our target

Each year, we compile a climate report, according to the GHG protocol, to measure the carbon footprint of the Björn Borg group. Our carbon footprint has decreased with 20 percent between 2013 and 2017, mainly due to reductions in air shipments, while a comparison between 2016 and 2017 shows an increase in carbon footprint of 3 percent. The increase is mainly due to increased transportation of goods/products, a result from increasing business. With an increased number of employees (212 in 2017 vs 131 during 2016), our business travel has also increased. However, air emissions are further decreasing.

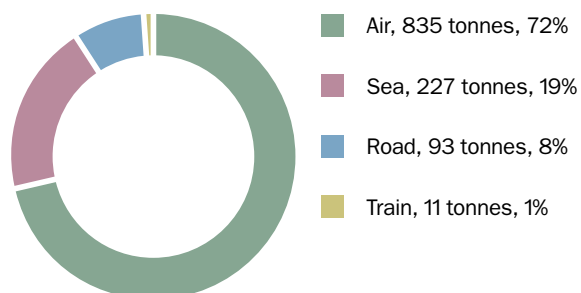


PHOTO: TINA ROLF, UNSPLASH

Air freight accounted for only 2 percent of all transportation of goods in 2017. This is measured in shipped weight over distance (tonnes-kilometres) and has decreased by 8 percent since 2016, mainly due to fewer long-distance air transports and increased sea shipping.

Improvements achieved in 2017 are mainly due to an increase in sea or rail shipments instead of air freight. Our production is primarily in Asia and in the past years we have taken over local distribution ourselves instead of working with local third-party distributors, effectively transforming our business to an international group. Because of these two factors, some air travel will be necessary.

LOGISTICS (TONS OF CO₂e)



OWN OPERATIONS

In our own operations, the highest priority sustainability areas are climate impacts from operations, ethics and proper business conduct, working environment and employee engagement.



CLIMATE IMPACT FROM OUR OWN OPERATIONS

The negative impact from our own operations is smaller than in other parts of our business. Nevertheless, we fully embrace responsibility to reduce the negative impacts in our day-to-day behaviour as a business and a team. In addition to product transports, as described in the section on *Climate impact from shipping finished garments*, business travel and energy consumption in our premises are addressed as part of the footprint from our own operations.

Our target

Our overall target is to reduce CO₂ emissions within the Björn Borg Group by 40 percent per SEK of turnover by 2019 compared with 2013.

What we are doing to achieve our target

We follow up our long-term climate targets and report our progress according to the GHG protocol – Scope 1, Scope 2 and Scope 3 – comprising product transports from factory to markets for sale, business travel by employees, and energy consumption in offices and stores. Flying on the job has a significant climate impact, accounting for no less than 70 percent of the total impact from business travel, see diagram.

Our policy (stated in our *Environmental Business travel policy*) is to challenge whether a particular trip is really necessary, how many people really have to travel and whether visits to several business partners can be coordinated. This is reflected in our business travel policy.

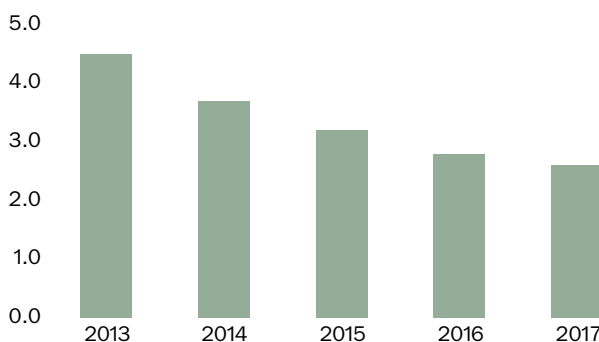
During the past two years, several actions have been taken to facilitate remote meetings through the implementation of *Skype for Business*, a video conferencing system for our conference rooms at the headquarters, and digital tools such as a transition into cloud computing within the Group.

In 2017, the Björn Borg Group increased its carbon footprint by 3,2 percent nominally but decreased it by 6 percent per SEK of turnover compared with 2016. We have in fact met our long-term target of 40 percent reduction, with a 43 percent reduction from 2013 to 2017.

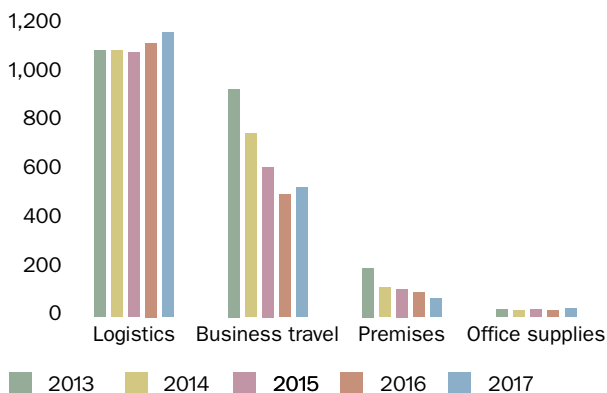
RETAIL

In our own retail, all interior is made from recyclable material and all POS (Point of Sale) material is made from FSC (Forest Stewardship Council) certified and/or renewable sources. During the year, we have also introduced new bags and hangers made from renewable materials.

EMISSIONS PER TURNOVER, 2013-2017 (TONS OF CO₂e/SEKm)



EMISSIONS PER CATEGORY 2013-2017 (TONS OF CO₂e)

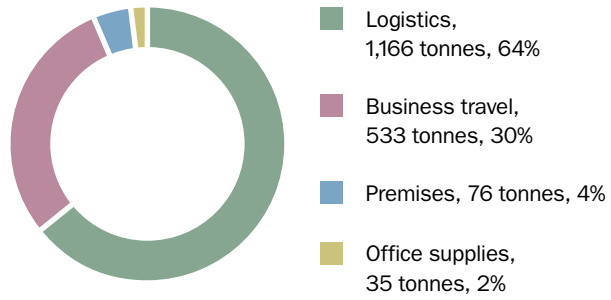


All in all, our product transports clearly have the biggest climate impact, accounting for 64 percent of the total footprint, followed by business travel at 29 percent.



PHOTO: DENYS NEVOZHAI, UNSPLASH

CLIMATE FOOTPRINT 2017 (TONS OF CO₂e)



BUSINESS TRAVEL 2017 (TONS OF CO₂e)

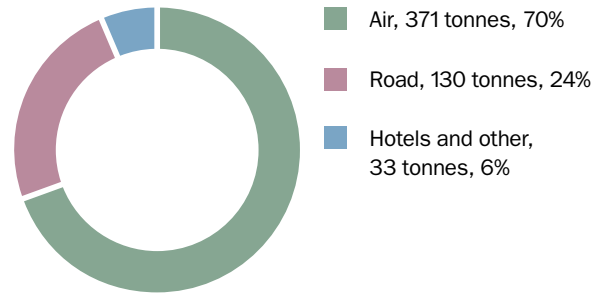


PHOTO: THOMAS RICHTER, UNSPLASH

Air transport still represents the largest part of environmental impact from our business travel. However, emissions from air transport has decreased (in tonnes CO₂e) from 783 in 2013, to 371 in 2017. Counted in travel distance, air travel comes first (1.2 Mkm), followed by road (600 Kkm) and then rail 79 Kkm). Going forward, the target is to continue working with reducing air transports of products and business travel by air.

Björn Borg short flights have decreased while the use of other means of transport has increased during the year, indicating a shift away from short distance flights.

Use of energy in our facilities (offices and stores) represents around 4 percent of our total emissions, and has been reduced from 201 Tonnes CO₂e in 2013, to 76 in 2017, and the total GwH from 1,086 in 2013, to 790 in 2017.

Source separation recycling at our head office and encouragement for behavioural change through individual green targets for all employees, helps our staff to have sustainability top of mind, in work and in private life.

USE AND DURABILITY

Our target

Our goal is to make high quality products that last, and we are convinced that quality is really the backbone of sustainability. Through buying high quality products, consumers will be able to reduce their climate footprint too. All our products are designed for a long useful life and must meet high, stringent quality requirements. Our products shall hold up after repeated use and extensive washing.



What we are doing to achieve our target

We have a rigorous quality assurance process to ensure a high-quality level, consisting of several steps in a thorough design phase to ensure that the requirements are met. We also work hard in continuously improving our quality process over time.

Our 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 also affect the useful life of the garment in that its colour and quality can deteriorate more quickly. We therefore try in various ways to encourage consumers to handle garments in a way that reduces the environmental footprint and extends their useful life. We provide our customers with simple washing instructions on the label and in more detail on and in the product packaging.

We measure our ability to build sustainability engagement with our consumers in our yearly brand track.

END OF LIFE – CLOSING THE LOOP

Our target

We want to improve our environmental footprint in the final stage of the product lifecycle, through contributing to a circular process where products and/or materials are recycled, upcycled, or reused. Our target is that by 2019, we will have a product take-back system, or similar initiative, enabling us to close the loop for our products.

What we are doing to achieve our target

We offer product categories, underwear and sports apparel, that pose challenges for second hand distribution. Hygienic reasons normally obstruct. An opportunity lies here for us to investigate.

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.

BJÖRN BORG 
Shop online at bjornborg.com

HUMAN RIGHTS, SOCIAL AND EMPLOYEE MATTERS, DIVERSITY POLICY

Working conditions in third party factories that manufacture our products have long been a priority issue for us. Björn Borg has been a member in Amfori (former BSCI) for many years and applies the Amfori BSCI *Code of Conduct*. All our suppliers must sign, and commit to comply with, the *Code of Conduct*, and compliance is verified through recurring audits. Our licensees for bags and footwear are also active participants in Amfori, working with their factories within the Amfori framework.

The work of Amfori provides practical support to all businesses committed to achieve the United Nations SDGs (*Sustainable Development Goals*) with the main goal to contribute to a world where all trade delivers social, environment and economic benefits for everyone.

Through following the Amfori BSCI *Code of Conduct*, our production facilities commit to working with improving working conditions in the supply chain.

Our target

Our target is that suppliers of at least 90 percent of total purchase volume (own production) will

- be enrolled in the Amfori monitoring programme or meet equivalent standards or certification, such as SA8000, and
- measurably improve over time towards meeting the long-term targets set with each supplier. Where possible, further, we shall hold RSP over our key suppliers, meaning we shall be responsible for the follow-up of those suppliers in the Amfori platform. A key supplier is one that supplies a significant share of our total product volume (at least 10 percent) or products that are considered especially important to us for any reason.



What we are doing to achieve our target

We have a *Supply Chain Management* program to identify and address risks associated with sourcing products from third party suppliers. An important part of the program is social compliance, meaning to ensure that our suppliers meet our requirements for working conditions and safe working environment in factories. Through the Amfori BSCI *Code of Conduct* and audits, we map key risks in terms of geography,

production processes and supplier characteristics, and then design our *Supply Chain Management* program based on that risk assessment, to channel efforts to where they have most impact.

2017 targets

- All suppliers are committed to the Amfori development approach and are actively managing their suppliers' social performance.
- All Björn Borg licensees but for our brand new *Homewear* partner are Amfori members.
- Additional training for Product Development and sourcing team.

2020 targets

- All key suppliers (with audit pending) audited under Amfori protocol.
- Key suppliers are developing according to set improvement plan.

Principles of the Code of Conduct		amfori Trade with purpose	
	THE RIGHTS OF FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING		NO DISCRIMINATION
	FAIR REMUNERATION		DECENT WORKING HOURS
	OCCUPATIONAL HEALTH AND SAFETY		NO CHILD LABOUR
	SPECIAL PROTECTION FOR YOUNG WORKERS		NO PRECARIOUS EMPLOYMENT
	NO BONDED LABOUR		PROTECTION OF THE ENVIRONMENT
	ETHICAL BUSINESS BEHAVIOUR		



PHOTO: JENNIFER BURK, UNSPLASH

PHOTO: RAWPIXEL.COM, UNSPLASH

What we are doing to achieve our target

The Amfori BSCI *Code of Conduct* forms an integral part of our *Supply Chain Management* program.

Through following the Amfori BSCI *Code of Conduct*, our production facilities commit to working with improving working conditions in the supply chain.

Audits performed through Amfori are made by an independent inspection firm checking thirteen different *Performance Areas* during the audit. They interview workers, check documents, and thoroughly go through everything that has to do with social compliance but also protection of the environment. Apart from the Amfori audits, Björn Borg also sends own staff for in-factory inspections twice per year and keep a continuous dialogue about improvements. These audits will also always be made on the signing of a new factory.

In 2017, all of our factories are enrolled either in Amfori, or meet equivalent standards or certification, such as SA8000, which means they don't need an audit. Two of our factories hold SA8000 certification, which is an internationally recognized workplace standard for factories, which also means that these factories are considered automatically approved in the Amfori platform. These factories are still part of our general *Supply Chain Management* program.

We hold RSP over suppliers delivering over 90 percent of our production volume. By being the RSP holder over all key suppliers we are able to drive the development of our most important suppliers. Four of the audits performed in 2016 were done by us, all at suppliers that supply large product volumes to us. Details of the results from these audits are set out in the table below.

Factory	Share of production	RSP	Result
Factory 1, Bangladesh	1%	No	C
Factory 2, Turkey	5%	No	B
Factory 3, China	3%	No	C – all factories
Factory 4, China	4%	Yes	D
Factory 5, China	6%	No	C
Factory 6, Turkey	12%	Yes	D
Factory 7, China	42%	Yes	SA 8000
Factory 8, China	1%	Yes	C & D – 2 factories
Factory 9, China	2%	Yes	SA 8000
Factory 10, China	23%	Yes	C

The most common improvement areas involved too much overtime in peak season, insufficient management systems (including need to clarify roles and responsibilities and/or policies), and lacking ability to properly cascade the Amfori requirements on to sub-contractors.

Many of the suppliers also had not yet defined express long-term targets on protection of workers or had calculated the local basic needs wage, which are both new requirement under the Code. Another remark raised in many audits was that there was insufficient social insurance for workers. This issue is complex since some workers do not want such insurance because part of the cost for it is deducted from their salary and they may have other alternative arrangements in place. Regarding excessive working hours, we discuss with the suppliers how our own purchasing behaviour, and our planning capabilities, can influence the

remediation of this problem. All improvement areas are addressed in the factory's *Remediation Plan*. For the follow-up audit, our role is to support our suppliers with their work on the *Remediation Plan*, and improvement measures taken, including enrolling them in *Capacity Building* trainings arranged by the Amfori, covering relevant areas of development.

As part of our overall program, we also do our own semi-annual factory follow-ups. Once a year a more comprehensive evaluation of all producers is done as well. In addition, in Q4 of 2016 we did a supplier baselining assessment, covering social aspects like working conditions and workplace safety alongside sustainable fibre capabilities and environmental footprint. The 2017 evaluation is not summarised by the finishing of this report, but the problem with excessive working hours seems to remain.



PHOTO: VISHAL BANIK, UNSPLASH



BJÖRN BORG AS A WORKPLACE

Our target

Our target is to be the best workplace in the industry, with 90 percent employee engagement by 2019, as measured by a survey by third party research and analytics company Ennova. The target for 2017 was to reach 80 percent engagement. We didn't reach all the way to our goal but increased our engagement from previous year from 75 percent to 77 percent, which is an engagement score that is in the top quartile of the international benchmark from Ennova, showing an average benchmark of 65 percent. Together with our employees, we create a strong workplace culture with continuous improvement as a goal. This, as well as high goals and constant development, are important parts of our business plan and culture. Our employees and the culture we create together is one of our strengths as a company, and we will continue to develop that strength going forward.

We don't see any business risk associated with not reaching our goals in this area, but it is our conviction that this priority is correct. Competent people who together create a workplace that gives you the opportunity to be your best self, in collaboration with other equally committed colleagues who complement the team through their differences in experiences, gender, ethnicity, sexual orientation, age, opinions and personal qualities, are an apparent prerequisite for such a workplace. We continuously work on keeping the strong corporate culture alive through education,

communication, training and development activities. We also have an overarching target that neither gender shall represent over 60 percent of our key governing bodies, expressed in our *Code of Conduct* adopted by the Board.

What we are doing to achieve our target

Employee engagement

We focus a lot on building engagement in our team. In fact, employee engagement is one of four *Key Performance Indicators* (KPIs) that we use to measure our overall business performance, and the second most important (next to the consumer KPI). We believe that inspiring leadership is important to capitalize on and develop employee engagement, which is why we have continued to offer leadership development training to the team in 2017.

Well-being

We want 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 winning attitude, passion and multiplying, the latter meaning that we challenge each other and ourselves to become the best version of ourselves. We invest heavily in the well-being of our 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 we close down the office for a mandatory hour of exercise for all employees. All employees also do physical



PHOTO: RAWPIXEL.COM, UNSPLASH

fitness tests and set yearly personal fitness and/or health goals, which are followed up together with a personal trainer. Since the first test in 2015, the employee strength (both perceived and actual) has improved by more than 300 percent, according to these tests.

Ethics, Diversity and non-discrimination

In 2016 our Board of Directors adopted a *Code of Conduct* with the purpose of laying down the principles applied within Björn Borg in ensuring high ethical standards in business operations and in taking responsibility, as a corporate citizen in a global world, ensuring long-term value creation in society.

Key to creating an ethical and transparent business environment is a workplace where people are free to say what they want and point out irregularities without the risk of repercussions. Fostering this kind of environment is important to us as a company.

We aim for diversity. We think diversity is an opportunity to improve our ability to reach business targets and to remain relevant as a brand and as a business. Employees shall be recruited, evaluated and promoted on equal and transparent ground, regardless of race, ethnicity, age, religion, gender, sexual orientation or disability.

Recruitment and promotion within Björn Borg is done using a model called CPR, for *Competence, Personality* and *Results* as determining criteria. In our experience, this model, when used correctly, tends to lead to diversity.

Our goal that neither gender should make up over 60 percent of any of Björn Borg's key governing bodies offers somewhat of a challenge. We work in an industry with a high female representation, and the majority of our employees are women. Half of the management team, though, is currently half women and half men, and 40 percent of the Board of Directors are women. In its latest report (September 2017), the AllBright Foundation includes 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. The composition of the Board of Directors is ultimately a question for the Nomination Committee and is decided by the shareholders at the Annual General Meeting (AGM), but gender equality is one of the criteria that the nomination committee factors into its proposal to the AGM.

As a publicly listed company, we are also subject to certain compliance requirements and are obliged to report on our internal control procedures. Each year we publish a separate corporate governance report that describes, among other things, the Board's risk control through internal financial control systems.

Björn Borg has two policies in place for staff security, and human rights.

- Gender equality plan
- Occupational health and safety policy

ANTI-CORRUPTION

Björn Borg doesn't see an overhanging risk for corruption within the organisation or our business partners, but we do have routines in place to identify, prevent and, if necessary, handle corruption, both internally and externally. The codes of conduct that we apply tolerate zero tolerance to corruption.

INTERNAL CODE OF CONDUCT

One of the guiding principles in the internal Björn Borg *Code of Conduct* is that we shall always conduct business with integrity and in an honest and transparent way. For example, we do not accept bribery or corruption. Employees shall not extend or receive gifts or the like to or from business partners, unless it is of modest value and can be justified given the context and nature of the cooperation. Employees further may not use their position in the company, or use internal information or information received from any business partner, unduly or in an inappropriate way. Relevant employees receive training on corruption risks and how they can be managed.

EXTERNAL CODE OF CONDUCT

Through our membership in Amfori, all our business partners are contracted to stay true to the Amfori BSCI *Code of Conduct*.

Irrespective of collaboration partners or the countries where they are based, known consequences of corruption in the textile industry are for instance fire or health and safety regulations not being followed properly. Possible hazards could for instance include weaknesses in supporting beams, substandard building materials, exposed electrical cables etc. risking, ultimately, fatal incidents.

Third party audits are performed in our production facilities annually, where it is secured that they are not involved in any act of corruption, extortion or embezzlement, nor in any form of bribery – including, but not limited to – the promising, offering, giving or accepting of any improper monetary or other incentive.

Our business partners are expected to keep accurate information regarding their activities, structure and performance, and should disclose these in accordance with applicable regulations and industry benchmark practices. Business partners should neither participate in falsifying such information, nor in any act of misrepresentation in the supply chain.

Furthermore, they should collect, use and otherwise process personal information (including that from workers, business partners, customers and consumers in their sphere of influence) with reasonable care. The collection, use and other processing of personal information is to comply with privacy and information security laws and regulatory requirements.

No corruptive actions have come to our attention during the year.



PHOTO: ROHAN MAKHECHA, UNSPLASH

INDEX

Subject	Information requirement	Environment	Staff	Social	Human rights	Anti-corruption
	The sustainability report shall describe:	Pages	Pages	Pages	Pages	Pages
Business model	The company's business model	8, 10-11	8, 10-11	8, 10-11	8, 10-11	8, 10-11
Policy	The company's model for practices for the different areas, including analysis that has been performed	22-37	42	38, 43	38, 40-43	44
Result of policy	The results of the policy	26, 29-37	42, 43	42, 43	40, 41	44
Essential risks	Essential risks related to the company's business, including, when relevant, the company's business relations, products or services, that are likely to get negative consequences.	16, 26, 29, 30	42	16, 38, 41	16, 38, 41	16, 44
Handling of risks	How the company handles the risks	20, 22-37	42	20, 38, 40, 41	20, 38, 40, 41, 43	44
Result indicators	Central result indicators relevant to the business.	22, 30-36	42	40-41, 42	40-41, 43	44



PHOTO: NATHAN ANDERSON, UNSPLASH

AUDITOR'S REPORT ON THE STATUTORY SUSTAINABILITY REPORT

To the general meeting of the shareholders in Björn Borg AB (publ)
corporate identity number 556658-0683

ENGAGEMENT AND RESPONSIBILITY

It is the board of directors who is responsible for the statutory sustainability report for the year 2017 and that it has been prepared in accordance with the Annual Accounts Act.

THE SCOPE OF THE AUDIT

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 *The auditor's opinion regarding the statutory sustainability report*. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

OPINION

A statutory sustainability report has been prepared.

Stockholm, April 17, 2018
Deloitte AB

Didrik Roos
Authorized Public Accountant





PHOTO: TREVOR COLE, UNSPLASH

BJÖRN BORG AB

Tulegatan 11, SE-113 53 Stockholm

Telefon: +46 8 506 33 700

Fax: +46 8 506 33 701

www.bjornborg.com

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