



BJÖRN BORG

SUSTAINABILITY REPORT 2019

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COVER PHOTO: JONATAN PIE, -UNSPASH



The global challenges that the world is facing require responsible leadership and systematic work for change. Being one of the world's largest consumer businesses, the fashion industry plays a key role for a more sustainable society and we need to take an active part in this work. We believe that we can never afford to stop, and our work relies on the foundational idea that every single part of the chain counts – from suppliers through co-workers to customers. We can always get better, and we want to inspire people to help us contribute to a better tomorrow. Together, we can B. Tomorrow – and that is the umbrella name for our sustainability work.

**THIS REPORT CAN BE TAILORED FOR YOUR OWN NEEDS AT
CORPORATE.BJORNORG.COM/SUSTAINABILITY.
THINK OF OUR TREES, PLEASE AVOID PRINTING.**

PHOTO: JONATAN PIE,-UNSPASH

SUSTAINABLE BUSINESS

LETTER FROM THE CEO

For me sustainability is not a choice, it's doing what is right, and there are no alternatives. I strongly believe that reducing our footprint is important not only to win the hearts and minds of our consumers but also for our own hearts, strengthened with the knowledge that we make a difference. I believe in the power of people and in the power of doing good. We call it planet and people.

The world doesn't need more black t-shirts. What it needs is a brand that inspires you, that reminds you of all your possibilities, and that guides you in your own journey to become the best version of yourself. That's why our reason for being, our mission if you wish, is to inspire anyone and everyone to be more. It's founded in our belief that sports can make our minds, souls and bodies become something more than what they are today, and that anyone can become anything. No matter who you are and where you are, training will make you better.

That is our way of changing the world and making it better. We do things for real; we live what we preach through for instance a compulsory sports hour and compulsory fitness tests for all our employees. We want you to be better, and the same applies to the planet. But not at any cost. We need to do business, but always in a sustainable way. We need to work for a better future, a world that will be better tomorrow than it was yesterday.

We work with sustainability with the same relentless approach as we work with empowering people. It trickles

down to every single part of our business and I am proud that we have achieved as much as we have during just a few years. The Board of Directors, the Management Team and down to every single employee are more motivated and engaged than ever before. 70% of our employees have a personal sustainability goal, putting our work top of mind in the day-to-day business.

This year, we have accelerated our work and I look back at a strong sustainability year where we have liaised with even more sustainable suppliers, introduced a new automated warehouse solution, issued 90% sustainable packaging, and introduced even more products made from sustainably sourced materials – the High Summer 2020 collection (developed in 2019) offers 75% B. Tomorrow products. We are down to carrying no conventional cotton in our range, we have introduced new dyeing and printing techniques, new climate-neutral bags in our e-com business and we met our goal to reduce our carbon footprint with 42% vs 2013.

It is my job to dedicate resources and communicate priority and even if we are a small player, I believe that we can make a difference – for people and for the planet. And since we live what we preach, we will never give up, always strive to be more.

Let's go!
Henrik Bunge
Head Coach



PHOTO: MARIANNE KROHN, UNSPLASH

BJÖRN BORG IN BRIEF

BJÖRN BORG GROUP

The Björn Borg Group owns and develops the Björn Borg brand. The focus of the business is underwear, sports apparel, and bags as well as the licensing of footwear, eyewear, and home products (bedding and towels). Björn Borg products are sold in around 20 markets, of which Sweden and the Netherlands are the largest.

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 underwear and sports apparel businesses. The Group is also responsible for distribution of underwear and sports apparel in Sweden, The U.K., Finland, the Netherlands, Belgium and Germany as well as footwear in Sweden, Finland and the Baltic countries.

The Björn Borg share has been listed on Nasdaq Stockholm since 2007.

THE YEAR IN NUMBERS

- The Group's net sales rose 6.7 percent to SEK 756.9 million (709.6). Excluding currency effects, the increase was 3.7 percent.
- The net sales for own e-commerce and for e-tailers amounted to 194.6 MSEK (160.0), an increase of 21.6 percent.
- The gross profit margin was 53.7 percent (57.4).
- Operating profit amounted to SEK 51.4 million (71.0).
- Profit after tax amounted to SEK 38.9 million (59.9).
- Earnings per share before and after dilution amounted to SEK 1.55 (2.39).
- The Board of Directors has decided to propose to the Annual General Meeting that no dividends are to be paid out for 2019.

BRAND SALES

Brand sales rose year-over-year to MSEK 1,640 million (1,603), an increase by 2 percent. Excluding currency effects, brand sales increased marginally. (See definitions on corporate website.) (länka till webadress: <https://corporate.bjornborg.com/en/financial-definitions/>)

THE BJÖRN BORG BRAND

Björn Borg is distinguished by creative products with the brand's typically sporty identity – products that make customers feel active and attractive. A passion for sports fashion and willingness to challenge the industry shines through in our marketing communications and product development.

The Björn Borg brand was established in the Swedish apparel market in the first half of the 1990s and today has a strong position in its established markets, particularly for the largest product group, underwear.

MARKETS

- Björn Borg is represented in around 20 markets, the largest of which are Sweden and the Netherlands.

NEW STORES

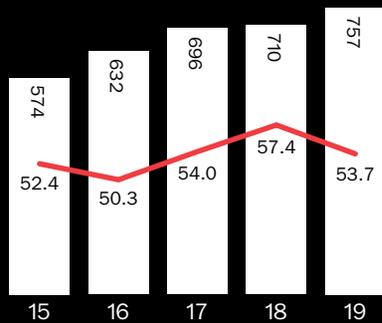
Four new stores were opened during the year; three in Finland and one in the Netherlands, while five stores have been closed; two in Sweden, two in Belgium and one in Norway. A total of 35 (36) Björn Borg stores, of which 31 (31) are Group-owned, were held by the end of the year.



PHOTO: JAN KOPRIVA, UNSPLASH

KEY PERFORMANCE INDICATORS 2019

■ NET SALES, SEK MILLION
— GROSS PROFIT MARGIN (%)



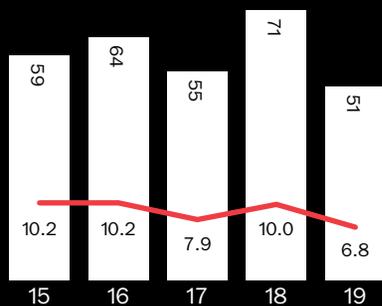
THE GROSS PROFIT MARGIN WAS 53.7 PERCENT

53.7

THE NUMBER OF BJÖRN BORG STORES AT YEAR-END WAS 35, 31 OF WHICH ARE GROUP-OWNED

35

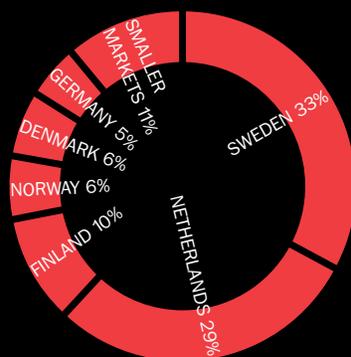
■ OPERATING PROFIT, SEK MILLION
— OPERATING MARGIN (%)



THE OPERATING MARGIN WAS 6.8 PERCENT

6.8

BRAND SALES BY COUNTRY



BRAND SALES BY PRODUCT AREA

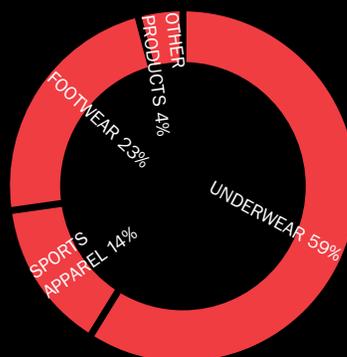




PHOTO: BJÖRN BORG AUTUMN/WINTERCOLLECTION 2019

B. TOMORROW – OUR SUSTAINABILITY WORK



75% B. Tomorrow products

90% SUSTAINABLE PACKAGING

CO₂

CARBON FOOTPRINT
DECREASED BY 42% VS 2013



0% conventional cotton in our range

SUSTAINABILITY HIGHLIGHTS 2019



New automated centralised warehouse for all markets



100% of swimwear in sustainable material

100% of all male underwear and sportswear now in sustainably sourced materials

OUR SUSTAINABILITY DIRECTOR REFLECTS ON THE YEAR PAST

At the beginning of the year we signed and started to implement the second phase of our Sustainability Roadmap by launching new goal plans for all areas in the company leading up to 2022. Each function head, all represented in the Management Team, is responsible for function-specific goals to drive a more sustainable business. Our belief is still that a sustainable approach to products and partners is necessary to be relevant as a brand for the future consumer. Today, we clearly state what is a more sustainable choice to our consumers through our B.Tomorrow label. We are also happy to see that our customers are starting to set high standards and requirements on the brands they buy, and we believe that we need to work closely with them to create a more sustainable future.

With a starting point in 2015 at basically zero, we have come a long way enabling internal focus and creating commitment among our staff. Thanks to the high goals set in the plan, our sustainability offering has increased considerably in the last couple of years and will continue to do so according to our clearly marked path towards 100% sustainably sourced collections developed in 2022

(AW23 collection). During the year we have succeeded with converting our whole male underwear and sportswear collections to more sustainably sourced materials. These will be launched in 2020. Our focus lies primarily on assuring that we source our products from the right partners and make sure to secure more sustainable components. We follow the Amfori BSCI Code of Conduct for working conditions in factories and our Chemical Management Program (including our Restricted Substances List), according to the European Chemicals Legislation REACH, and our own, stricter, conditions. Compliance with these requirements is continuously followed up and integrated into our overall Supply Chain Management Program.

During the year we have further improved our order process, developing behaviours and shipping strategies. All this contributes to a positive impact on our airfreight targets and in 2019 we reached our goal of 2% air freight maximum of all transports.

I am proud of how far we have come in just a few years. Today sustainability is high on the agenda and our winning attitude has taken us further than expected in how sustainable our range is. We have a passionate approach to doing good and we constantly challenge ourselves and others to do better.



PHOTO: AARON BURDEN, UNSPLASH

ABOUT B. TOMORROW

The umbrella name B. Tomorrow represents all our sustainability efforts and our journey towards a more sustainable future. It represents every step we take within our organisation to contribute to this common goal, but also our hope to inspire others to do the same. It stands for the idea that together we can make a difference. In short, it is a vision and an approach in one: let's lead our lives to contribute to a better tomorrow. Let's B. Tomorrow!

B. Tomorrow is a way for us to express our belief that a sustainable approach to products and partners is necessary to be relevant as a brand for the future consumer.

Our work is divided into three different key focus areas with specific targets down to every part of our business and is linked to the United Nation's Sustainable Development Goals. The SDGs are a universal call to action to end poverty, protect the planet, and ensure that all people enjoy peace and prosperity.

KEY AMBITION AREAS

Through our materiality analysis, we have narrowed down our most material subjects into three ambition areas, with key focus areas in each respective field.

Our main ambition areas are:

- Responsible Production
- Decreasing Footprint and
- Drive Sustainable Consumption.

Apart from these areas, we also work most conscientiously with achieving the best workplace in the world.

All these areas are described in detail in one designated chapter in this report, together with our undertakings and achievements for 2019. Below, an overview of our ambitions and key focus areas summarised in our sustainability framework.

BJÖRN BORG AND THE UN SUSTAINABLE DEVELOPMENT GOALS (SDGs)

The SDGs provide the global community with a roadmap on how to combat global challenges related to economic, social and environmental sustainability.

The Björn Borg sustainability framework, above, contributes to several of the SDGs, but some more than others. This is how and where we see that we can contribute the most.

SDG 12 – RESPONSIBLE CONSUMPTION AND PRODUCTION



This is the most important SDG for Björn Borg. In fact, it summarises a big part of our sustainability work. Almost everything we do can be linked to this goal: the usage of sustainable materials for products manufactured in a sustainable way; a stringent Code of Conduct controlling suppliers' environmental and social work; our work for transparency in the supply chain; facilitation of, and information around, recycling of packaging for consumers; consistent work on high, long-lasting quality products and, not the least, our focus on decreasing our footprint in every way we can.

13 – CLIMATE ACTION



In 2014, we set a goal to reduce our greenhouse gas emissions by 40% in 2019, compared to 2013. We reached this goal in 2018 and in 2019, we committed to decrease our GHG emissions by 30% by 2030 as part of the United Nations Climate Action in Fashion Initiative. This work will be initiated from our end in 2020. Our first milestone was mainly reached through optimising both product and people transports through decreasing air transport as much as possible. This was accomplished through better planning for production and shipping, and through finding other means of transportation, or meetings, for our staff. We are also dedicated to finding better energy solutions, which we describe below.

7 – AFFORDABLE AND CLEAN ENERGY



Production and use of energy make up for one third of all greenhouse gas emissions which are a key driver of climate change. People and businesses need access to energy, but energy produced from low carbon technologies. We can contribute through controlling our energy efficiency as well as implementing renewable energy within our business. Through our annual climate report, we map our own usage and with the results as a backbone, we follow up and improve throughout our business. Our goal is now to increase our share of renewable energy in our own facilities through renegotiating energy contracts for all parts of the organisation. Next step will be to impact our suppliers through audits and dialogue.

14 – LIFE BELOW WATER



More than 3 billion people depend on the oceans as their primary source of protein (it's the world's largest source). But 40% of the oceans are suffering ill effects. Plastic, for instance, makes up the majority of marine debris. Oceans are also becoming more acidic. Carbon dioxide dissolves readily in seawater to become a marine pollutant of global proportions that could have significant consequences on marine organisms.

We contribute in two ways. First, through the recycling of plastics from oceans, industries and other sources. Two of the sustainable materials that we use in our products are made from such plastics, among others PET bottles and plastics found in the seas, such as fish nets and carpets.

Another way to contribute is through more efficient packaging – both for our products in general, but also in shipping boxes, packaging for our e-com business and other. Our goal is to offer fully sustainable packaging by 2022, i.e. to phase out all plastics or any other harmful materials from our product packaging. Within our e-com business, we introduced climate positive shipping bags a couple of years ago, an initiative that has fallen well out. Our logistics team is also working with optimising export carton filling, which will minimise both our carbon footprint and the usage of so-called polybags.

3 – GOOD HEALTH AND WELL-BEING



We are a sports company and we live and breathe it. Our mission to inspire people to be more through sports and training unites not only our staff, but also our customers and consumers out there. And it doesn't stop there. Employees and partners of all sorts are invited to our mandatory sports hour, and no-one has ever regretted coming along on a Björn Borg training session or other adventure. Not only do we get to surround ourselves with healthy, happy people, but we also get a very productive organisation with lots of positive energy.

Stress, work environment and work safety are important areas not only to our own staff, but also to the people working in our factories. We work actively with constantly improving the situations of our peers, no matter where they are.

OUR PROMISE AND GOALS

OUR GOALS 2022

- Sustainably sourced fibres in 100% of collections developed in 2022 (AW23). All qualify for B. Tomorrow.
- All packaging FSC certified and/or recycled material. All packaging easily recyclable.
- All store interiors fully recyclable and recycled.
- 100% sustainable export materials in the supply chain (export cartons and polybags).
- 30% lower GHG emissions by 2030.
- Full transparency and control in Tier 1, 2 and 3.

STATUS 2019

Our goals for 2019 were very ambitious when we set them in 2015 and summing up the year, we can conclude that we have lived up to our goals in most cases, and sometimes surpassed them. Our collections reaching the market during 2019 have included 36% sustainable pieces and our High Summer 2020 collection (developed during 2019) offers 75% sustainable pieces and 0% conventional cotton. Our products are completely free from SVHC (*Substances of Very High Concern*).

Printing and dyeing are areas where we can decrease our footprint by quite a bit through new inventions enabling decreased chemical and water usage. During 2018 our first Solution Dye products reached the market and during 2019, we launched products dyed with Avitera® Dye. For printing, we have introduced digital printing methods, which saves a considerable amount of water compared to traditional printing. Digital printing is now used on all our polyester products in both sports apparel and underwear.

Our biggest challenges so far lie in transparency and printing/dyeing. Our carbon footprint was down by 40% already in 2017 vs. 2013 for the data we had at hand in 2013. We have managed to stay at that same level and now the challenge lies in to keep decrease it even more to meet our new goal of a 30% GHG decrease by 2030. See more about this in the *Decreasing Footprint* part in this report.

Our key focus areas going forward reflect the sustainability work throughout our whole business. All departments and business functions are involved, as well as all our partners – from logistics and garment production, to store and packaging suppliers.

Our management group and staff are the key drivers to long lasting sustainability accomplishments. Together, we can work for a better tomorrow towards our goals. It all starts at the heart of the business and our sustainability plan B. Tomorrow describes the overall goals for each function within the company.

OUR PROMISE

- To relentlessly work to reduce the environmental impact through sustainable materials and modern production techniques.
- To secure that human rights, good working conditions and fair salaries for workers in our factories are thoroughly followed.
- To enforce strict regulations around usage of chemicals and water.
- To perform rigorous quality controls to secure long lasting products with excellent fit.
- To work towards 100% recyclable store interiors, bags, hangers, packaging and signs, and renewable energy in our stores.
- To constantly work to find better solutions for sustainable logistics.



B. TOMORROW DEFINITIONS

SUSTAINABLE PRODUCT – DEFINITIONS

When does a Björn Borg product get the B. Tomorrow seal of approval? We have definitions for both materials and processes and they look like this:

SUSTAINABLE MATERIAL:

A minimum of 70% of the material for the product is sustainably sourced (in weight per shell fabric, main linings and padding combined). The material is made from renewable resources and/or a sustainable process and is grown, produced or sourced in a way that has a less negative impact on the Earth compared to conventional alternatives.

B. Tomorrow approved fibres from January 2019:

- Cotton sourced through BCI
- Org. Cotton
- Rec. Polyester
- Rec. Polyamide
- Rec. Wool
- Rec. Cotton
- TENCEL™
- Org. Hemp
- S.Café®

WET PROCESSES

A product where 100% of the shell fabric (in surface) is printed and/or dyed with a process saving water and/or chemicals and the material is produced with methods that use significantly less water and/or chemicals compared to conventional alternatives.

Approved dyeing processes from Jan 2019:

- Solution Dye
- Avitera®

Approved print processes by Jan 2019:

- Digital Print
- Sublimation Print

For collections developed during 2019 (reaching the market in 2020), solution dye, Avitera® dye, recycled polyamide, recycled polyester, hemp, and TENCEL™ are examples of sustainable materials and process used.

BCI Cotton

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 in decent work principles, such as the elimination of child labour, promoting gender equality, and mitigating health and safety risks. Better Cotton is not physically traceable to end products. However, BCI Farmers benefit from the demand for Better Cotton in equivalent volumes to those we 'source.'

Learn more about better cotton [here](#).

Organic Cotton

Our suppliers use GOTS certified organic cotton (*The Global Organic Textile Standard*), which is the worldwide leading textile processing standard for organic fibres, including ecological and social criteria, backed up by independent certification of the entire textile supply chain.

Recycled Polyester

Recycled polyester reduces the dependency on virgin oil plastics and contributes to lowering CO₂ emissions.

Recycled Polyamide

Recycled polyamide is a material recycled from waste such as fish nets and carpets found in our seas. Leftover waste from production is also used, a way of saving natural resources and reduce what ends up in landfills.

TENCEL™

Made from pulp of cellulose from sustainable tree farms. The material is very economical in its use of energy and natural resources, is fully biodegradable and contributes to less chemicals in nature.

Organic Hemp

Hemp requires no fertilisers and considerably less water in farming than cotton. It feels a bit like linen and is very durable. Hemp also has anti-static capabilities, reflects up to 95% of all UV light, and is completely biodegradable and recyclable, enabling a closed loop process.



PHOTO: CHRISTOPH DEINET, UNSPLASH

Solution Dye

The fibres dyed without water, which means no dye or water waste and a reduced chemical waste.

Avitera® Dye

Avitera® dyes use a process where more dye is absorbed into the fabric, which means less water is required and the energy consumption and CO₂ emissions are greatly reduced.

S Café®

Only 0,2% of the coffee bean ends up in your coffee, the rest goes to waste. S Café® recycles the waste from local café chains, and makes fabric out of it, in a mix with recycled PET. The fabric offers 200% faster drying than cotton, absorbs odors and reflects UV rays. One T-shirt can be made out of three cups of coffee grounds and five recycled plastic bottles.

Digital Print

Inkjet based method of printing colours directly onto fabric. Significantly decreases water, energy and materials consumption.

Sublimation Print

A two-step digital printing method for transferring images onto a fabric.





PHOTO: ISHAN SEEFROMTHESKY, UNSPLASH

HOW WE ARE ORGANISED

Our Sustainability Director is responsible for the implementation of our sustainability vision and strategy and is part of the management team, reporting directly to the CEO.

To reach our goals it is important that sustainability plays an active role for every single employee within our organisation. We rely on our experts within their respective field, so every function owner in our management team reports on their respective sustainability goals three times per year, and our roadmap is adjusted annually to meet new conditions for fulfilling our long-term goals.

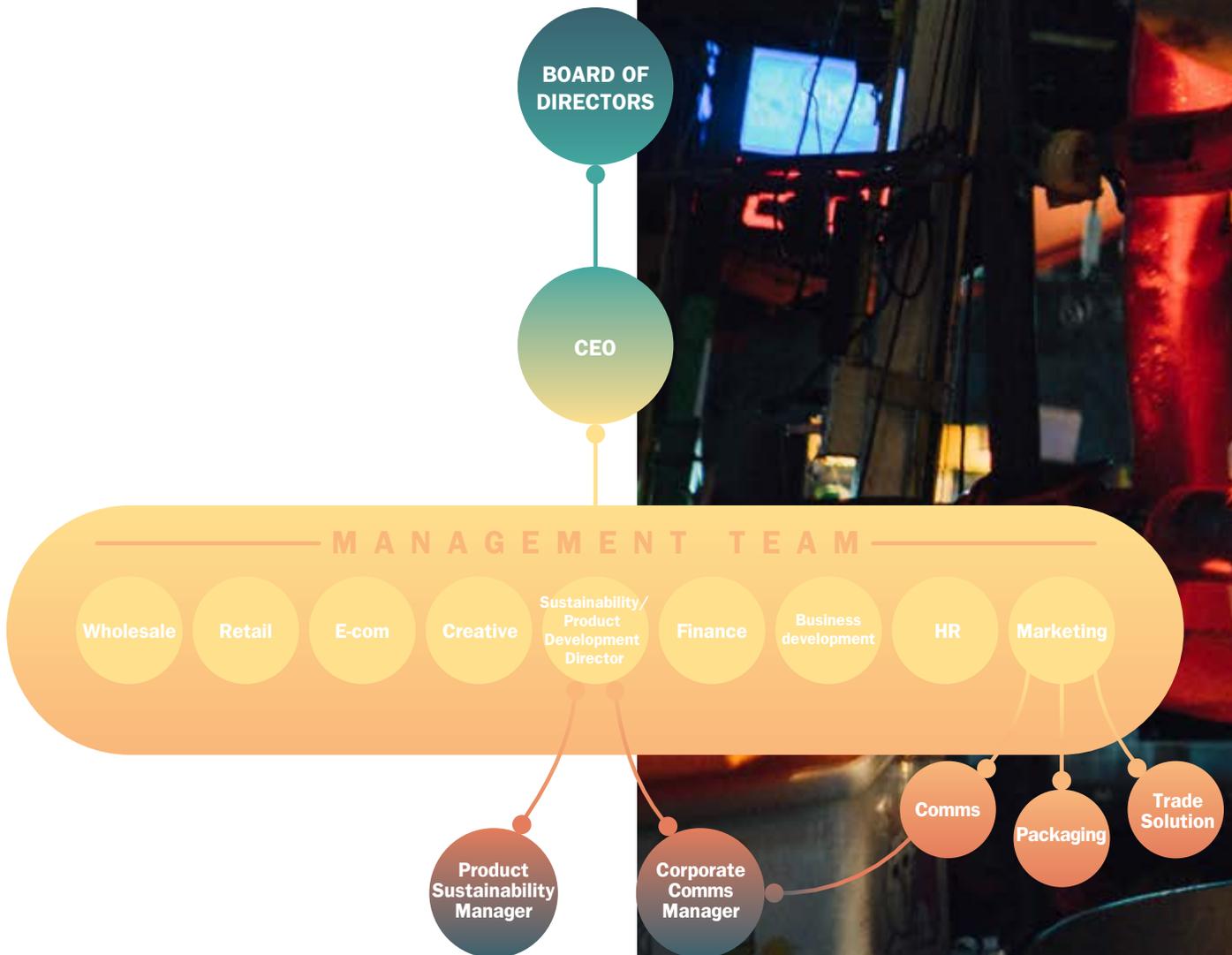
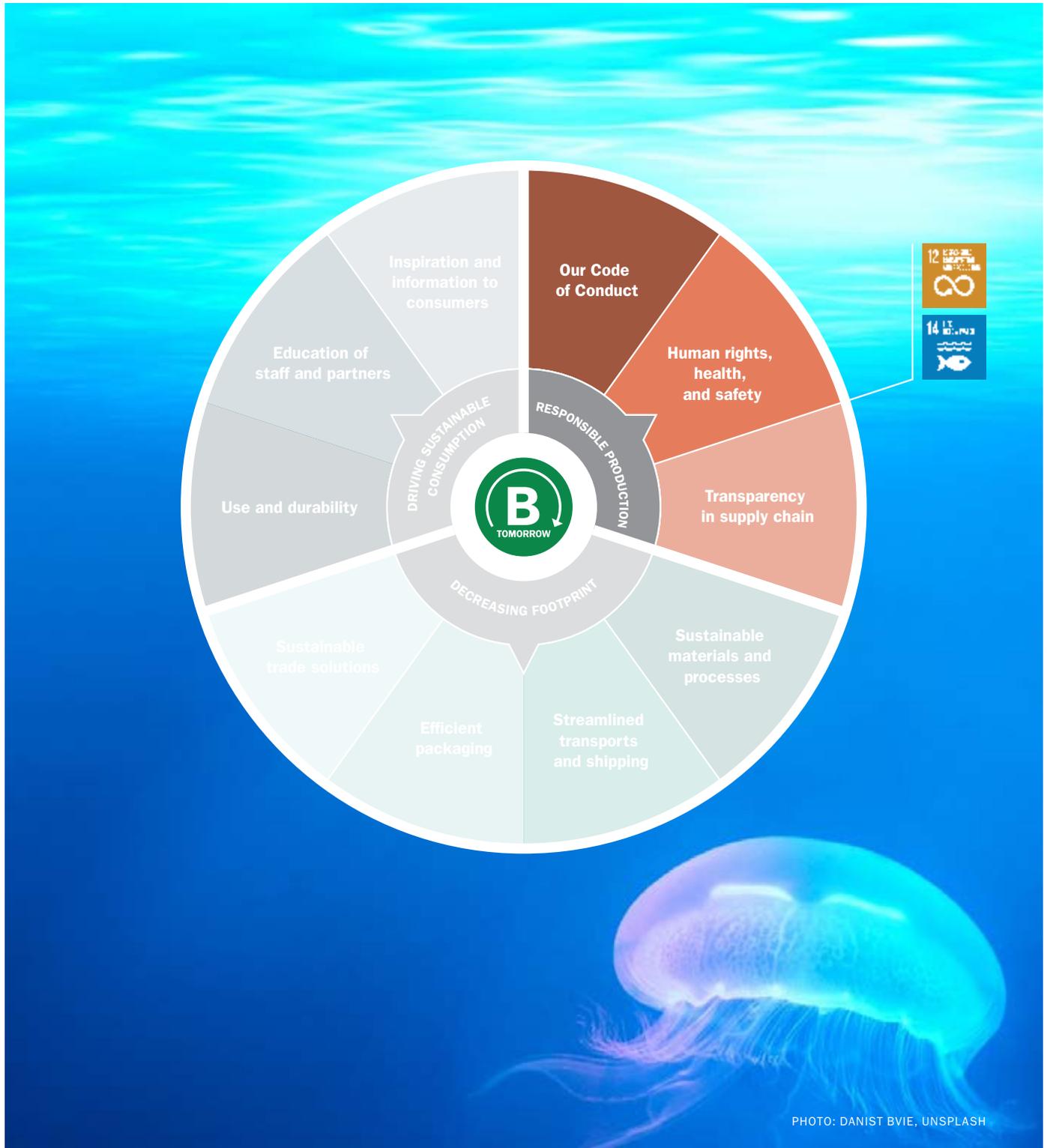




PHOTO: ROBSON HATSUKAMI MORGAN, UNSPLASH

RESPONSIBLE PRODUCTION



amfori @ BSCI
Trade with purpose

**ALL VENDORS ENROLLED IN
AMFORI BSCI OR MEET
EQUIVALENT STANDARD.**



New quality and production process with stricter terms for product and chemical testing presented and signed by all vendors.

SUSTAINABILITY HIGHLIGHTS 2019

Majority of materials converted to more sustainably sourced materials, like recycled polyester and BCI cotton. This leads to a minimisation of virgin raw materials used, and a significant reduction in chemicals and water usage.



**FULL TRANSPARENCY
IN TIER 1**



OUR CODE OF CONDUCT

Responsible production is at the core of our sustainability work. We apply a stringent code of conduct that regulates social responsibility in the supply chain.

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, environmental and economic benefits for everyone.

All our vendors during 2019 are enrolled either in amfori or meet an equivalent standard. All suppliers audited 2019 (12) in 21 facilities under the BSCI 2.0 protocol with approved or improved results.

We hold RSP for 8 suppliers this year, out of which 7 suppliers were non-compliant, with rating C or lower. A progress lies in that two of our most important vendors have stopped working with SA8000 certification and have had their first amfori BSCI audits. This allows us further insight into the status of their factories, and we can work with them in a closer way.

Audits booked through the BSCI system 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. Björn Borg staff also makes regular factory visits and keeps a daily dialogue about improvements. These controls will also always be made on the signing of a new factory.

We hold RSP (responsibility) over suppliers delivering 81.5% of our production volume. An RSP holder is

AMFORI ENROLLMENT FOR SUPPLIERS TO THE BJÖRN BORG GROUP					
Activity	Goal 2022	Reached 2019	Traffic Light	What to do	SUSTAINABLE DEVELOPMENT GOALS
Suppliers enrolled in Amfori or meet other equivalent standard.	100%	100%		Keep working with dedicated suppliers to improve results.	
Control over inspections, drive development	100%	About the same as last year		Keep RSP for key suppliers (all over 10% of production).	
Long-term dialogue and improvement plan.	Suppliers measurably improve over time to meet long-term goals set with each supplier.	Status about the same as last year, suppliers generally accommodating, but could be more active.		All audits followed up with remediation plan with areas of improvement. Drive Amfori education for all suppliers.	



SUPPLIER AUDIT OVERVIEW

Supplier	Country	Share	Product Group	Sustainable fibres/ processes	Members of Amfori	RSP	Sustainability maturity level	Score 2019
Zuona	China	6.6%	Performance	Recycled Polyester, rec polyamide, dry dye	Yes	No	Mid	D
Queenswear	China	3.6%	UW Him & Her		Yes	No	Low	D
S. Fashion	China	0.4%	Sportswear	Organic cotton, Recycled polyester	Yes	Yes	Low	D
Selga	Turkey	5.6%	UW Him	Tencel	Yes	Yes	Mid	C
Y&F	China	9.3%	UW Him	BCI Cotton	Yes	Yes	Mid	D
Ultra sock	Turkey	7.2%	Sotcks		Yes	No	Mid	B
MSA	Bangladesh	6.8%	Sportswear	Organic Cotton, BCI Cotton, Avitera	Yes	No	Mid	A
MSA	Bangladesh		Sportswear	Organic Cotton, BCI Cotton, Avitera	Yes	No	Mid	C
MSA	China	2%	Performance	Recycled polyester	Yes	No	Mid	B
MSA	China		Sportswear		Yes	No	Mid	C
MSA	China		Performance	Recycled polyester	Yes	No	Mid	C
MSA	China		Performance	Recycled polyester	Yes	No	Mid	C
MSA	China		Performance	Recycled polyester	Yes	No	Mid	C
MSA	China		Accessories		No	No	Low	N/A
Sinex	China		54%	UW Him, Boys, Girls	BCI Cotton	Yes	Yes	High
Tandem	Turkey	1.6%	Sportswear	Organic Cotton, BCI Cotton	Yes	Yes	High	A
Trademark	China	0.6%	UW Him	BCI Cotton	Yes	No	High	C
Wholegood	China	0.4%	Loungewear		Yes	No	Mid	C
Wholegood	China		Loungewear		Yes	Yes	Mid	C

responsible for arranging audits and follow up the performance and improvements of suppliers. By being the RSP holder over all key suppliers we are able to drive the development of our most important suppliers. Eight of the audits performed in 2019 were done by us. They represent 100% of the suppliers for which we hold RSP. The results from these audits are set out in the table above.

During 2019, we produced our last season with one of our long-term vendors in China. We found them unreliable

in sustainability matters and will instead team up with a new vendor that shows a higher interest in producing in a more sustainable way.

Qingdao Joint Well Caps Co.,Ltd are certified by WRAP and have therefore not needed an audit. Our production volume with this company represents 0.01% of our production.



PHOTO: JONATAN PIE, UNSPLASH



amfori BSCI Code of Conduct

Our enterprise agrees to respect the following labour principles set out in the amfori BSCI Code of Conduct.

amfori BSCI Principles



The Rights of Freedom of Association and Collective Bargaining

Our enterprise respects the right of workers to form unions or other kinds of workers' associations and to engage in collective bargaining.



Fair remuneration

Our enterprise respects the right of workers to receive fair remuneration.



Occupational health and safety

Our enterprise ensures a healthy and safe working environment, assessing risk and taking all necessary measures to eliminate or reduce it.



Special protection for young workers

Our enterprise provides special protection to any workers that are not yet adults.



No bonded labour

Our enterprise does not engage in any form of forced servitude, trafficked or non-voluntary labour.



Ethical business behaviour

Our enterprise does not tolerate any acts of corruption, extortion, embezzlement or bribery.



No discrimination

Our enterprise provides equal opportunities and does not discriminate against workers.



Decent working hours

Our enterprise observes the law regarding hours of work.



No child labour

Our enterprise does not hire any worker below the legal minimum age.



No precarious employment

Our enterprise hires workers on the basis of documented contracts according to the law.



Protection of the environment

Our enterprise takes the necessary measures to avoid environmental degradation.

amfori BSCI Approach



Code Observance

Our enterprise is obliged to protect workers' rights as mandated by the law and the amfori BSCI Code.



Supply Chain Management and Cascade Effect

Our enterprise uses the amfori BSCI Principles to influence other business partners.



Workers' Involvement and Protection

Our enterprise keeps workers informed about their rights and responsibilities.



Grievance Mechanism

Our enterprise provides a system to collect complaints and suggestions from employees.

The amfori BSCI mission is to enable their members to enhance human prosperity, use natural resources responsibly and drive open trade globally. We are part of amfori BSCI to ensure an ethical production. They provide us with a Code of Conduct that is based on 11 principles covering everything from Fair remuneration and no child labor to protection of the environment. Through amfori BSCI we have a complete overview of the audit results of all the factories where we produce, whether we hold responsibility or not. The audits, which are all conducted by independent auditing firms, are also ordered through the amfori [BSCI website](#).

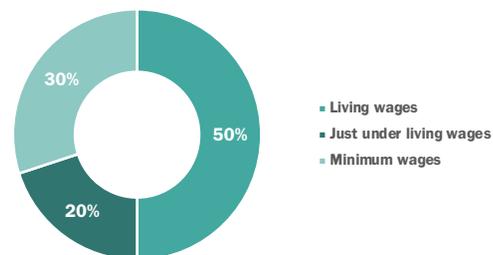


HUMAN RIGHTS, HEALTH AND SAFETY

Working conditions in factories that manufacture our products have long been a priority issue for us. Working in our factories means that you are protected by the amfori BSCI *Code of Conduct*, which applies to for instance fair working conditions, safety, fair living wages, reasonable working hours and equal opportunities. However, that a supplier follows the *Code of Conduct* doesn't always mean that they fully fulfil all requirements. In some cases, there are weak areas that have to be improved. We keep a close dialogue with our suppliers and take action to make sure that regulations are followed, and improvements are made. We demand that all our suppliers are amfori BSCI members and subjected to annual audits that we follow up on and plan improvements together with the supplier.

- The amfori BSCI *Code of Conduct* refers to international conventions such as the *Universal Declaration of Human Rights*, the *Children's Rights and Business Principles*, *UN Guiding Principles for Business and Human Rights*, *OECD Guidelines*, *UN Global Compact* and *International Labour Organization (ILO) Conventions and Recommendations* relevant to improve working conditions in the supply chain.
- Business partners shall comply, as a minimum, with wages mandated by governments' minimum wage legislation, or industry standards approved on the basis of collective bargaining, whichever is higher. 50% of our suppliers offer living wages, 20% are just under living wages, and 30% offer minimum wages.

Workers' wages



- Child labour or forced labour are under no circumstances allowed and has never been encountered in any of our factories.

- Local traditions and societal structures affect results up to a point, for instance regarding vacation. Equality between men and women is also at different levels in different countries and will affect the men/women management ratio in countries like for instance Bangladesh.
- The highest risk market among the countries where we have our suppliers is Bangladesh, ranked by the amfori BSCI *Due Diligence Tool* that measures risk according to six different factors. Due diligence is the process through which companies can identify, prevent, mitigate and account for how they address their actual and potential adverse impacts to those they are in business with. Due diligence is conducted against the *OECD Guidelines* regarding specific adverse impacts (i.e. harm).
- All workers protected under the amfori BSCI *Code of Conduct* have the right to a voice through *The Rights of Freedom of Association and Collective Bargaining*. The Code of Conduct clearly states that workers shall have the right to form unions in a free and democratic way, not be discriminated because of their engagement or prevented access to representatives in the workplace. If a country doesn't allow unions workers should have the right to freely elect their own representatives with whom the company can enter into dialogue about workplace issues. All our factories have a worker representative of some kind, and most factories also have a box where workers anonymously can make complaints or raise topics for discussion.
- In China there are no labour unions except for the communist party *All-China Federation of Trade Unions*, so there is no freedom of association. Bangladesh, and Turkey all have freedom of association although union participation in Turkey is generally low. Since these rights are part of our *Code of Conduct*, the third-party auditing firm follows up on these issues at each audit.
- We work either with trade offices or directly with the factory owners in the countries where we produce our garments and are in daily contact with them.

- 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.

CHALLENGES AND RISKS HUMAN RIGHTS, HEALTH AND SAFETY

Common findings during audits

The most common findings are in Performance Areas 1 and 6, that is Management and Cascade effect, and Decent Working Hours. Performance area 1 is extremely important since it concerns the management of the factory, ensuring that the amfori BSCI principles are implemented and followed throughout the entire organisation. It is a huge challenge to properly cascade the amfori requirements down to sub-contractors, since we lack control mechanisms for this, and the transparency is low to Tier 2 and 3 so far.

Performance Area 6, overtime, is a huge problem that is very difficult to avoid especially in China where we produce the majority of our goods. A lot of workers are migrant workers, meaning they are from a different region of the country than where the factory is located. They leave their hometowns during the majority of the year and their main objective is to work as much as possible and make as much money as possible to bring back home to their families. Not offering enough working hours can be cause for leaving a workplace as overtime is very attractive to most workers and the legal requirements not strictly followed.

Another recurrent finding is related to social insurance in China. This issue is complex since some workers do not want such insurance. The reason is that part of its cost is deducted from their salary and they may have other alternative arrangements in place. It may also only be relevant to the region where the factory located, and not in their home region.

During the year, many of our suppliers also had not yet defined long-term targets on protection of workers or had calculated the local basic needs wage, which are both new requirements under the Code. For the follow-up audit, our role is to support our suppliers with their work on the Remediation Plan, and improvement measures taken,

COUNTRY DUE DILIGENCE – AMFORI.ORG									
COUNTRY	Evolution	Overall risk	Voice and accountability	Political Stability and Absence of Violence	Government Effectiveness	Regulatory Quality	Rule of law	Control of Corruption	Classification
Bangladesh		23,5	31,03	10,48	25,48	22,12	30,77	21,2	Risk
China		40,2	6,9	27,14	67,79	44,23	46,15	49	Risk
Turkey	«»	41,7	29,56	5,71	54,81	61,06	48,56	50,5	Risk



PHOTO: TIM MOSSHOLDER, -UNSPLASH

including enrolling them in Capacity Building trainings arranged by amfori, covering relevant areas of development.

Physical risks for workers are very rare and in case of a finding, we act instantly. The physical safety of our workers is always a priority.

During our own factory visits, we have made some minor findings, for instance workers not using the safety equipment offered when cutting fabrics. We have also found exit signs not properly hung on the walls, however this was in a factory that was undergoing renovation. All issues that we find are immediately brought up with the responsible person.

During 2019, we visited all vendors, but not all factories. Since we have quite a lot of factories spread out over the world, we always prioritise the ones where we produce a large share of our production.

Risks

The amfori country risk classification relies on the Worldwide Governance Indicators. These determine the level of risks related to Governance in countries. There are six indicators:

1. Voice and accountability
2. Political stability and absence of violence/terrorism
3. Government Effectiveness
4. Regulatory Quality
5. Rule of Law
6. Control of Corruption

There are two risk classifications:

Risk countries: Countries with a WGI average rating between 0-60 or three or more individual indicators rated below 60.

Low Risk Countries: Countries with a WGI average rating higher than 60 and no more than two individual indicators rated below 60.

FOCUS AHEAD

It's important to work continuously with the factories throughout the year, and not only in the period after audit and the remediation plan is written. It's crucial that more of our vendors take part in, and understand the philosophy behind, the amfori BSCI *Code of Conduct* and the work that we want to undertake together with them. It has been a huge challenge to get the vendors' management to allocate time and money for this, but it is one of the most important actions needed for improvement. During 2020 we are putting extra focus on this to make sure that all vendors participate in at least two educations.

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.

During 2020, we will also start mapping the energy supply with our suppliers and work with them towards converting to renewable energy.



TRANSPARENCY IN THE SUPPLY CHAIN

Transparency in the value chain is difficult but controlled through *Code of Conduct*. With the complex supply chain involved in producing a garment, mapping must be broken down into manageable bits and pieces and be handled step by step.

Important governance tools are the amfori BSCI *Code of Conduct* for working conditions in factories, and our *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*.

OUR TRANSPARENCY IN DIFFERENT PARTS OF THE SUPPLY CHAIN:

Tier 1 Our garment manufacturers.

Tier 2 All components/materials: Fabrics, elastics, thread, labels and packaging.

Tier 3 Weaving and Spinning: We increase our volumes from nominated fabric suppliers, but still have a challenge in finding resources for control.

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.

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.

All vendors share their tier 1 with us, which means that we have full transparency in tier 1. We have started requesting information on fabric suppliers and dye houses from some suppliers and have received answers. However, the percentage of tier 2 and tier 3 that are mapped so far is low (around 5% each).

We have also started mapping our vendors for other parts of the organisation and now have full transparency in tier 1 suppliers for marketing, trade solutions, and packaging. The goal is to enroll these vendors in amfori with time and in 2019, they all signed our *Code of Conduct* and *Supplier Guide*.



PHOTO: MATEUSZ WACLAWEK, UNSPLASH



CHALLENGES AND RISKS

A few years ago, we made a backtracking of a piece of underwear. It showed a total of no less than 47 sources and we concluded that full transparency will be close to impossible for us to reach. 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.

In 2020 we will take steps to increase our control further down the supply chain and our goal is to have all sub suppliers in tier 2 mapped. During 2019, our focus has lied on choosing sustainable materials, improve dyeing and printing production processes for fabrics, and contracting suppliers that will abide under our and amfori BSCI's *Code of Conduct*. All of this combined gives us control over our manufacturing.

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. At the same time, China is one of the countries in the world that currently invests most in renewable energy.

Without full control and understanding throughout the whole production chain, we lack the tools to make good influence and we are at risk of not choosing the best possible solutions.

FOCUS AHEAD

To establish better control, we will work on achieving better transparency in tier 2. More about our work with decreasing environmental footprint in the next chapter, *Decreasing Footprint*.

OUR MANUFACTURERS

Our products (own production*) have been produced by 11 vendors in a total of 21 factories during 2019. The majority of our factories are based in China.

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

PHOTO: BOUDEWIJN HUYSMANS, UNSPLASH



World with countries, by freevectormaps.com

CORRUPTION

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

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.

CHALLENGES AND RISKS

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.

The consequences for such incidents have a potential of risk for increased costs, deficiency in quality and deliveries, damaged reputation and regulatory consequences. However, we don'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. The codes of conduct that we apply tolerate zero tolerance to corruption.

Apart from the code of conduct for our suppliers, we also follow an internal *Code of Conduct* clearly stating regulations around corruption. More about this in the section *Working at Björn Borg*.

FOCUS AHEAD

We continue requiring compliance with our *Internal and External Code of Conduct*.



PHOTO: ISHAN SEEFROMTHESKY, UNSPLASH

DECREASING FOOTPRINT



PHOTO: JEAN-PHILIPPE DELBERGHE, UNSPLASH

CO₂

**MET GOAL OF 40% CO₂
REDUCTION VS 2013**



New transport partners do
climate compensation

SUSTAINABILITY HIGHLIGHTS 2019

We committed to the UN Fashion Industry Charter for Climate Action goal of a 30% GHG emission reduction by 2030.



An estimated 420 million litres
of water saved thanks to our
sourcing of Better Cotton



New automated centralised
warehouse for all markets with
several environmental gains

- Recycling of store materials introduced
- 90% sustainable packaging
- Prepack plastic around products has been removed
- All mannequins in sustainable material



Introduction of Avitera Dye



**All swimwear in
recycled polyester**

KEY FOCUS AREAS

Climate change is one of the defining issues of our time and we need to focus on the impact our business has on the environment, but also the risk that climate change poses on our business, our industry and our planet. Climate change also introduces risk across our value chain, it goes both ways. We are tackling climate change by investing in finding new solutions within all areas of our organisation, but where we can make the largest difference is within manufacturing and logistics. We tweak our designs, materials, qualities and processing standards. We keep a constant and open dialogue with, and do regular audits of, our suppliers and work on increased transparency in our supply chain. We never stop searching for smarter solutions for our logistics, as well as sustainable handling and build of our stores and own operations.

This year, we have seen a true engagement, commitment and a will to do better in all areas of our business. We have a dedicated Management Team, customers that put pressure on us as a brand, passionate staff and up to date sourcing partners with good competence and desire to do better.

OUR KEY FOCUS AREAS FOR DECREASING OUR CO₂ FOOTPRINT ARE:

- Sustainable materials and processes
- Streamlined transports and shipping
- Efficient packaging
- Sustainable trade solutions

At the end of 2019, we committed to join STICA, the *Swedish Textile Initiative for Climate Action*. As a signatory, we have agreed to reduce our GHG emissions by at least 30% by 2030 as part of the *United Nations Climate Action in Fashion Initiative*. We are setting a plan for this work in 2020. The Swedish government has set a goal to be climate neutral by 2045. To help achieve these goals, leading Swedish actors operating in the apparel and textiles industry are launching this new initiative. STICA's aim is to support apparel and textiles organisations as well as the entire Swedish apparel and textile industry to reduce their climate impacts while strengthening their global competitiveness.



SUSTAINABLE MATERIALS AND PROCESSES

We are devoted to reaching our goal of offering 100% sustainably sourced collections for our Autumn/Winter 2023 collection and have grown the ratio of sustainably sourced (B. Tomorrow) products on the market from 5% 2017 to 36% in 2019 and 75% for the first two seasons in 2020. This means that we are well on track with our goals on implementation of sustainable fibers and the phase-out of conventional cotton. Today, 2019, we design all products to be a sustainable choice and we always quote our new developments in sustainable material.

Beside using more sustainably sourced materials and production techniques, we have put focus on timeless qualitative design and increased quality control to secure longevity. Part of our product promise is to deliver long-lasting products, and rigorous quality controls are a natural part of our sustainability work. See details about this under *Driving Sustainable Consumption*.

We are also working for increased digitalisation enabling us to scale down on our sell-in collections and ultimately a reduced footprint.

We factor environmental performance into our supplier evaluation. 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.

Based on the results, we have a basis to set improvement priorities over the next years. Annual specific targets are set with each supplier to enable tracking of progress.



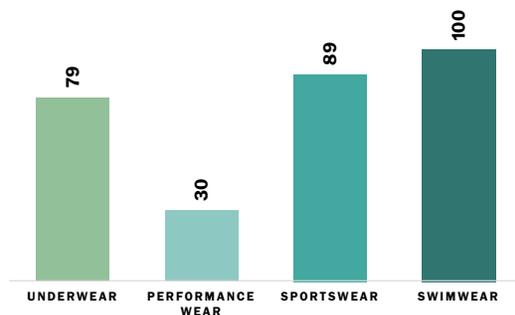
PHOTO: DAVID CLODE, UNSPLASH



PHOTO: FABIO COMPARELLI, UNSPLASH

This year, we offered underwear made from S.Café, a material made with left-over coffee grounds in our Autumn/Winter 2019 collection. In the same collection we also offered our first products dyed with Avitera dye. This is a dyestuff that allows for reduced water consumption, and less chemicals and salts are used in the dyeing process. When we source new materials, we are constantly pushing our vendors to find more sustainable solutions and keep their eyes open for anything that is happening in the industry.

Share of sustainable garments per category Q1 & Q2 2020, percent



CHALLENGES AND RISKS

We are torn between profit margin goals and choosing the best alternative, and both the company and the consumer will have to take the cost of a more sustainable future. One of the ways that we handle this is by improving our internal control and processes to secure that we cut costs where it makes a difference.

Our customers also require high standards within sustainability and meeting them is vital for staying relevant as a future business partner. Organisational and other changes within the company can help controlling costs to the benefit of a more sustainable offering.

When we request to change to more sustainable materials or processes, they usually come at a higher price tag. There might also be other restrictions in terms of availability or minimum orders.

FOCUS AHEAD

Within manufacturing, we will continue working with our suppliers to accomplish an as sustainable production as possible. It is vitally important to us that our suppliers work actively with all aspects of a sustainable business in everything from sourcing of sub-contractors and own manufacturing to offering a safe working environment for all workers both in fields, dyeing and knitting facilities and in garment production.

Our focus going forward is to open up transparency in the supply chain and streamlining wet processes. Moving towards a more digitalised work process will help us keep our CO₂ levels down through minimising the number of sales samples.

Increased quality is another area where we can always improve, and as such, long lasting design is part of our design platform. Through introducing more sustainable materials and more carry-over styles, our offering will be more durable and a way to influence consumers to use the garment during a longer period of time.

Lastly, we will start mapping the vendor base of our licensees.

WET PROCESSES (CHEMICALS AND WATER)

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 wastewater treatment. To ensure the safe use and safe handling of our clothing, we must also ensure good chemical management. Our products must be safe and spare resources as much as possible.

In 2018, we expanded our B. Tomorrow definition of sustainable products to not only include material but also dyeing and printing techniques. Solution Dye, Avitera® dye and digital prints are some techniques we define as better choices. This has put increased focus on what makes a product a better choice and is part of our work to reduce our footprint of water and chemicals. To gradually transition from conventional cotton into more sustainable options, will also significantly reduce our overall footprint, for instance through replacing cotton for Tencel™.

And although it is still cotton, our sourcing of *Better Cotton* through the *Better Cotton Initiative* has had a great outcome and, in 2019, resulted in:

- An estimated 420 million litres of water being saved
- Better Cotton being able to reach and train more than 550 farmers on more sustainable practices
- Better Cotton being able to be produced on more than 1,000 HA of land.

Our cumulative sourcing of Better Cotton between 2017 and 2019 has been 995 metric tonnes, equating to over 12,400,000 male underwear (calculated on 80 grams/piece).

At Björn Borg we have focused our water reduction efforts on a product level. Whenever possible we use printing and dyeing techniques that require no or reduced amounts of water in our range. During 2020 our plan is to map the baseline for our vendors and dye houses, and possibly introduce a water reduction policy.

CHEMICALS

The manufacture of fabrics requires the use of chemicals, especially in 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.

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), chemicals that are still allowed up to a certain maximum limit within the EU generally. Examples of chemicals we put extra attention to 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 as well as through our new in-line controls. The chemical testing is conducted by experienced external partners.

The chemical restrictions are updated twice annually to follow the latest upcoming regulation in Europe and Sweden. We send out updates to our factories to make sure we are on top of all coming regulations in good time.

Björn Borg is a member of RISE, the *Research Institute of Sweden*, and *Kemikaliegruppen textile*, a part of RISE. They support us, and the majority of the Swedish textile industry in any matter relating to chemicals management. All tracking of legal restrictions and updates on a national or international level are handled by them, and they support us with continuously updated *Restriction Lists* as well as with chemical and legal knowledge.

Björn Borg is also 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. Several trainings and workshops have been conducted during 2019.

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.

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 inspections. Workplace safety, including chemicals management, is also addressed in our code of conduct on working conditions in factories and in audits under that code.

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

The *European Textile Chemical Guide* (REACH), and consequently our RSL (*Restricted Substances List*), gets continuously updated and signed by vendors. The list was updated twice in 2019.

We do chemical tests on one product from each vendor every major season. This product is chosen after a risk analysis taking into account the risk of hazardous chemicals added due to value-adding properties to the garment, the amount sold of the garment, new sub suppliers, and several other factors. The samples are sent to an external lab that tests the garment against our RSL. In 2020 a new chemicals tax law is planned for any clothing or shoes on the Swedish market and we are following this with interest to be able to act in a new way if required.

CHALLENGES AND RISKS

Our targets for manufacturing are mostly set on a product level. Our largest challenges here remain in the processing area, that is: improved dyeing and improved printing. The majority of our printed products are cotton underwear and we have not yet received good enough digital printed cotton samples; the quality of the print is not clear or colourfast enough.

We continue to look into this for future seasons. Regarding dyeing of polyester products, the main challenge is a combination of minimum order quantities and price. We have difficulties reaching the large quantities required on most colours, and we cannot buy too much fabric and keep on stock as it will not maintain the original high quality. On cotton products, we have been able to implement some better dyeing techniques but at the same time we need to keep our products at a reasonable price and with the high quality maintained.

We are currently not part of any projects working to reduce water consumption at the production sites, and do not have full control over all of our tiers, we have no means of measuring wastewater or water consumption today.



PHOTO: JEREMY BISHOP, UNSPLASH

A challenge of being a smaller player in the fashion industry is that we don't own our own factories and therefore lack a direct line to second and third tier suppliers. We secure the products and workers through our quality process and *Code of Conduct*.

Risks:

- Pollution of ground and water.
- Handling and use of products.

Potential impact:

- Bad working environment, bad reputation and possible regulatory consequences.

FOCUS AHEAD

A key focus for us going forward is to work towards becoming a fully sustainable brand. Water and chemical footprint in textile production must often be addressed together, since these two areas are closely interlinked. Success in this area requires increased transparency in the supply chain, into the levels of the product lifecycle where there is processing involving water and chemicals, another focus going ahead.

Our next step for chemical management is to implement an MRSL (*Manufacturing Restricted Substance List*). An RSL measures the amount of chemicals permitted, an MRSL puts further restrictions on which chemicals may be used during manufacturing. During 2019 we have sent our MRSLs as well as RSLs and should be covering greater parts of the production process.



SUSTAINABLE MATERIALS AND PROCESSES					
Activity	Goal 2022	Reached 2019	Traffic Light	What to do	SUSTAINABLE DEVELOPMENT GOALS
Working towards a fully sustainable range.	100% B. Tomorrow products (see definition under chapter B. Tomorrow)	75%	On track	Continue sourcing more sustainable choices.	

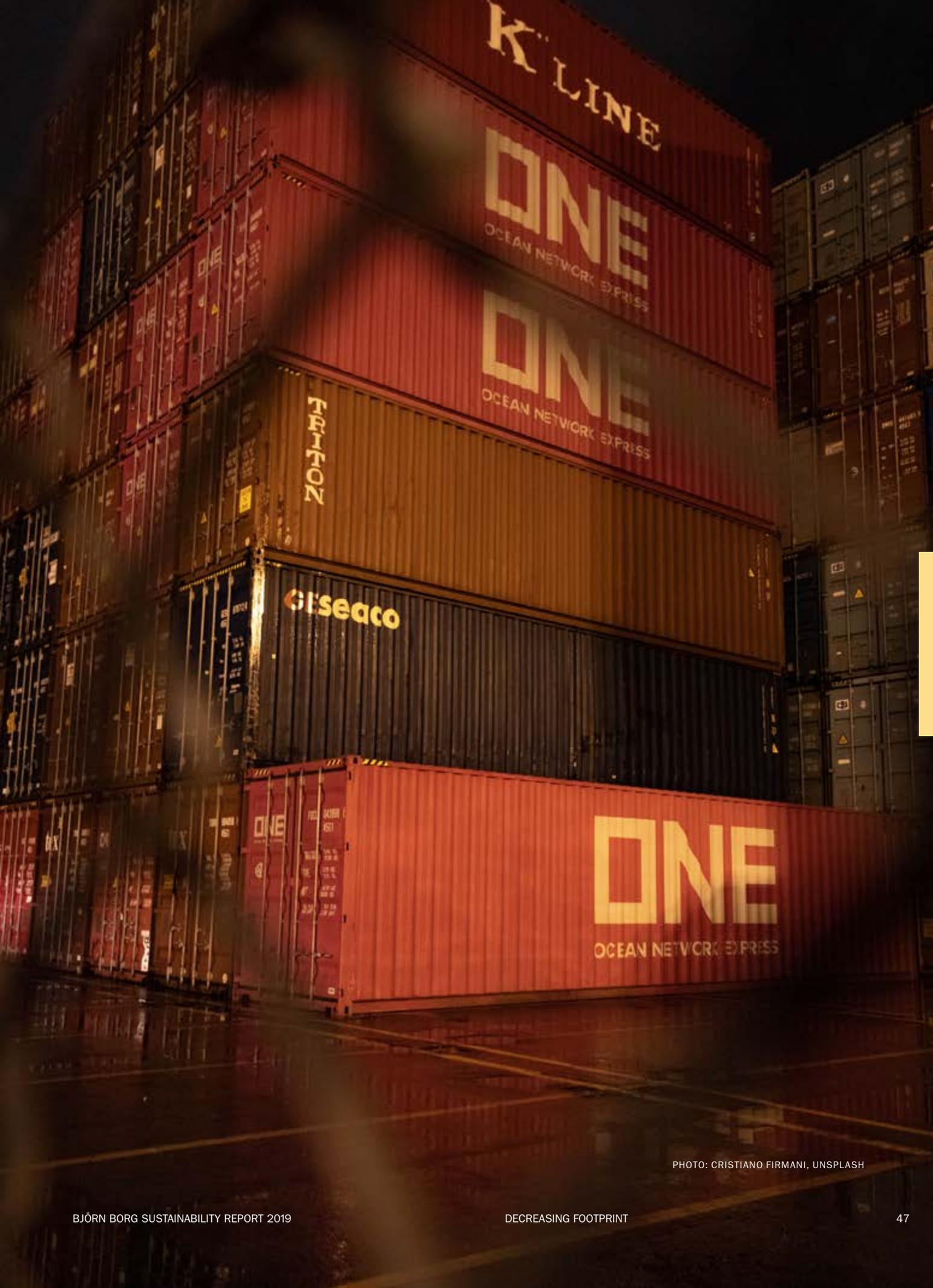
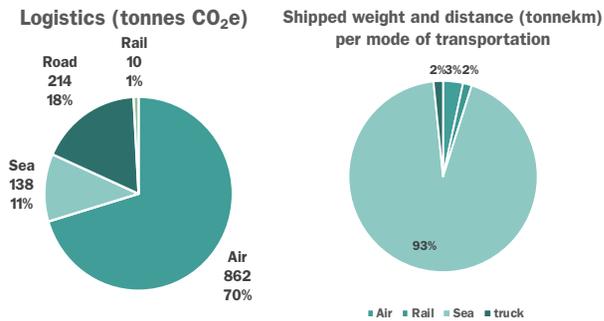


PHOTO: CRISTIANO FIRMANI, UNSPLASH



STREAMLINED TRANSPORTS AND SHIPPING

Logistics account for 51% (1,124 tonnes CO₂e) of our total emissions and is as such one of the areas where we have the best chance of decreasing our environmental footprint. Air transport is a very inefficient means of transport, accounting for around 70% of our emissions for logistics (tonnes CO₂) but only 3% of our total shipping volume. For that reason, we are actively working on keeping the air shipments down as much as possible and parallel to continuously working on the same path.



THREE MAJOR PARAMETERS IMPACT THE EMISSIONS FROM LOGISTICS. THOSE ARE:

- Transport mode (e.g. air, sea, truck, rail)
- Transported distance
- Transported weight (tonnes)

This year, the CO₂ emissions from our transports have increased by 13% since last year, a set-back that is due mainly to delays from one of our suppliers, which required more air shipments. The transported weight and distance, tonnes-kilometres, also increased compared to last year, traceable to the same reason. (Tonne-km: transporting one tonne over one kilometre).

When it comes to other fields of logistics, we have made big progress during the year; among other things we centralised our markets into one warehouse. The new warehouse facility has a green building certificate, which means that the use of energy is 100% renewable. Using only one warehouse instead of several is not only cost efficient, but it also reduces the number of cartons shipped from each supplier. The warehouse is also located in southern Sweden, which makes the distance to Europe shorter than previously.

Additionally, we have implemented transporters that climate compensate for their pollutions. We have started to track all our deliveries in our own system which allows us to put more focus on air shipments versus other options.

We have implemented new processes for detailed purchase optimisation during 2019. Through these processes, we have much better control of the purchase volumes in relation to sales volumes.

STREAMLINED TRANSPORTS & SHIPPING					
Activity	Goal 2022	Reached 2019	Traffic Light	What to do	SUSTAINABLE DEVELOPMENT GOALS
Decrease Co2 emissions	Lower annual Co2 emissions vs baseline set in 2020.	Established new warehouse solution for more efficient transports. Detailed purchase optimisation carried out.	On track	Decrease air transports through new internal system	13
Outbound carton optimisation	100% sustainable inbound carton and polybag material 2020.	Mapping of supply chain export materials,	On track	Mapping of current situation, create measurement tool.	12, 13



PHOTO: CHELSEA-WVU, UNSPLASH

CHALLENGES AND RISKS

One of our challenges lies in having the main part of our production in Asia. If any delay happens in the production chain, we may end up in a situation where air shipment is the only way to get products in time to our customers. We have set clear goals regarding the reduction of air shipments, so good planning is crucial to meet the shop floor on time without transporting the goods to customer by air.

At the same time, lead-times for sea transport have increased due to several environmental aspects. In some ocean areas there are speed restrictions in order to reduce CO₂ emissions.

Another challenge lies in our e-com business growing stronger, which is environmentally inefficient due to fewer products per transport.

FOCUS AHEAD

We see both environmental and business advantages with sustainable solutions. Through adjusting the export carton sizes, we can get a better fill rate and can adjust the carton size depending on the volume of goods. Through this improvement, we can reduce material usage as well as transport costs. We also lower the quota for shipping air, get less fragile cartons and less product damage since the cartons fit the goods better. With increased order volumes we have also been able to transport less orders with higher volumes. The project is initiated, and we will continue working with this during 2020.



EFFICIENT PACKAGING

During 2016 we rolled out sustainable packaging gradually, increasing the share of FSC (*Forest Stewardship Council*) certified carton from responsibly managed forests. In 2019, 93% of our cardboard in packaging was in FSC paper and 90% of our packaging was sustainable. The goal is to offer fully sustainable and recyclable packaging by 2022, and to implement new sustainable and recyclable hooks in 2020.

To get all our suppliers on board, we sent out an RSL, a restricted substances list of banned chemicals in production, to all our trim and packaging suppliers. The list has been signed by all vendors and the next step is to make a vendor evaluation and sign all vendors up for our *Code of Conduct* and supplier guide.

With our e-com business gaining market, we replaced the previously used shipping boxes with sustainable bags last year. The new bags require less space in transport and are 100% climate neutral through full climate compensation through certified plantation of trees in Colombia and a Golden Standard certified tree plantation project. The bags are certified ÅterBära™, made from recycled material from a certified factory in Europe and marked for recycling through FTI. They have been introduced for all products but for underwear, which has posed a challenge in the past.

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. Recycling is encouraged through insert cards in underwear boxes and a recycling symbol on all packaging.

EFFICIENT PACKAGING					
Activity	Goal 2022	Reached 2019	Traffic Light	What to do	SUSTAINABLE DEVELOPMENT GOALS
Sustainable Packaging	100% sustainable packaging	93% FSC cardboard 90% sustainable packaging	On track	Research renewable plastics and improve recyclability of packaging	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION
Sustainable Packaging, decreased footprint	All vendors enrolled in amfori BSCI	All vendors signed RSL (Restricted Substances List)	On track	Vendors to sign Code of Conduct and Supplier Guide	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION



PHOTO: SAWYER BENGTON, UNSPLASH

CHALLENGES AND RISKS

Finding recycled plastic or alternative sustainable material for the windows of our packaging that also meets all quality criteria such as resistance and transparency is difficult but something that we are trying to solve.

The newly introduced bags for e-com logistics have turned out to be difficult to use for underwear deliveries. The bags get stuck in the mail and our underwear packaging get destroyed. Another challenge for our e-com business is to offer shipping packaging in the right size, imposing a risk of the packaging being too big for the delivery. In 2019, 26% of our e-com shipments went with the climate neutral bags.

If packaging doesn't live up to consumers' and customers' expectations, we run a risk of losing business. Our packaging needs to deliver the same message as the brand and we still have improvement possibilities, among them to accomplish fully recyclable and space economic packaging.

A challenge also lies in finding high quality sustainable packaging solutions that hold margin goals.

FOCUS AHEAD

We will continue to improve the control of our vendor base. This will be done by doing a vendor evaluation for suppliers and looking further ahead for a possible enrollment in Amfori BSCI of all suppliers.

We can minimise waste through e.g. better forecasting, but also through other means. During 2020 we will evaluate different alternatives to optimise production.

We are looking into smarter solutions for our e-com packaging, among others a redesign of our boxes and also investigating how to streamline packaging for e.g. women's underwear further, since it is made up of too many plastic details today.

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.





SUSTAINABLE
BUSINESS

B. TOMORROW –
OUR SUSTAINABILITY WORK

RESPONSIBLE
PRODUCTION

DECREASING
FOOTPRINT

DRIVING SUSTAINABLE
CONSUMPTION

BJÖRN BORG
AS A WORKPLACE

HOW WE REPORT

PHOTO: ISHAN SEEFROMTHESKY, UNSPLASH



SUSTAINABLE TRADE SOLUTIONS

In our own retail, and all trade solutions that we offer our clients, our interior is made from recyclable material and all POS (*Point of Sale*) signs are made from FSC certified and/or renewable sources. Bags and hangers are also made from renewable materials.

We have started working with a new supplier for our trade solutions during the year, and together with them started implementing a system for recycling of materials in connection with installation and dismantling of shops and shop-in-shops both in our own retail and in wholesale and trade fairs.

Our mannequins are as of 2019 made from recycled materials and produced in Europe instead of China, improving logistics and lowering our environmental footprint through shorter transports.

All our manufacturing for trade material and solutions is controlled and all vendors have signed our *Code of Conduct* during the year. A vendor evaluation has also been made for all suppliers.

CHALLENGES AND RISKS

Implementation of renewable energy in our stores globally can be a challenge for several reasons, mainly when a store is located in a shopping mall where you don't control the energy supply.

FOCUS AHEAD

Going forward we will set a more detailed sustainability strategy for our stores and implement vendor control through the Amfori BSCI *Code of Conduct*.

All our Swedish stores already run on renewable energy while this is far rarer in other countries. Through the implementation of renewable energy in our facilities in the Netherlands, Belgium and the UK, we would be able to decrease our footprint substantially. This is a goal that we are working towards, but it has presented a challenge in that renewable energy is not as easy to come around on these markets. We will evaluate this during 2020 and work towards implementing renewable energy on more markets.

SUSTAINABLE TRADE SOLUTIONS					
Activity	Goal 2022	Reached 2019	Traffic Light	What to do	SUSTAINABLE DEVELOPMENT GOALS
Recycled and recyclable stores	Fully sustainable trade material	New partner, recycling of stores initiated, fully recyclable materials	On track	Continue implementation of recycling of stores	12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 13 LIFE ON LAND
Vendor control	A sustainable sourcing and production	Vendor evaluation and signed Code of Conduct	On track	Set and implement supplier guide, evaluate possible boarding of vendors to BSCI.	12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 13 LIFE ON LAND



PHOTO: SVEN BRANDSMA, UNSPLASH

OWN OPERATIONS

Our overall goal to lower our total CO₂ emissions by 40% between 2013 and 2019 was largely improved through streamlining our own operations, which this year represent 13% of our total emissions. The data from our facilities in the Netherlands and Belgium indicate a great potential to reduce our footprint further, since own facilities represent a sizeable part of their total impact.

The tables below shows the difference in emissions from energy use between 2013 and 2019 and the energy consumption in Björn Borg's facilities. The emissions from offices and stores have decreased since 2018 but conclusions should not be drawn from the results as estimates have been necessary for significant parts of the energy consumption for this year's calculation.

EMISSIONS FROM FACILITIES (TONNES CO ₂ e)							
	2013	2014	2015	2016	2017	2018	2019
Office	116	72	61	46	37	291	214
Store	85	49	54	54	41	193	105
SUMMARY	201	121	115	100	78	484	319

ENERGY CONSUMPTION (MWh)							
	2013	2014	2015	2016	2017	2018	2019
At office per employee (FTE)	4.1	4.8	4.7	2.5	1.7	3.9	3.8
Total per turnover (MSEK)	2.2	2.0	2.5	1.4	1.1	2.1	1.8
At stores	436	438	1.9	540	432	630	464
At office area	651	625	1.4	332	358	841	814
SUMMARY	1,086	1,063	464	872	790	1,470	1,279

From year 2014, Björn Borg changed to renewable electricity in some stores in Sweden and at the head office. This explains the large decrease in emissions between year 2013 and 2014. The addition of the Netherlands, Greece, Slovenia, and Slovakia in 2018 results in a significant increase in consumption and emissions in the result for 2018. In 2019 Greece, Slovenia, and Slovakia were excluded but Germany was instead included. The reason for this is that the offices in Greece, Slovenia and Slovakia are not owned by Björn Borg, but by distributors. For comparable results over time, please refer to the section about total emissions for Björn Borg below.

However, the greatest part of the environmental impact in our own facilities comes from business travelling. During the past 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.

Our Business Travel Policy challenges whether a particular trip is really necessary, how many people really

have to travel and whether visits to several business partners can be coordinated.

Business travel emitted 803 tonnes CO₂e in 2019, which is an increase by 22% since 2018 and a decrease by 14% since 2013. The graph below shows emissions per each transport mode.

EMISSIONS FROM TRAVEL (TONNES CO ₂ e)							
	2013	2014	2015	2016	2017	2018	2019
Air	783	638	513	377	371	416	599
Road	82	90	84	102	130	205	187
Hotel	72	23	16	23	28	34	16
Sea	0.1	1	3	1	3	5	0.5
Bus	–	0.02	0.1	0.2	2	–	–
Train	0.00003	0.001	0.0003	0.0002	0.0005	0.09	0.2
SUMMARY	936	752	616	503	533	660	803

The travelled distance has increased by 48% compared to last year. Road travel, in the group comes mainly from our sales force. Air travelling accounts for 25% of the Group's total emissions and 75% of the emissions from travelling. The largest reason to the increase in emissions for business travel this year is increased travel by our sales force.

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

CHALLENGES AND RISKS

Air travel has a huge impact on our total CO₂ footprint. The most obvious challenge here is that air travel often-times is less time consuming than other alternatives – or the only option depending on destination. The best way to control this is to constantly challenge whether a trip has to be made at all or if it could be made through alternative means of transport.

Being an organisation with offices in many countries, we are dependent on managers within the whole organisation to enforce decreased air travel.

FOCUS AHEAD

Going forward, the target is to continue to roll out renewable electricity in our subsidiaries and stores as well as to reduce consumption in premises through LED and motion-activated lighting, among other measures. But still the greatest potential decrease of impact comes from a continued work with awareness around the importance of reducing air travel, not the least on short flights (500-1,500 km), which stand for 55% of our air travel emissions.

OWN OPERATIONS AND TOTAL EMISSIONS FOR THE BJÖRN BORG GROUP					
Activity	Goal 2019	Reached 2019	Traffic Light	What to do	SUSTAINABLE DEVELOPMENT GOALS
Reduce CO ₂ emissions vs 2013 by 40%, comparable numbers	-40%	-42%	 Reached	On to goal of -30% GHG emissions by 2030	
Renewable energy in own operations	Reduce footprint by using best possible electricity in all own operations	Renewable energy in all Swedish facilities	 On track	Plan for implementation of renewable energy in all markets	

TOTAL EMISSIONS FOR THE BJÖRN BORG BUSINESS

According to the GHG protocol, the reported emissions and information should be relevant, complete, consistent, transparent and accurate. According to this recommendation, the organizational boundaries have been identified and set to the following:

THE ORGANIZATIONAL BOUNDARIES ENCOMPASS BJÖRN BORG'S OPERATIONS INTO THE FOLLOWING DIVISIONS:

- Sweden
- Footwear (Sweden and Finland)
- Finland
- United Kingdom
- The Netherlands (office closed year 2015)
- The Netherlands/Benelux (since 2018)
- Germany (since 2019)

A CONSOLIDATION APPROACH OF OPERATIONAL CONTROL HAS BEEN USED WITH THE FOLLOWING OPERATIONS:

- Energy use in Björn Borg's offices, stores and storage. This include electricity and heating.
- Business travel paid by Björn Borg, this includes travel by air, boat, bus, train, taxi, rental car, private car and leased car.
- Hotel nights are also included in business travel.

- Climate impact from consumption of office supplies, such as coffee, IT, fruit and paper are reported as material.
- Logistics include courier, inbound and outbound transports. The scope of the outbound logistics was widened year 2015.

THE GHG PROTOCOL REQUIRES REPORTING BASED ON THE CONCEPT OF "SCOPE":

- Scope 1 covers emissions where the physical source of emissions (e.g. boiler, vehicle) is owned or controlled by the reporting company.
- Scope 2 covers suppliers' emissions arising from generation of energy purchased by the reporting company (electricity, heat, cooling).
- Scope 3 covers all other indirect emissions from the reporting company's activities (e.g. logistics, business travels).

For a full description of the methodology please visit [their website](#).

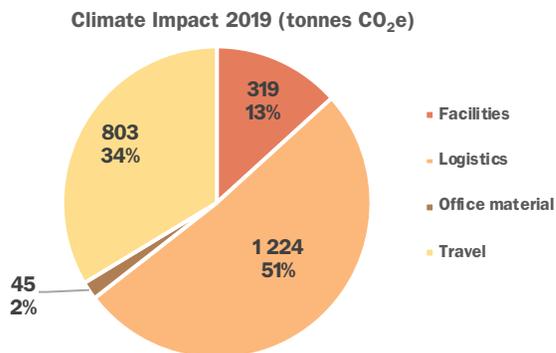
Due to errors found in the logistics data, the 2014 result has been updated, and due to errors in logistics data for 2013, it has been replaced by data for 2014 as that is more accurate and data for 2013 has been unavailable.

A few data points of logistics data were omitted from the 2018 report due to lack of data enabling inclusion. These data points are however expected to have a minor impact and not significantly affect the result.

Germany was included in 2019 while Slovakia, Slovenia and Greece were excluded. The reason for this is that the partners in the three latter countries are distributors and not own facilities.

The data for electricity has for the Benelux stores been calculated based on m², which increases the margin of error substantially compared to the previous report, when we had access to kWh usage. Heating in the facilities in most of the divisions, except for heating in the offices of Footwear, Benelux and Stockholm, has also been calculated by estimates using m² as a proxy.

The climate impact from Björn Borg during 2019 was 2,391 tonnes CO₂-equivalents (tonnes CO₂e), which is an increase by 6% since 2018. Figure 1 shows the emissions per category for 2019 and figure 2 shows the emission per category over time. The main impact derives from transportation of products (1 224 tonnes CO₂e).



GROUP EMISSIONS BY CATEGORY AND YEAR (TONNES CO ₂ e)						
	2013	2017	2018	2019	% of total year 2019	% Diff. year 2018-2019
Logistic	1,095	1,166	1,085	1,224	51%	13%
Travel	936	533	660	803	34%	22%
Facilities	201	78	484	319	13%	-34%
Office material	32	35	37	45	2%	21%
SUMMARY	2,264	1,812	2,266	2,391	100%	6%

Key performance indicators are used to help Björn Borg set up goals and better understand changes over time.

The Global Reporting Initiative GRI has a similar approach to reporting for its climate-related indicators EN15, EN16 and EN17:

- EN15 – Direct Emissions is equivalent to GHG Protocol Scope 1.
- EN16 – Indirect Emissions (from energy use) is equivalent to GHG Protocol Scope 2.
- EN17 – Other Indirect Emissions is equivalent to GHG Protocol Scope 3.

The scope indicators and Björn Borg's emissions in relation to number of employees measured in Full Time Equivalent (FTE) and Turnover (MSEK) are presented in the table on page 61. Björn Borg's total emissions have increased by 8% since the base year (2013) and increased by 6% since 2018. Emissions per employee have decreased by 20% since the base year, and emissions per MSEK turnover have decreased by 30% since the base year. In 2018 Björn Borg included a number of additional facilities which has led to a substantial increase in emission.

For the purpose of comparing KPI's to the base year the table at the bottom of page 61 shows the key performance indicators excluding the added divisions Benelux and Germany which were added in the reporting 2018 and 2019 respectively. In practical terms this means that the divisions Benelux and Germany, and activities associated with offices in the divisions are excluded and the same system boundaries are applied for 2013 as for 2019. The target set by Björn Borg of decreasing CO₂e emissions by 40% per SEK turnover by year 2019 has been reached and is presented in the table on page 61.

Emissions in scope 1 remain on the same level while scope 2 emissions decreased significantly. Scope 1 could be lowered by decreasing the impact from business travel with company cars. For instance, by switching to cars that run on renewable fuel. Scope 2 can be decreased by choosing re-



PHOTO: CHRIS PAGAN, UNSPLASH



PHOTO: ROBERT BYE, UNSPLASH

EMISSIONS (TONNES CO ₂ e) PER EMPLOYEE (FTE) AND TURNOVER (MSEK)						
	2013	2017	2018	2019	Difference since last year	Difference since base year
Scope 1	16	83	157	157	-0.1%	878%
Scope 2	196	68	385	259	-33%	32%
TOTAL SCOPE 1 & 2	213	151	542	416	-23%	95%
Scope 3	2,052	1,661	1,724	1,975	15%	-4%
TOTAL	2,264	1,812	2,266	2,391	-6%	6%
Emissions per FTE Scope 1 & 2	1.3	0.7	2.5	2.0	-23%	50%
EMISSIONS PER FTE TOTAL	14	9	11	11.2	6%	-20%
Emissions per turnover (MSEK) Scope 1 & 2	0.4	0.2	0.8	0.5	-28%	37%
EMISSIONS PER TURNOVER (MSEK) TOTAL	4.5	2.6	3.2	3.2	-1%	-30%

newable electricity for the facilities that do not currently have renewable electricity, i.e. all facilities outside of Sweden. In this year's report, a substantial part of the reported data regarding facilities were lacking sufficient details for a calculation with high accuracy and have therefore a significant margin of error for the emissions from facilities.

Typical emission factors for office-based businesses tend to be in the range 1-5 tonnes CO₂e per employee. The fact

that Björn Borg has higher per-employee emissions is explained by intensive travelling by air and transportation of large amounts of products. Significant reductions in emissions in scope 3 can be made by shifting shipment methods from air to other means. This can for instance be achieved by avoiding express shipping when sending expedited courier shipments.

EMISSIONS (TONNES CO ₂ e) PER EMPLOYEE (FTE) AND TURNOVER (MSEK) – EXCLUDING BENELUX AND GERMANY DIVISIONS						
	2013	2017	2018	2019	Difference since last year	Difference since base year
Scope 1	16	83	34	60	76%	278%
Scope 2	196	68	59	55	-7%	-72%
TOTAL SCOPE 1 & 2	213	151	93	115	23%	-46%
Scope 3	2,052	1,661	1,562	1,749	12%	-15%
TOTAL	2,264	1,812	1,656	1,864	13%	-18%
Emissions per FTE Scope 1 & 2	1.3	0.7	0.4	0.5	23%	-58%
EMISSIONS PER FTE TOTAL	14	9	8	9	13%	-37%
Emissions per turnover (MSEK) Scope 1 & 2	0.4	0.2	0.1	0.2	23%	-60%
EMISSIONS PER TURNOVER (MSEK) TOTAL	4.5	2.6	2.3	2.6	13%	-42%

DRIVING SUSTAINABLE CONSUMPTION





New intranet on
sustainability



New consumer sustainability
website launched

SUSTAINABILITY HIGHLIGHTS 2019



Internal clinics and
educational material



Strong product story in
coffee underwear.



Updated quality process

On average, people bought 60% more garments in 2014 than they did in 2000 while keeping their clothes for only half as long. What's more, 85% of all textiles go to the dump each year. And washing some types of clothes sends thousands of bits of plastic into the ocean.

It is a main responsibility for us as an influencer and a producer of clothing to facilitate a long and healthy life for the products that we offer. Production stands for a big footprint, but after the product leaves the store, its lifecycle continues, and we strive for it to be a long and happy life. Sustainability starts with design and a long-term commitment to make our collections last far beyond hype cycles or temporary trends. We create products and colours that develop patina over time, products designed to become future favourites.



USE & DURABILITY

One of the big environmental challenges is the global overconsumption of inexpensive clothing of poor quality. Our goal is to make high-quality products that last and we are convinced that quality is really the backbone of sustainability. All our products are designed for a long and useful life and must meet high-quality requirements.

To make our products as long-lasting as possible, our production team makes rigorous quality controls, checking for pilling, shrinkage, and colour bleeding.

We have during the year established an updated Quality Process to assure that the products we launch have the longest possible life span. Our production team makes risk assessments of our fabrics during different stages of a production, evaluating which fabrics and colours to send to a Björn Borg standard test control. The fabrics are tested in a lab, which gives the fabric a rating and delivers a test report. If a fabric gets a lower rating than our standard the supplier is asked to improve it.

We also do wear and wash tests to see how the product, the fabric and the trims work in real life. If any improvements are needed, this is communicated to the supplier and changed. This way our products get better, get a longer life span and we minimize the risk for claims.

After this Quality Process, our products are sent to production, during which we do a quality assurance (inline inspection). When the product is ready to be delivered from the

USE AND DURABILITY					
 Activity	 Goal 2022	 Reached 2019	 Traffic Light	 What to do	
Maximising product quality.	Improved longevity on products.	Implementation of stricter quality control of chemicals.	 On track	Continued focus on high quality products.	

factory, a quality control (final inspection) is made. Through using a third-party quality control, we can secure the quality of the products leaving our factories. Through requiring this process already in production and before the garment leaves the factory, we avoid producing or shipping defect products that may otherwise have had to be disposed of. Our quality controls follow the ANSI/ASQ Z1.4-2013 standard.



Our product department also receives claims from customer service and store staff if any complaint or comment is received from consumers. This complaint is then brought into our next Quality Process for improvement. Through this claims process, we are able to close the loop and further improve our quality.

Some of the feedback from consumers this year has concerned boxes being hard to recycle due to both design and material choice. Our goal is to find smarter solutions for these boxes.

CHALLENGES AND RISKS

Flawed products of low quality are both a short- and long-term financial risk as well as a sustainability failure. It hurts our brand and poses a risk for the stock value. All in all, offering high quality products is a life insurance.

The challenge here lies first and foremost in working towards the best quality without increasing the price for the consumer. In a way, high quality is a delicate balance act between short term profitability and long-term investment.

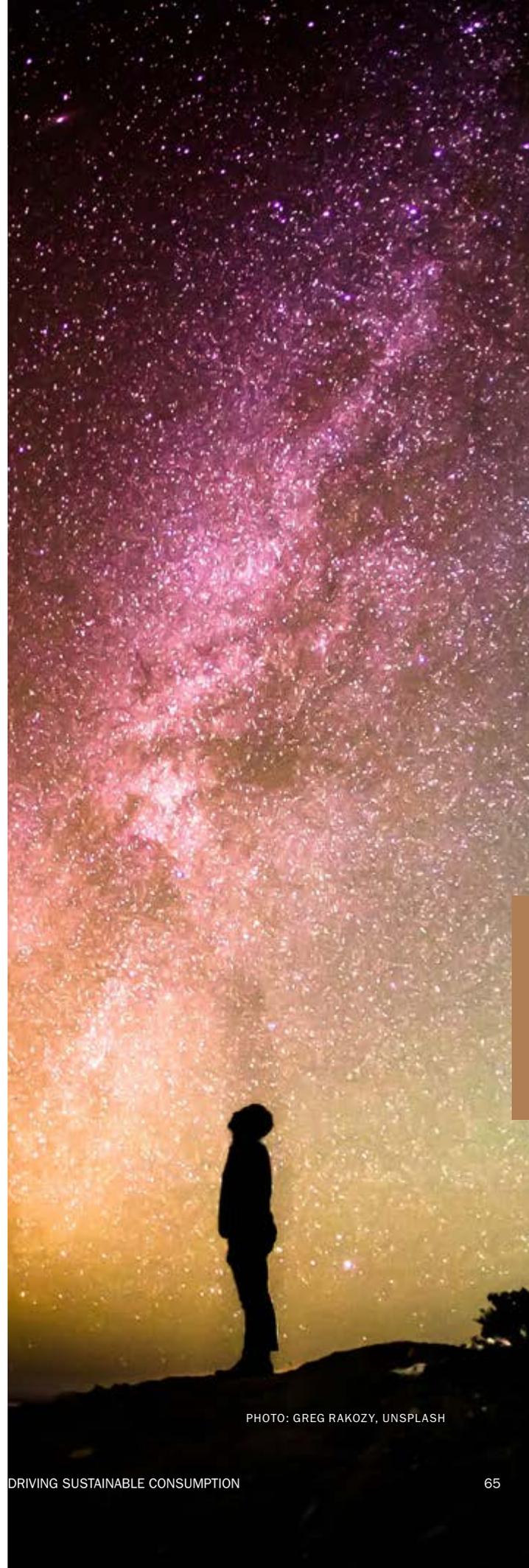


PHOTO: GREG RAKOZY, UNSPLASH



PHOTO: ALEXANDRE DEBIEVE, UNSPLASH

FOCUS AHEAD

Our focus ahead lies first and foremost in delivering high quality products. Through our new quality process and the claims process in place, we are able to refine and tweak our products to meet even higher standards and avoid future disappointments among our customers.



EDUCATION OF STAFF AND PARTNERS

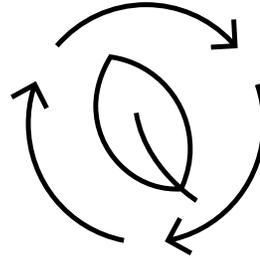
During 2019, we have educated our sales staff and country managers regularly, both through our Global Brand Summits and through written information that has been distributed through other channels. We have given thorough instructions on how to help consumers and customers who have questions about chemical contents in products, and for internal information, we have also launched an internal site, a knowledge base around our sustainability work, complete with a comments and questions section and downloadable assets.



INSPIRATION AND INFORMATION TO CONSUMERS

We have launched a new consumer sustainability web as part of our e-com site, and started communicating on social media, first and foremost on Twitter and LinkedIn for a start. Our sustainability report was modernised and was also offered in a short version, easier to share in on.

What is a sustainable product for Björn Borg? To clarify that and to be perfectly transparent, we have developed two symbols that were introduced to consumers last year, along with the B. Tomorrow branding. Their job is to communicate why a product made it to the B. Tomorrow range. Is it because it is made from a sustainably sourced material or that it was produced with a sustainable process? Or both? Find further details about our B. Tomorrow classification in the section *Our Sustainability Work*.



This symbol indicates that a minimum of 70% percent of the material in the product is sustainably sourced (in weight per shell fabric, main linings and padding combined).

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



A product marked with this symbol indicates that 100% of the shell fabric (in surface) is printed and/or dyed with a process saving water and/or chemicals. It means that the material in the product is produced with methods that use significantly less water and/or less chemicals compared to conventional alternatives. It can be through a special technology, or simply through not dyeing the product.

Our products, especially underwear and performance apparel, are washed often and not seldom 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 as well as through social media and our own web site and other owned channels.

Another way of reaching out to consumers is through strong product stories. This year, we introduced a pair of underwear made from coffee grounds. Only 0.2 percent of that coffee bean ends up in your cup, the rest goes to waste. But it doesn't have to and the company S.Café® has the answer. They recycle the waste from local café chains and make fabric out of it in a mix with recycled PET.

Not only is this material great for the planet, having a considerably lower impact on the environment, it also provides great odour control, high UV protection, an ice-cool touch, and is fast-drying.

One T-shirt can be made out of three cups of coffee grounds and five recycled plastic bottles. We see strong product stories like this one as a great way of helping consumers to open their eyes for sustainable products and helping us to work for a better tomorrow.

CHALLENGES AND RISKS

Consumers and customers as well as staff need to be continually updated on our progress to increase awareness about our work.

A risk in not getting through is, consequently, lower awareness and with that, a risk for consumers and customers to choose other brands. Store staff and sales staff with insufficient knowledge also pose an image and customer relations risk, which in turn hurts the brand.

FOCUS AHEAD

To reach through we will continue creating strong product stories, inform about wash and care and continuously educate our sales staff.

EDUCATION OF STAFF & PARTNERS					
 Activity	 Goal 2022	 Reached 2019	 Traffic Light	 What to do	
Higher B. Tomorrow awareness.	Staff knowledge 4/5	New information channels (intranet, website), internal training and clinics, more regular information.	 On track	Intensify internal communication and training.	



PHOTO: ANGEL SANTOS, UNSPLASH

BJÖRN BORG AS A WORKPLACE



84% Leadership Score
(employee feedback on their closest leadership)



300%
STRONGER STAFF.

SUSTAINABILITY HIGHLIGHTS 2019



Sustainability clinics to
educate staff

81%

Employee Engagement Score

70% OF EMPLOYEES HAVE
GET GREENER TARGETS

OUR STAFF AND SUSTAINABILITY

To mark the importance of our sustainability work, every single employee throughout the organisation is encouraged to set a personal sustainability goal. 70 percent of all staff (all employees but for part-time store staff) has set one – either a personal goal or one that is related to their function. Or both. It is a way for us to put sustainability on the map and to make sure that it ends up as a top priority along with our business goals.

During the year, we have held several clinics on our global brand summits where we inform about our work. This is a forum that has been greatly appreciated and a fantastic way to exchange ideas and intelligence. The clinics have contributed to create a great momentum and our global sales force notices a great upswing in interest not only for sustainable products, but also for how companies take responsibility on a whole. They are key for us to never lose grip on reality and make sure that we meet the needs and requirements of our customers.

OUR CULTURE – PROMOTING A HEALTHY LIFESTYLE

We believe that sports can make our minds, souls and bodies become something more than what we are today, and that anyone can become anything. We are convinced that exercise and an active lifestyle is key to better health and higher performance. We take pride in nurturing a working environment where employees can grow on the job and develop.

This is one of the reasons to why we instituted a weekly Sports Hour a few years ago. Every Friday, the office closes down for our weekly one-hour training. This has had a very positive effect: according to compiled data, our staff is 300% stronger than they were in 2015 when Sports Hour was initiated, and our employee engagement as well as our financial result have increased.

Björn Borg's employees all contribute with their experiences, creativity and motivation to develop the brand and the business, which is essential for the prosperity of the company. We want to offer a stimulating environment where the management team and the employees together form the company culture that is built around high ambition, drive and a strong passion for fashion and sports.

We have set five different values that reflect our way of approaching our daily work life. These values are *Passion*, *Empowering*, *Winning Attitude*, *Bold* and *Magnetic*. Our

Employee Engagement and Leadership Scores

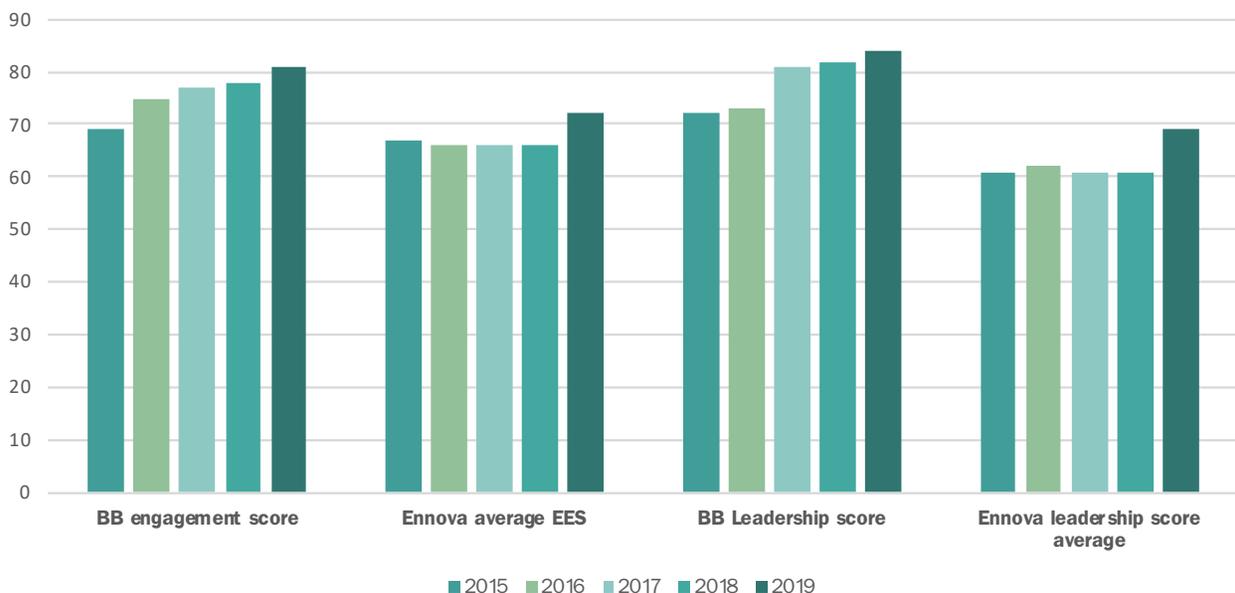




PHOTO: LINNEA GUNNARSSON, LINNEA E PHOTOGRAPHY

value Empowering reflects that together, our unique characteristics, talents, energies, and efforts transform into a result that moves past limitations. If we do it together, nothing is impossible.

Sports aside, we are well aware that health is not only about leading an active life. It is also about eating right, getting enough sleep, surrounding yourself with people you love, and allowing yourself some downtime. When all these aspects are in place, you have the right prerequisite to perform at the top of your game and excel both at work and in your private life.

Another component in a healthy life and workplace is to uphold a sustainable lifestyle. Feeling that you can make a difference is empowering and we are dedicated to stand behind and equip all staff with tools to reach their green goals – not the least through the annual goal setting, which includes private and functional sustainability goals for all staff.

Our target is to be the best workplace in the industry, as measured by a survey by third party research and analytics company Ennova. The target for 2019 was to reach 80% engagement and we surpassed that target with an 81% result, which means that we take a place in the top quartile of the international benchmark from Ennova. Together with our employees, we create a strong workplace culture with continuous improvement as a goal and this culture clearly both attracts and retains talent.

The goal to be a good workplace (the best) is a way for us to reach our business goals. Competent people who together create a workplace that gives you the opportunity to be your best self are a necessity for such a workplace. We believe that this team flourishes the most from a mix of different experiences, gender, ethnicity, sexual orientation,

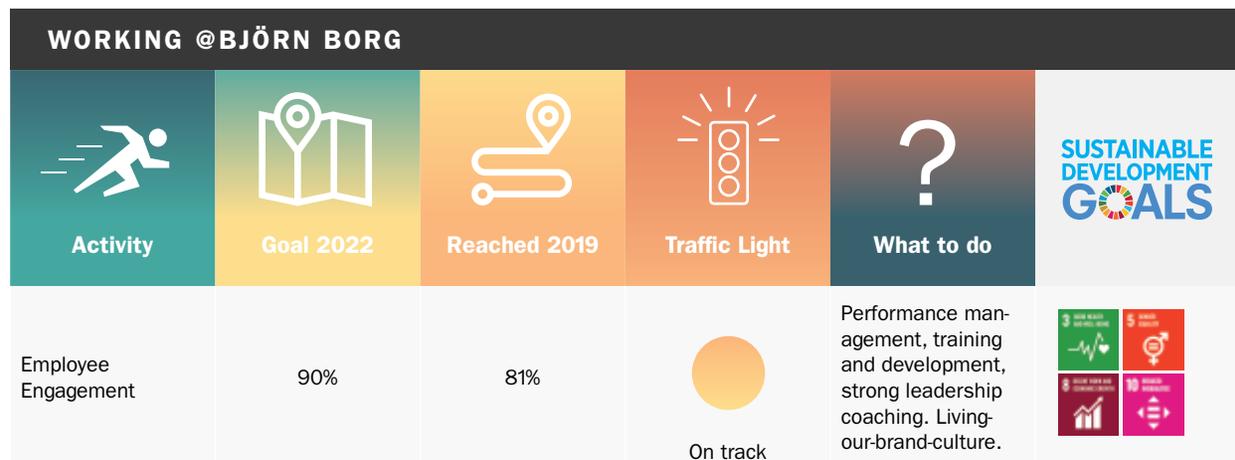
age, opinions and personal qualities. We continuously work on keeping our strong corporate culture alive through education, communication, training and development activities. In 2019, we folded 2,300 SEK/employee, a total of 700 TSEK, for training of different sorts. It resulted in 560 hours of training for our 213 employees.

CHALLENGES AND RISKS

The biggest challenge is bridging employees in different countries and teams, of which for instance store staff works only a few hours. These factors make it more difficult to create engagement. A considerable drop in employee engagement would risk mirroring in lower motivation and higher staff turnover, which in turn would lead to lower performance, short term.

FOCUS AHEAD

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 capitalise on and develop employee engagement, which is why we have continued to offer leadership development training to the team. The leadership training focuses on coaching towards high sustainable performance, which means to lead people towards achievement of prioritised targets, with ongoing development of skills and results and being strong in the process. How to handle stress in a good way is a given part of such a performance and leaders as well as employees are educated regularly to choose a way to adopt performance in balance.



GENDER EQUALITY

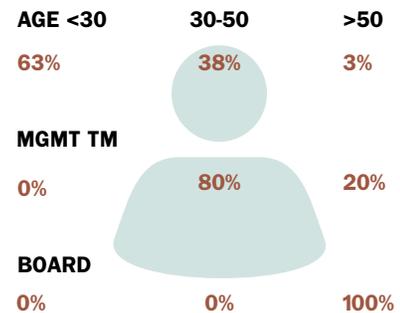
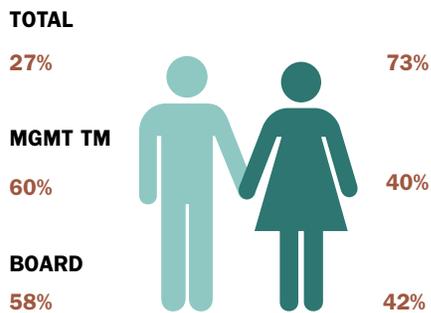
Groups of people with different backgrounds and experiences are more dynamic, which leads to a better work environment and, ultimately, higher profitability. Every person within our company, independent of gender, shall have the same rights, obligations and possibilities within all areas of life, including work, career, professional development and salary. We always strive for an even gender distribution per work category and department, and at the same time offer equal employment conditions.

Our goal that neither gender should make up over 60% 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 (73%). 40% of the Senior Management representatives are women, and 42% of the Board of Directors are women. The AllBright Foundation has included Björn Borg on its list of publicly listed companies with the highest gender equality several years in a row. 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.

Björn Borg tries to even out any difference in gender distribution in their recruitment process. In our senior management team four out of ten people are women (40% vs 44% last year).

The overall gender distribution between our 213 employees is 139 women and 73 men (66% women).



EMPLOYEES/COUNTRY



EMPLOYEES, full-time equivalent (FTE)





PHOTO: ELYSSA FAHNRICH, UNSPLASH

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 speak their minds and point out problems and irregularities openly and honestly without risking negative repercussions. Fostering this kind of environment is important to us as a company.

Diversity as an asset that improves the ability to reach business targets and stay relevant as a brand and a business. Employees shall be recruited, evaluated and promoted on equal and transparent grounds, regardless of gender, ethnicity, religious belief, sexual orientation, age, gender identity and disability. Everyone at Björn Borg shall be treated equally and have the same development opportunities regardless of such factors. Our Equality Policy sets out the framework for equality, diversity, and respect and must be complied with in all segments and companies of the group. Björn Borg has zero tolerance regarding discrimination of any kind.

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.

Recruitment and promotion within Björn Borg are 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. When we clearly map competences, personal values and abilities to achieve results in a systematic way, differences add value instead of risking to be part of the selection model.

Björn Borg does not accept bribery or corruption. Employees shall not accept gifts or the like from business partners, especially suppliers, unless it can be considered customary given the context and the relationship and the gift is of modest value for the recipient. Employees should be cautious in giving samples, gifts and the like to customers, e.g. to an individual representative of a customer and especially one making decisions on product purchasing, and shall not give such gifts or the like in case it can be considered as or have the effect of a bribe (i.e. aiming to influence a purchasing decision). Employees in Björn Borg may not use their position within the company, or use internal information, unduly or in an inappropriate way.

CHALLENGES AND RISKS

Any business with a natural appeal towards one gender has a challenge in acquiring an even gender distribution and to realise the goal of a 60/40 gender distribution in key governing bodies is therefore a challenge in itself.

Working with our CPR system, which stands for *Competence, Personality and Results*, as a competence profile and high leadership competence, we see no risk for decreased equality, diversity or ethics. If we lose focus and with that create unequal or non-ethical groups in any way, there is a risk for lower results in that group due to decision-making and work quality being affected negatively.

FOCUS AHEAD

Stay true to our focus on continuous leadership training for managers and sustained dialogue with staff to together create a culture based on the values we have chosen.



PHOTO: SHARON MCCUTCHEON, UNSPLASH

SUSTAINABLE PEOPLE

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 where we all can grow 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 key to better health and higher performance.

Nevertheless, stress is part of many people's lives and work situations, and to help maintain a healthy work/life balance and keeping negative stress at bay, we set clear goals for the whole company, broken down to every department and every individual. The goals are followed up every month in a pep talk with the reporting manager. Workflow is another of Björn Borg's foundational work structures. One hour every week, just before Sports Hour, we all work in complete silence in order to plan our upcoming week, set priorities and clean our inboxes. This practice, as well as our goal setting, is in place to create a sense of control and peace of mind for the upcoming weekend and all the way down to the full calendar year.

Inspiring our staff to a healthier lifestyle in all areas is a high priority for us and we regularly invite speakers and other specialists to educate us about related topics. Stress management and work/life balance, nutritional advice, and a monthly meditation session are a few examples. We work actively with prioritising tasks to ease up on individuals with too much work pressure and keep an open and constant dialogue if a person needs help. We also offer a health care package with possibility to private stress management sessions for individuals who need further support.

CHALLENGES AND RISKS

The biggest challenge in this area is that we have high ambitions, both as a company and as individuals, in our company. We want to get a lot of things done, both at work and in our private lives, in a constantly changing and challenging world. The risk with too much negative stress is that we will lower performance within that area. It is a balance act in the correlation between a strong and engaged co-worker and good results that is the big challenge, and risk, here.

FOCUS AHEAD

Continue our focus on inspiring our co-workers to be more, to become the best versions of themselves, through clear goals, physical training, education, workflow and good leadership.





PHOTO: FREDERIK TROVATTEN, UNSPLASH

WORKPLACE ENVIRONMENT

We are firmly committed to respecting the labour rights of our employees.

A good workplace environment affects both our safety and our competitiveness. Through a good working environment our business goals can be fulfilled, and we increase our chances of being an attractive workplace for present and future employees. Health and safety help our employees thrive and evolve both professionally and individually.

No form of bullying or harassment is tolerated, and all individuals shall be treated equally and with respect. We always strive to improve our work environment, both physically and socially. At Björn Borg, this means that

- Work environment shall be taken into account for all decisions and activities within the company.
- Work environment duties are made in collaboration between employer, employee and a safety officer.
- Managers are trained to get the right knowledge, competence, resources and mandate to work for a good and safe environment.
- All employees get a safety introduction and training.
- Regular inspections and risk assessments of our physical, organisational and social work environment are made.
- All incidents and accidents that occur are reported and properly investigated.
- Our work environment shall be safe and inspiring for the individual.
- Work environment duties are followed up annually.

CHALLENGES AND RISKS

The largest risk lies in stress management. The “hard” bits of work environment are handled according to law with good quality and control, and relatively low risk.

FOCUS AHEAD

Next step in this area is continued focus on stress management with a good social work environment.

ORGANISATION

Björn Borg is a decentralised matrix-oriented organisation. Forum for overarching matters within the company is our Senior Management Team. Every position in the organisation has a job description including responsibilities and specific goals for the position. Information on staff policies and working environment are available on the company server.

The Björn Borg HR manager is responsible for the staff policies and their updates. Function and department managers are responsible for that regulations and the contents of the company equality plan and other policies are followed. The policies are reviewed every year.

Staff policies in place are

- Gender Equality Diversity Policy
- Discrimination Policy
- Harassment policy and guidelines
- Workplace Environment Policy
- Salary Policy
- Code of Conduct
- Whistleblowing Policy
- Occupational Health and Safety Policy



PHOTO: SERGEY PESTEREV, UNSPLASH

HOW WE REPORT

Being transparent about our sustainability ambitions, goals and progress is an important part of our reporting process and the overall company approach. It is important for us to show both progress and different challenges that we may encounter on our journey. The report presents issues that reflect the significant economic, environmental and social impacts of the Björn Borg Group, consisting of Björn Borg AB which owns 100% of the stock in Björn Borg Brands AB, Björn Borg Footwear AB, Björn Borg Inc., Björn Borg Services AB, Björn Borg UK and Björn Borg Finland Oy. The company also owns 75% of the shares in Björn Borg (China) Ltd. Our licensees are the following: Björn Borg bags, footwear, eyewear and home-wear. The Björn Borg Bags license was reiterated in December 2019 and the bags operation is as of January 1, 2020 under Björn Borg management. Emissions outside of the group, such as for suppliers, are not included in the report.

We report in accordance with the Swedish Annual Accounts Act (*Årsredovisningslagen*) and the report is inspired by the GRI (*Global Reporting Initiative*) standards, option Core. We use the United Nation's SDGs (*Sustainability Goals*) as benchmark.

Climate data is reported according to the GHG protocol and emission factors that we use are based on information collected from partners and associates. For inadequate data, calculation estimates have been used. The reported energy usage is based on invoiced data.

We continuously work on improving our materiality reporting. Based on a materiality analysis, the report covers the topics that are most important to Björn Borg and our main stakeholders. In the report, we outline why sustainability is important to our business, what we do and plan to do, how we measure, and our main challenges and risks are.

The topic boundaries of this report are defined in the *Materiality Matrix* in this chapter. Björn Borg does not apply the Precautionary Principle or approach.

The report is published annually, and our last sustainability report was released in April 2018. All our annual reports and sustainability reports can be found on our *corporate website*. This report is separate from our Annual Report.

MATERIALITY ANALYSIS

We communicate and engage with our stakeholders in many different ways. We always aim to be 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. Our sustainability goals require improvements not only from us, but from our whole value chain. The engagement with customers, consumers, suppliers, employees and owners for instance is therefore crucial. Our key stakeholders are selected after analysing where we have the largest direct or indirect impact, positive or negative.

Our materiality analysis forms the basis of our sustainability framework to ensure that we address the topics of the greatest importance to us and to our stakeholders.

KEY STAKEHOLDERS, THEIR PRIORITIES, AND OUR RESPONSE

Consumers:

Consumer choices drive our business and consumer behaviour shapes our sustainability performance.

ESG expectations from consumers:

2019 has been a remarkable year in the field of sustainability and this shows not the least through the interest in these issues among our consumers. A brand that doesn't meet the high expectations from consumers of a sustainable offering will not survive in the long run. However, we get very little direct pressure from the end consumers even if the general climate on sustainability is driving the entire fashion industry to a better place.

How we engage with consumers:

- Consumer surveys – digital survey after purchase
- Feedback at point of sale and through customer service
- Websites, both the corporate and the web shop, social as well as traditional media, events, through influencers.

Customers:

Our customers are in direct contact with our consumers in many cases where we don't have direct touchpoints ourselves. We value their input highly and their requirements often function as a compass for our material topics.

ESG expectations from customers:

Our customers are all based in Europe and follow the same chemical regulations as we do. Some topics might be hotter in different parts of Europe. Swedish customers, for instance, require that no biocidal products are used, as opposed to other parts of Europe. We are regularly asked for information

regarding the work we do and are happy to give it when possible.

Many of our customers send us their own Code of Conduct and sustainability demands which we do our best to both live up to and surpass. Customers' expectations that we don't meet:

Some of our customers are also members of The SAC (*The Sustainable Apparel Coalition*), which in the long term might be a requirement for us. This has not been officially requested yet but is something that we keep in mind for the future.

How we engage with customers:

- Regular meetings with key account representatives to share status on sustainability work, for both parties.
- Requirements packages and sustainability undertaking from both ends.
- The major part of the customer contact is handled by our sales team.

Vendors:

Working with suppliers is crucial to implement our sustainability framework. We rely on our vendors to follow the firm set of regulations that they all have signed and are expected to follow up on. This includes our Supplier guide, our Code of Conduct, our Chemicals Policy and Restriction List. Deviations from these regulations puts both our environmental and social impact at risk and can put our reputation in danger.

ESG expectations from suppliers:

Our vendors put very little pressure on us from a sustainability point of view. It is rather the other way around. However, they are all very willing to have audits and sometimes ask us to book for them.

How we engage with vendors:

- Daily contact through email or video calls.
- Factory visits at least twice a year, more if needed.
- Working together on the findings in the audit reports strengthens our relationship and helps both us and our vendors improve our sustainability work.

Employees:

Employee engagement drives our business, our performance, and our strength, and it works in both ways. Our sustainability work helps to motivate, retain and attract our employees. Motivated employees also help us meet our sustainability goals.

ESG expectations from employees:

We are expected to meet the requirements not only from the peers of our employees, but also from the employees themselves. Our employees' stakeholders put demands that we all work with during the year through our annual goals.

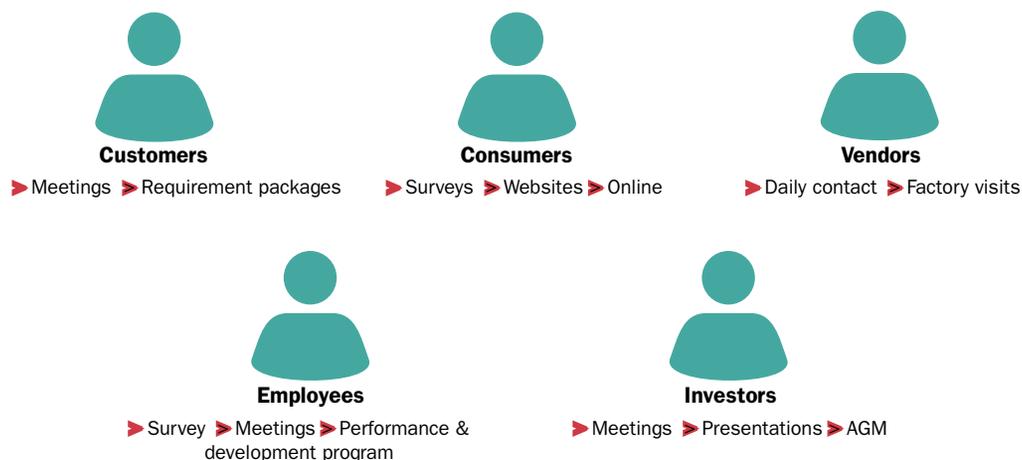
Read more about social responsibility towards employees in the section *Working at Björn Borg* in this report. Employees are of course also consumers and help us understand public opinion.

How we engage with present and potential future employees:

- Internally, through annual employee engagement survey, bi-annual global meetings, day-to-day contact in all internal channels, seminars on sustainability work, educational material, performance management program.
- Externally, through the same channels as for consumers.

Owners and investors:

ESG investors and present owners drive our sustainability agenda forward.



ESG expectations from owners and investors:

A significant growth in ESG investment has opened up for a continuous dialogue with investors and owners, helping us get deeper insights on their interests and prerequisites. Requirements from external stakeholders like Nasdaq and other main financial peers also help us understand the breadth of interest from the market.

How we engage with owners and investors:

- Meetings, investor presentations.
- AGM (Annual General Meeting), and through indirect means like financial statements, our corporate website, and our sustainability report.

Stakeholder, business relation changes during the year:

External organisations:

We have left STWI (*Sweden Textile Water Initiative*) during the year since the initiative was going through organisational changes and it was unclear how they would pursue their

work. A future collaboration is not ruled out, but for now we have stepped aside.

PROCESS FOR IDENTIFYING MATERIAL TOPICS AND THEIR BOUNDARIES

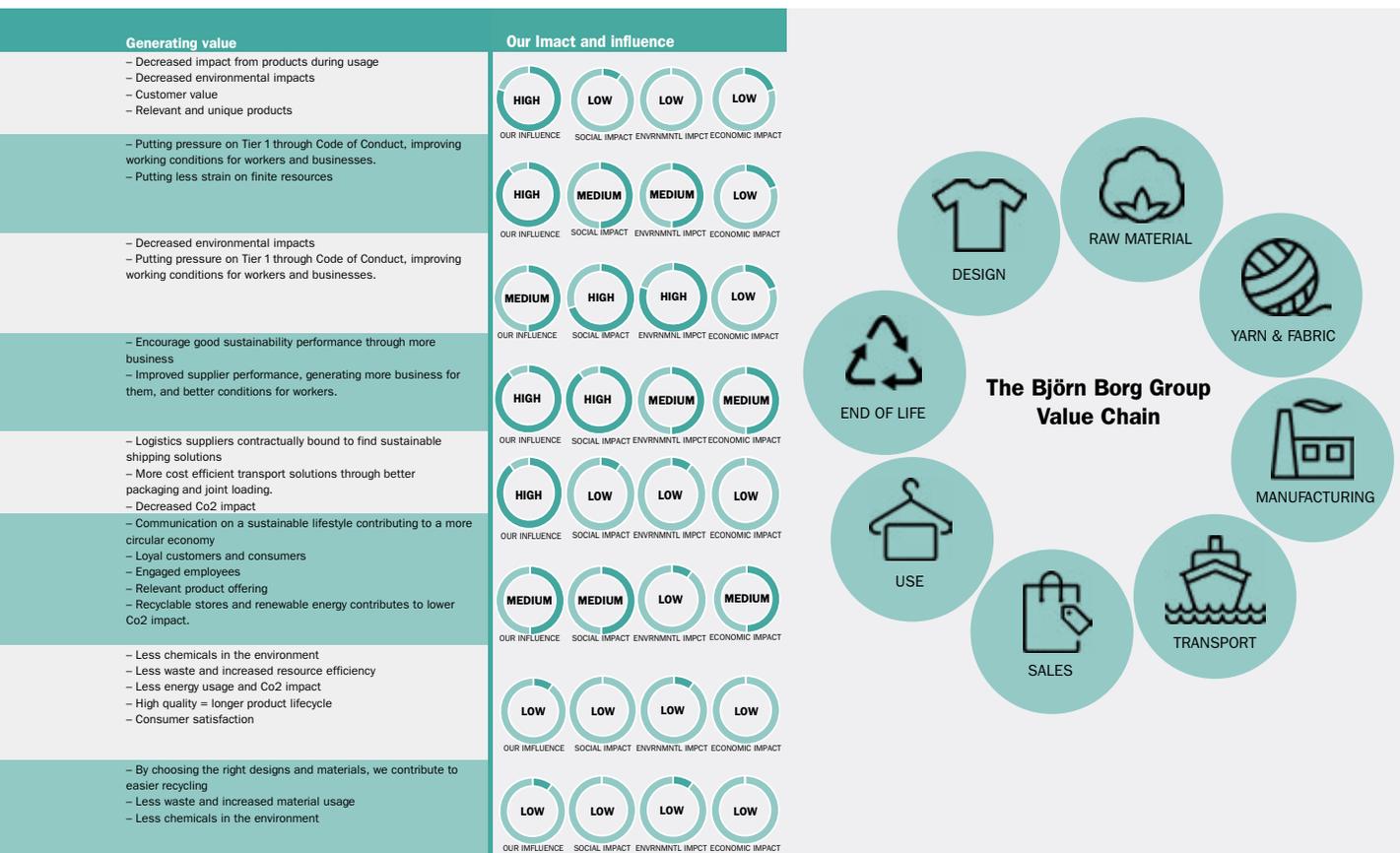
We conduct an annual review of our material topics that is based on stakeholder dialogue, business intelligence, external requests that have submerged during the past year, on regulations and legislations, audit results, media coverage, monitoring of macro trends and drivers, and an analysis of external standards, such as the GRI standard topic list. The review helps us understand our material topics better, understand potential risks and opportunities for our business, and helps us evaluate our ability to create and sustain value.

These topics are discussed within the sustainability team and further with all function owners within the company for goal setting for the upcoming year(s). Material topics are identified through an analysis of stakeholder

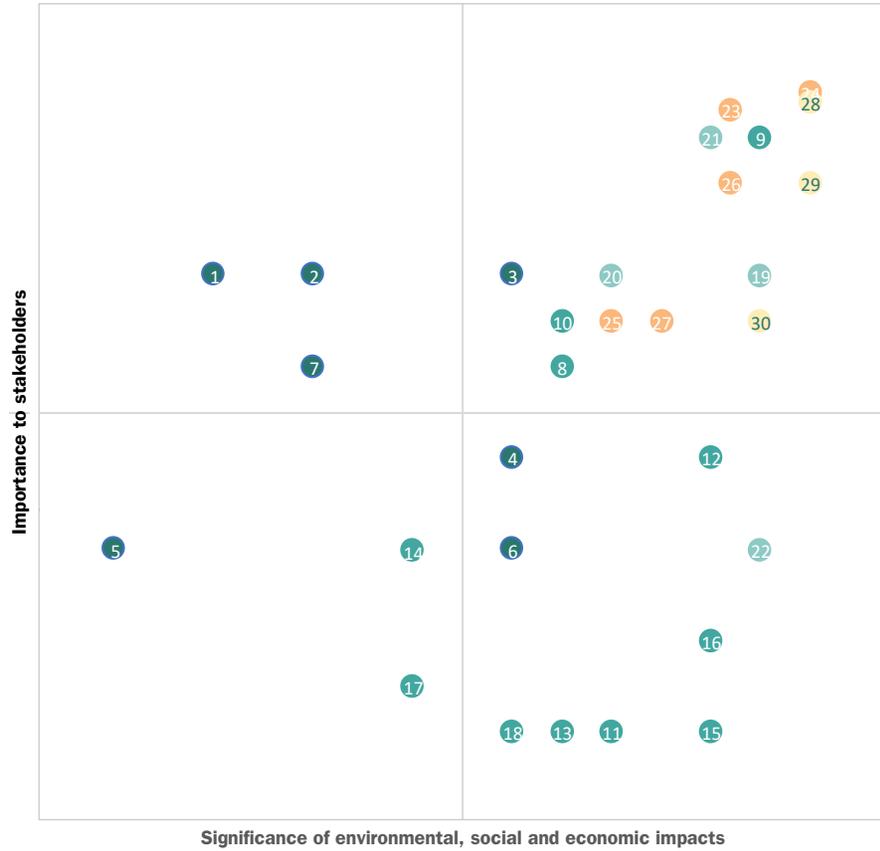
Our value chain and degree of influence	Ability to influence	Risks	How we manage our impacts
Design	HIGH	<ul style="list-style-type: none"> - Not meeting consumer or other stakeholders' expectations - Not meeting regulatory or market requirements 	<ul style="list-style-type: none"> - Increase amount of sustainably sourced materials and sustainable production processes, such as dyeing or printing - Increase the use of recycled and recyclable materials - Further develop sustainable packaging - Always choose the highest quality possible and the best fit for increased product longevity
Raw materials	HIGH	<ul style="list-style-type: none"> - Traceability challenges in tier 2 and especially in tier 3 (farming) - Human rights and environmental violations - Culture in farming country controls farmers' and workers' conditions - Corruption - Farmers and other suppliers based in distant countries, generating unnecessary transports 	<ul style="list-style-type: none"> - Raw materials chosen already in design stage - Sustainable materials prioritised - Working towards at least 70% sustainably sourced materials in all collections by 2022.
Fabric and yarn production	MEDIUM	<ul style="list-style-type: none"> - Less control through no direct contact with suppliers of fabric & yarn production. Dependence on Tier 1 suppliers. - Human rights and environmental violations - Corruption - Culture in production country controls workers' conditions - Producers based in distant countries, generating unnecessary transports 	<ul style="list-style-type: none"> - Fabrics chosen already in design stage - Sustainable materials prioritised
Product manufacturing	HIGH	<ul style="list-style-type: none"> - Sub-contractors don't follow the Code of Conduct - Local legislations may hinder progress for suppliers' sustainability work - Suppliers might underperform in areas not covered by audits - Human rights violations - Suppliers lack tools to measure water, energy or raw material consumption - Corruption 	<ul style="list-style-type: none"> - Closely monitor that our Code of Conduct is being followed - Improve our production efficiency and transport solutions - Perform audits to safeguard standards - Terminate business with suppliers that are not willing to improve
Transport	HIGH	<ul style="list-style-type: none"> - Emissions from transportation - Delays in supply chain increases need of air transport - E-com shopping in high demand - increased need of short transports - Standard shipping boxes from suppliers gives poor fill rate 	<ul style="list-style-type: none"> - One stock for more efficient transports and customer service both in stores and our e-com business - Green city deliveries for e-com customers - Air transports to a minimum - More efficient packaging for better fill rate.
Sales	MEDIUM	<ul style="list-style-type: none"> - Wholesale and e-tail business largest part of sales, giving us limited to no influence on their transports or in-store sustainability communication and display - Own sales staff doesn't promote sustainable products or framework - Lack of knowledge among sales staff means missed communication opportunity towards customer/consumer - No influence on social aspects within external retail. - Road travel for sales staff in fossil fueled cars generates unnecessary emissions 	<ul style="list-style-type: none"> - One stock for more efficient transports and customer service both in stores and our e-com business - Recyclable store interiors and accessories - Energy efficiency in own stores - No air miles for sales staff, road mileage streamlined for less impact - Constantly improve sustainability performance and communicate it - implementation of renewable energy in own retail - Overseeing leasing contracts for sales cars.
Use	LOW	<ul style="list-style-type: none"> - Failure to meet consumers' expectations on quality and fit - Consumers not washing or handling products optimally - Product safety 	<ul style="list-style-type: none"> - Communicate wash & care - Always deliver on quality and ultimate fit
End of life	LOW	<ul style="list-style-type: none"> - Rental and reuse of sportswear and underwear is not hygienic, alternative solutions for longer lifespan of products are missing - Consumers, customers and other stakeholders lack interest, knowledge or time for recycling of textile products - Waste of resources due to lack of recycling - Illegal trade of discarded products or unsold stock 	<ul style="list-style-type: none"> - On-product recycling communication - Simplify recycling of packaging and product through design and choice of materials - Continuous controls for counterfeit products

importance (frequency of which a topic is asked for), our own business and sustainability goals, and results of the annual review. A main factor that is accounted for is also where we can make the biggest difference combined with where we have the largest impact, and which impact a certain topic has on our business.

A review of our materiality matrix is made every year, based on the annual analysis described above.



MATERIALITY MATRIX



GET IN TOUCH

If you need more information about our sustainability work or this report, please contact:

Mija.nideborn@bjornborg.com or
Pernilla.johansson@bjornborg.com

We appreciate your feedback.

MATERIALITY ANALYSIS			
Ambition areas	Key focus areas	Identified Topics	Topic boundaries
Responsible Production	Stringent Code of Conduct	1. Working hours & wages	Product manufacturing
		2. Child & forced labour	Product manufacturing
		3. Respect for human rights in the supply chain	Product manufacturing, transports, raw materials
		4. Supply chain management	Design, raw materials, product manufacturing, transports, sales, use
		5. Animal welfare	Design, raw materials
	Health, safety, equality and human rights	6. Accident & safety management	Product manufacturing
	Transparency in the supply chain	7. Drive transparency in the supply chain	Product manufacturing, fabric production, yarn, dyeing, printing
Decreasing Footprint	Sustainable materials and processes	8. Management of chemical substances and sustainable processes in manufacturing	Design, raw materials, product manufacturing, sales, use
		9. Product safety and quality	Design, raw materials, product manufacturing, sales, use
		10. Responsible material sourcing	Raw materials, design, sales, use
		11. Efficient use of raw materials	Design, raw materials, product manufacturing
	Streamlined transports and shipping	12. GHG emissions	Transports, sales, stores, own facilities, logistics management
	Efficient packaging	13. Responsible material sourcing	Design, raw materials, industrial relations, product manufacturing, waste management, chemical and water consumption, transport, use
		14. Easily recyclable packaging	Design, raw materials, industrial relations, product manufacturing, waste management, transport, use
		15. Efficient use of raw materials	Design, raw materials, product manufacturing, waste management, chemical and water consumption, transport, use
	Sustainable trade solutions	16. Responsible material sourcing	Design, raw materials, industrial relations, product manufacturing, waste management, chemical and water consumption, customer relations, sales
		17. Drive recycling of used interiors	Design, raw materials, waste management, chemicals & waste
18. Energy performance		Own retail stores	
Driving sustainable consumption	Use and durability	19. Design for life	Raw materials, design, product manufacturing, sales, use
	Education of staff & partners	20. Staff training	Retail and wholesale sales staff, customer relations
	Information and inspiration to consumers	21. Customer relations management/ Customer experience	Design, product manufacturing, transports, sales, packaging, trade solutions, marketing channels
		22. Brand management	Design, product manufacturing, transports, sales, packaging, trade solutions, marketing channels
Working at Björn Borg		23. Diversity and equal opportunity	
		24. Employee health and safety	
		25. Corruption and bribery	
		26. Ethics and non-discrimination	
		27. Attracting and retaining talent	
Our business		28. Regulatory compliance and responsible practices	Product manufacturing, fabric production, yarn, dyeing, printing, raw materials, transports, employees, sales, marketing, use
		29. Economic performance	
		30. Tax contribution	



PHOTO: OSMAN RANA, UNSPLASH

ANNUAL ACCOUNTS ACT					
Information requirement	Environment	Staff	Social	Human Rights	Anti-Corruption
The sustainability report shall describe...					
The company's business model	SUSTAINABLE BUSINESS				
The company's model for practices for the different areas, including analysis that has been performed	42-61, 64-68, 82-85	71-73	24, 29-34, 74-80	29-34	36, 76
The results of the policy	46, 48, 50, 54, 57-61, 64, 68	71-74	24-34, 74-80	30, 74-78	36, 76
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.	35, 43-46, 49, 52, 54, 57, 65, 68	72, 76-80	34, 73-80	30-32, 76-78	36, 76
How the company handles the risks	13-15, 35, 43, 46, 49, 52, 54, 57, 67	73-80	24, 34, 73-74, 79-80	13-15, 30-32, 76-78	36, 76
Central result indicators relevant to the business.	10, 14, 57-61	68, 71-74	24, 71, 74	24, 30	36, 76

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 2019 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, June 9, 2020
Deloitte AB

Didrik Roos
Authorized Public Accountant





PHOTO: JONATAN PIE, UNSPLASH



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