

# IC COMPANYS

## *CORPORATE RESPONSIBILITY REPORT*

2013

# CORPORATE RESPONSIBILITY IN IC COMPANYS

Our Corporate responsibility framework of People, Planet and Profit is based on international principles and the UN Global Compact. Our work with international principles has played an important role in guiding our company in making the right decisions while also contributing to our readiness to meet future challenges. By matching our overall framework with policies and processes allocated to the relevant functional departments we have created a solid foundation for our Corporate Responsibility work.

The first part of the Global Compact communication on progress report presents IC Companys' corporate responsibility (CR) policy and then provides highlights of our CR activities in the financial year 2012/13. This is followed by a description of our work on People, Planet and Profit and subsequently by our plans and targets for the next financial year. In the last part of the report we provide a matrix showing an overview of activities and results vis-a-vis the 10 principles of the UN Global Compact.

## Corporate Responsibility policy

In the below is an excerpt of the CR policy. The areas of the CR Policy related specifically to People, Planet and Profit are mentioned in the section describing how we work on each area.

In IC Companys we recognise that we are part of an industry with many CR challenges both in terms of complex supply chains and resource challenges to mention a few. Our overall approach is to take these challenges seriously and make sure that we are not a barrier to sustainable development. However, we would like to take it one step further and where possible work towards turning these challenges into opportunities where we can use our inherent creativity and strong innovation skills to make a difference and contribute to sustainable development.

For IC Companys, CR is about not only making sure our products live up to our high quality standards and customer expectations, but also that they are produced responsibly. We consider CR to be an integrated part of our business and an essential element in our company's profitability. Furthermore, our work with CR plays an important role in making sure IC Companys is ready to meet future challenges.

IC Companys' CR efforts are grounded in the UN Global Compact's 10 principles which are based on internationally adopted declarations and conventions on human rights, labour rights, environmental protection and anti-corruption. We use these principles and the United Nations Guiding Principles as the overall framework to guide our CR policies and implementation processes.

We pledge to work pro-actively internally as well as externally with our suppliers to promote compliance with these principles. We will never be able to guarantee 100% compliance, but we strive to make a positive difference and set up due diligence processes to avoid non-compliance issues. Furthermore, we use our Compliance Hotline to enable access to remediation in cases of non-compliance.

A cornerstone in IC Companys' approach is a continuous assessment of our CR risks and opportunities. This is essential for our efforts to secure compliance. Equally importantly it enables us to prioritise and allocate resources to where we can make the biggest impact. Moreover, we believe that for CR to be sustainable, it has to be integrated in the appropriate functions within IC Companys and our brands. This means that based on our continuous assessments, we assign responsibility in the organisation for our CR issues and CR targets in order for the relevant functions to take action.

## Highlights of activities in 2012/13

### Further development of the implementation framework

During this financial year IC Companys has focused on further developing the processes to guide the implementation of the Group's CR strategy. This includes a very thorough revision and update of IC Companys' Restricted Substance List to become even more comprehensive and aligned with the Group's 'precautionary principle'. Furthermore, IC Companys has launched new guidelines for our chemical workflow to assist employees in eliminating harmful chemicals in the different stages of a collection development. IC Companys has also introduced a new risk management procedure for both people, planet and profit risks, based on Country Risk Analyses to assess challenges in existing sourcing countries and to assess potential new sourcing countries.

	PEOPLE	PLANET	PROFIT
PRINCIPLES	UNGC Principles 1-6	UNGC Principles 7-9	UNGC Principles 10
POLICIES	People CR policy	Planet CR policy	Profit CR policy
PROCESSES	Processes supporting the implementation of the People principles and policies	Processes supporting the implementation of the Planet principles and policies	Processes supporting the implementation of the Profit principles and policies

Figure 1 - 3 X 3 P's. Overall CR implementation framework - From Principles to Policies to concrete Processes.

IC Companys' CR implementation framework (Figure 1) continues to provide valuable guidance in our everyday CR work, where the processes offer hands-on guidance on how to operationalise the CR work.

### First Danish member of the Sustainable Apparel Coalition

During this financial year IC Companys joined the Sustainable Apparel Coalition (SAC), an industry-wide initiative established by a group of sustainability leaders from global apparel and footwear companies. The members recognize that addressing the industry's current CR challenges is both a business imperative and an opportunity. The member base consists of more than 90 leading apparel and footwear brands, retailers, suppliers and NGOs working to reduce the environmental and social impacts of apparel and footwear products around the world.

IC Companys believes that through cooperation with other members in SAC and setting a common industry standard, the Group has an opportunity to contribute to a more transparent and sustainable fashion industry. This will benefit consumers, suppliers and brands. Furthermore, a membership of SAC is in line with how IC Companys, through the membership of the Danish Ethical Trading Initiative (DIEH), the Business Social Compliance Initiative (BSCI) and Kemikaliegruppen, works to find solutions and try to exert leverage beyond what can be achieved alone.

Finally, the membership matches the Group's focus on education as one of the main means for being able to identify potential CR challenges and solutions. In SAC IC Companys gains access to a highly qualified network which provides valuable insight in new trends, challenges and opportunities.

During this financial year IC Companys has used the membership of SAC to, among others, participate in developing The Higg Index. The Higg Index is primarily an indicator based tool for apparel that enables companies to evaluate material types, products, facilities and processes based on a range of environmental and product design choices. IC Companys has piloted The Higg Index both at a product level among the Group's own brands and on a brand level to assist in setting targets for the Group's CR efforts. For further information on SAC and The Higg Index, please see [www.apparelcoalition.org](http://www.apparelcoalition.org)

### Working with the suppliers

The Group sees its suppliers as critical partners in its CR efforts. Consequently, using a partnership approach to promote responsible supply chain management has continued to be a main focus area during this financial year. This has included not only assisting the Group's suppliers to find the most responsible solutions but also listening to the suppliers' ideas on how to improve the Group's CR performance. An example of this partnership approach is Peak Performance's long term sourcing strategy which focuses on a closer relationship with the suppliers. The goal of Peak Performance is to be the best brand in the world on relationship-based sourcing as opposed to transaction-based sourcing. To achieve this, Peak Performance has to be closer to its suppliers and has among others held strategic workshop with the suppliers and set CR requirements for its partner suppliers.

During this financial year IC Companys has also started to implement the supplier scorecard which in addition to parameters like quality, price and delivery also includes CR parameters. The tool is used to further promote dialogue with the Group's suppliers and to emphasize the focus on CR performance as an important aspect of being an IC Companys supplier. The implementation is still at an initial phase but the Group has already received very positive feedback from the suppliers who have been involved.

Furthermore, IC Companys has updated the Group's Standard Operating Procedures to be aligned with the CR approach including the focus on the partnership approach and training, etc. Likewise, the Group has developed new procedures for its nominated fabric and trim suppliers.

## Our work on our People, Planet and Profit responsibilities

### People – UNGC principles 1-6

#### People Policy

IC Companys supports and respects the Universal Declaration of Human Rights which is outlined in the UN Global Compact principles 1-6. We do this by continuously identifying and assessing potential adverse human rights impacts both internally in IC Companys as well as in cooperation with our suppliers. Furthermore, we regularly assess opportunities for using our core competences to make a positive contribution to the realisation of the Universal Declaration of Human Rights.

Our work with Human Rights also includes our efforts to create a conducive working environment for our employees, which provides the opportunity to develop and achieve a good work life balance.

Furthermore, we use education both externally with our suppliers and internally as a mean to develop the capacity and understanding of the importance and value of working with human rights.

#### DIEH (Danish Ethical Trading Initiative)

As one of the founding members of DIEH, IC Companys continues to play a significant role in the initiative. During this financial year IC Companys' CR Manager has filled the role of vice chair and also functioning chair for a period. This period coincided with the partnership agreement on responsible garments and textile production in Bangladesh between the Danish Ministry of Foreign Affairs and the Danish garment and textile industry which was established in the aftermath of the terrible accident in the garment factory in Savar, Bangladesh. DIEH took lead in not only getting the support of the Danish industry to the partnership, but also in the follow-up work on suggesting concrete actions for implementation and getting the Danish industry to sign the international Accord on Fire and Building Safety in Bangladesh. An agreement which IC Companys has also signed and which put emphasis on ensuring fire and building safety at factories by means of inspections as well as education of factory workers and building inspectors.

For IC Companys its engagement in DIEH reflects the Group's belief in working together in a multistakeholder approach to create sustainable solutions to the challenges in the industry. This also reflects the growing awareness in the industry that no single stakeholder can solve the complex challenges alone. On the contrary, there is great potential in working together and in identifying where each stakeholder has the best competences to contribute to sustainable solutions.

#### BSCI

Since joining BSCI in 2007, BSCI forms the foundation of the IC Companys' initiatives on responsible supply chain management. BSCI is a business-driven initiative for companies committed to improving working conditions in the global supply chain. Built on the 3 pillars of Monitoring, Empowering and Engaging, BSCI unites hundreds of companies around one common Code of Conduct and supports them in their efforts to build a responsible supply chain by providing them with a step-by-step development-oriented system.

A big part of BSCI's work and budget is capacity building or empowering of suppliers and members. BSCI provides workshops in areas identified as challenging for suppliers e.g. overtime, occupation health and safety and worker management. IC Companys has participated actively in this financial year on improving BSCI's capacity building work as a member of the capacity building work group. This not only provides IC Companys with the opportunity to be a part of the further development of BSCI but also allows us to gain valuable knowledge about the root courses or non-compliance areas from the suppliers' point of view.

In a response to the tragic building collapse in Savar, Bangladesh and the factory fires in both Bangladesh and Pakistan BSCI has strengthened detection of fire safety issues and included in the audit report as well as provided training courses on the same topics. The majority of our suppliers in Bangladesh have participated on this training course and the rest are on a waiting list to receive the training.

### **The Higg Index – people part**

During this financial year we have piloted the new social/labour part of the The Higg Index, both at a brand and supplier level. Furthermore, we have participated in the Social and Labour market working group in SAC and provided feedback to the finalization of the social/labour part of The Higg Index.

### **Global employee satisfaction**

In IC Companys our work with employee satisfaction is a continuous process which is closely followed by the top management. Satisfied, engaged employees and empowering leadership are absolutely necessary in a high performing organization. Each manager sets new targets each year and both individuals and teams are assessed to develop a performance culture based on performance recognition and respect for work life balance.

To support this process, the annual Employee Survey ensures that we have a continuous idea of what our strengths are and where we need to improve. The overall results from this year's Employee Survey shows that 'Satisfaction & Motivation and Loyalty' results for IC Companys are high with 72 points and 80 points, respectively. The score for 'Satisfaction and Motivation' and for 'Loyalty' are the same as last year and when compared with the external benchmark of the European Employee Index (EEI), it is a good result,

### **Planet – UNGC principles 7-9**

#### **Planet Policy**

IC Companys supports the UN Global Compact's principles for the environment (principles 7-9). Practically we do this by continuously assessing our environmental challenges and following the overall principle of taking a precautionary approach to environmental challenges. Furthermore, we focus on educating our staff to become even better at identifying where in the supply chain we can take action to reduce our impact on the environment and where we can work with our suppliers to facilitate that they, e.g., use environmentally friendly technologies.

### **Working with chemicals**

As part of our continuous work to improve our processes for working with chemicals we made a thorough revision and update of IC Companys' Restricted Substance List to become even more comprehensive and aligned with the Group's 'precautionary principle'.

Furthermore, IC Companys has launched a 'Chemical Workflow' to assist employees in eliminating harmful chemicals in the different stages of a collection development. The HQ knowledge center has also received training on chemical management and risks in leather products.

### **The Higg Index – planet part**

In continuation of our work to improve the sustainability of our products we have piloted the product module of The Higg Index. The product module focusses on the environmental impact of a product with regards to materials, packaging, manufacturing, product care and end of use. The pilots which we did with our brand sourcing teams gave new insights on especially the environmental impact of the different materials but also highlighted how our products sustainability can be improve through e.g. changing the packaging.

### **Profit - UNGC principle 10**

#### **Profit Policy**

In IC Companys we believe that integrating our social, environmental and economic responsibilities is essential for our long-term profitability. In other words, we believe that running a company which respects our people, planet and profit responsibilities is not only the best thing for the profitability of IC Companys but it is also how we can make the biggest contribution in the societies where we operate. Furthermore, we also believe that this results in proper risk management for the benefit of our shareholders and other stakeholders.

With regards to anti-corruption, we support the 10th principle of the UN Global Compact and apply a zero tolerance approach against corruption in all its forms, including extortion and bribery. To further safeguard our Company against illegal activities and to identify corrupt practices we apply our Compliance Hotline which provides a confidential system through which employees can report misconduct.

Furthermore, we continuously work to improve our processes and educate our employees on how best to tackle situations where they face corruption challenges.

### **Compliance Hotline**

#### Implementation of the Compliance Hotline

During this financial year IC Companys has implemented the Compliance Hotline allowing employees/managers and agents working on the Group's behalf to report suspected misconduct in a secure and confidential way. The Compliance Hotline plays an important role in ensuring that IC Companys complies with all internal policies and regulatory requirements and is an important part of the on-going due diligence work. IC Companys has only received one case during the financial year 2012/13 which was handled by the CR Committee.

Though mentioned here under the Profit chapter, the Compliance Hotline is equally relevant with regards to People and Planet non-compliance issues.

### **Plans and targets for 2013/2014**

In the next financial year IC Companys will continue its strong support of the UN Global Compact Principles and will work hard to have even better systems and processes in place for implementing the CR efforts across the board. Furthermore, the Group's membership of the Sustainable Apparel Coalition and the implementation of The Higg Index will be an important driver for the Group's CR work in 2012/13. Moreover, IC Companys will finalize the implementation of the anti-corruption policy which was not fully implemented in this financial year. In terms of using more quantitative indicators inspired by the Global Reporting Initiative, the Group will assess the new set of guidelines (G4) and then evaluate if inspiration can be drawn from this new set of indicators for future reporting.

Furthermore IC Companys will focus on the following:

- Full roll out of Supplier Scorecard tool
- Continue the work to further increase transparency of supplier CR performance and ranking
- Continuous training and dialogue with preferred and partner suppliers
- Active membership of BSCI including participation in working groups
- Active membership of SAC
- Active membership of DIEH
- Continuous updating of the RSL
- Tools and training on harmful chemicals for brands and production offices
- Increased training for sourcing and design teams on using The Higg Index
- Implementation of The Higg Index Facility and Product modules
- Continue support to DIEH and the search for multistake-holder solutions

CR ACTIVITIES AND RESULTS 2012/13

PRINCIPLES	COMMITMENTS	SYSTEMS	ACTIONS	RESULTS
<b>PEOPLE – SOCIAL RESPONSIBILITY</b>				
<p>Principle 1: Support and respect the protection of internationally proclaimed human rights</p> <p>Principle 2: Make sure that we are not complicit in human rights abuses.</p> <p>Principle 3: Support freedom of association and the right to collective bargaining</p> <p>Principle 4: Support elimination of all forms of forced and compulsory labour</p> <p>Principle 5: Support the effective abolition of child labour</p> <p>Principle 6: Support elimination of discrimination in respect of employment and occupation</p>	<p>IC Companys supports and respects the Universal Declaration of Human Rights which is outlined in the UN Global Compact principles 1-6. We do this by continuously identifying and assessing potential adverse human rights impacts both internally in IC Companys as well as in cooperation with our suppliers.</p> <p>Furthermore, we use education both externally with our suppliers and internally as a mean to develop the capacity and understanding of the importance and value of working with human rights</p>	<p>CR Integration in relevant departments, managed by Corporate CR Manager, who reports directly to our CEO</p> <p>Consultation Committee with participation of management and employees representatives</p> <p>CR standards included in Occupational Health and Safety guidelines.</p> <p>Annual Employee Surveys</p> <p>Compliance Hotline</p> <p>Business Social Compliance Initiative (BSCI) Code of Conduct (covering principles 3-6)</p> <p>Supplier scorecard incl. CR indicators linked to BSCI process</p> <p>Country Risk Analysis</p> <p>Social and Labour part of the The Higg Index</p>	<p>Assessed CR risk and opportunities through Country Risk Analyses</p> <p>Employee survey</p> <p>Input to and membership of BSCI capacity building work group</p> <p>Assessment of suppliers using BSCI process</p> <p>Initiated rating of our suppliers (Supplier Scorecard) according to progression in BSCI process</p> <p>Global Sourcing Project</p> <p>Performed county risk analysis on all existing supplier countries</p> <p>Piloted and provided input to the Social and Labour part of the The Higg Index</p> <p>Signed International Accord on Fire and Building Safety in Bangladesh</p>	<p>Increased awareness of CR challenges in existing and potential supplier countries.</p> <p>Increased dialogue with suppliers on how to avoid identified potential non-compliance issues</p> <p>Employee survey results: Satisfaction &amp; Motivation and Loyalty' scores among IC Companys' employees is the same as for the 2012 survey</p> <p>In 2012, BSCI trained 12,200 factory and farm staff</p> <p>62% of the production deriving from countries with a high risk profile was from suppliers who had or were in the process of completing the BSCI auditing process</p> <p>Reduction of suppliers in 2012-13 by 10% to a total of 314 (349)</p> <p>Increased awareness internally and for selected suppliers on the standards for social and labour and how to improve</p>
<b>PLANET – ENVIRONMENTAL RESPONSIBILITY</b>				
<p>Principle 7: Support a precautionary approach to environmental challenges</p>	<p>IC Companys supports the UN Global Compact's principles for the environment. Practically we do this by continuously assessing our environmental challenges and following the overall principle of taking a precautionary approach to environmental challenges.</p>	<p>HQ chemicals knowledge center</p> <p>Risk Matrix and supporting guiding documents for avoiding harmful chemicals</p>	<p>Continued chemicals training of HQ knowledge center including participation in monthly Swerea meetings</p>	<p>Increased competences of own staff and suppliers on how to avoid harmful chemicals in our products</p>

PRINCIPLES	COMMITMENTS	SYSTEMS	ACTIONS	RESULTS
<b>PLANET – ENVIRONMENTAL RESPONSIBILITY</b>				
<p>Principle 8: Undertake initiatives to promote greater environmental responsibility</p> <p>Principle 9: Encourage the development and diffusion of environmentally friendly technologies</p>	<p>Furthermore, we focus on educating our staff to become even better at identifying where in the supply chain we can take action to reduce our impact on the environment and where we can work with our suppliers to facilitate that they, e.g., use environmentally friendly technologies.</p>	<p>Restricted Substance List (RSL)</p> <p>Database for monitoring test results on harmful chemicals</p> <p>Chemical Workflow</p> <p>Supplier scorecard incl. CR indicators on harmful chemicals</p> <p>Membership of Swerea –The Swedish Chemicals Group - which includes continuous updates on newest research and developments with regards to chemicals in textiles</p> <p>Compliance Hotline</p> <p>Country Risk Analysis</p> <p>Environmental part of The Higg Index</p> <p>Chemical risk matrix</p>	<p>Training of HQ knowledge center on sustainable leather</p> <p>Revised and updated Restricted Substance List</p> <p>One-on-One dialogue with and advice to suppliers on using non-harmful chemicals</p> <p>Workshop with brands on harmful chemicals and what can be done to eliminate them in the different stages of the collection development</p> <p>Internal guidelines on working with chemicals</p> <p>Suppliers rated according to chemical performance</p> <p>Training of Hong Kong and Shanghai offices and suppliers on how to avoid harmful chemicals</p> <p>Piloted and provided input to the Environmental part of the The Higg Index</p>	<p>Increased competences to work with sustainable leather production</p> <p>Improved RSL covering latest REACH developments</p> <p>Increased competences in brands to eliminate harmful chemicals</p> <p>Increased transparency and awareness for suppliers with regards compliance with our RSL</p> <p>Increased knowledge of own staff and suppliers on how to avoid harmful chemicals</p> <p>Application of Risk Matrix on all styles to secure the 'right' products are tested for harmful chemicals</p>
<b>PROFIT – FINANCIAL RESPONSIBILITY</b>				
<p>Principle 10: Work against corruption in all its forms, including extortion and bribery</p>	<p>With regards to anti-corruption, we support the 10th principle of the UN Global Compact and apply a zero tolerance approach against corruption in all its forms, including extortion and bribery. To further safeguard our Company against illegal activities and to identify corrupt practices we apply our whistle-blower system which provides a confidential system through which employees can report misconduct.</p>	<p>Anti-Corruption policy</p> <p>Compliance Hotline</p> <p>Code of Conduct</p>	<p>Established Anti-corruption policy</p> <p>Established Compliance Hotline</p>	<p>Resolved one issue reported to the Compliance Hotline</p>