

IC COMPANYS
**CORPORATE RESPONSIBILITY
REPORT 2014**

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 these 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 2013/14. 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

IC Companys recognizes that the Group is part of an industry with many corporate responsibility (CR) challenges both in terms of complex supply chains and resource challenges. These challenges are taken seriously and the Group has adopted an overall approach of making sure that it is not a barrier to sustainable development. However, IC Companys would like to take it one step further and where possible work towards turning these challenges into opportunities. The Group therefore strives at employing its creativity and strong innovation skills to make a difference and contribute to sustainable development.

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.

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.

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.

For a complete description of the CR policy including our specific People, Planet and Profit policies, please see the table below and the corporate web page www.iccompanys.com/responsibility/

Highlights of activities in 2013/14

Continuous development of our implementation framework

IC Companys' CR implementation framework guides us in operationalizing our CR policies and in dealing with the dilemmas intrinsic to working with responsibility. We continuously assess and develop the framework, integrating international best practices to be able to make the right decisions.

In this financial year a key focus area has been the implementation of The Higg Index. The Higg Index has played a crucial role in engaging our value chain from designers to buyers and suppliers and in setting targets for our own performance.

Another main focus area is the analysis and assessment of risks in our value chain. We continuously work to establish a transparent overview that allows us to identify and dive deeper into areas where we see challenges and opportunities for improvement.

Consequently, we have joined the Better Cotton Initiative and the Leather Working Group, both initiatives whose aim is to better understand and improve conditions further upstream in the value chain. To further our understanding of our value chain and its impact we have also started an Environmental Profit & Loss (E P&L) project this year.

	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.

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 continued to fill the role of vice chair. This period also included the implementation of 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 Rana Plaza. DIEH has taken lead in the implementation of the project and has organized several high level meetings in Denmark and Bangladesh focusing on improving industrial relations in the apparel industry in Bangladesh.

For IC Companys our 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.

The International Accord on Fire and Building Safety in Bangladesh

To date the Accord has done more than 1900 fire, electrical and structural inspections in 650 factories. Since IC Companys signed the Accord last financial year we have worked to support our suppliers in working with the Accord. All our suppliers in Bangladesh have been inspected by the Accord and we are working with them to make sure that the corrective action plans are implemented. Although the inspections showed several shortcomings which reflect the state of buildings in Bangladesh none of our suppliers had critical flaws which threatened the structural integrity of the building.

All of the Group's suppliers in Bangladesh have also been trained on fire and building safety by a joint effort from Business Social Compliance Initiative (BSCI) and Worldwide Responsible Accredited Production (WRAP) which is an independent, objective, non-profit team of global social compliance experts.



The new BSCI Code of Conduct brings the development approach that the organization and its participants strive towards to the next level. With the implementation tools, the scope of these principles will be elaborated on. The Code also incorporates various new elements that reflect recent developments in the field of corporate responsibility, including the dialogue around fair and living wages and the UN Guiding Principles on Business and Human Rights. Through discussions in the BSCI Stakeholder Council, as well as through an open consultation process, stakeholder input was taken into account during the revision process."

[Marieke Weerdesteijn, Chair, BSCI Stakeholder Council, Solidaridad (BSCI Annual report 2013)]

BSCI (Business Social Compliance Initiative)

Since joining BSCI in 2007, BSCI has played an important part of IC Companys' work on responsible value 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.

An important achievement for BSCI this year has been the launch of the new Code of Conduct. Informed by an extensive consultation period, the new Code was published in January 2014. The BSCI Code now formally emphasizes the importance of empowering every actor in the supply chain to take responsibility for improving working conditions. The revised Code of Conduct provides a firm foundation for the continued growth of capacity building which is very much in line with IC Companys' focus on training. Furthermore, The UN Guiding Principles on Business and Human Rights are also embedded in the new Code of Conduct which emphasizes among other things the due diligence process. In IC Companys we welcome the new Code of Conduct as it overall approach is well aligned with our approach and the approach of the Sustainable Apparel Coalition in terms of having a strong emphasis on a development approach.

Supplier Scorecard

We have increased the use of our supplier scorecard, which was implemented in 12/13. Parameters like quality, price and delivery together with CR parameters forms a solid base for promoting a dialogue between our suppliers and IC Companys. In 13_14 80% of our spend was channeled through suppliers who were covered by our supplier scorecard.

The feedback from our suppliers has been positive. The dialogue not only strengthens our partnerships but our suppliers have also welcomed measurable performance targets and have been able to utilize the scorecard information internally. We will continue developing and rolling out the score card together with our suppliers.

The Higg Index – people part

During this financial year we have implemented the social/labour part of the The Higg Index, both at a brand and supplier level. Peak Performance has led the way and has provided training to all partner suppliers on working with The Higg Index. See more information about The Higg index under 'Planet'.

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 the same score as last year on Satisfaction & Motivation (72 points which equals high satisfaction and motivation). On Loyalty this year's score continues to be high by scoring 79 points though one point down from last year's survey.

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.

Sustainable Apparel Coalition - Engaging Key Stakeholders

The Higg Index is a tool developed by the Sustainable Apparel Coalition (SAC). The implementation of this tool has been one of the Group's key focus areas during the financial year 2013/14. SAC is an organization bringing together some of the key players in the fashion industry accounting for approximately 40% of the world market for apparel and footwear. SAC leads the way in creating a common sustainability standard throughout a product's full lifecycle - both environmentally and socially. SAC's core tool, The Higg Index, allows companies and suppliers to benchmark their scores against other users of the index in a transparent forum, supporting a new, partnership-based approach to value chain management. Since IC Companys joined SAC last financial year, the Group has participated actively in developing The Higg Index and implemented all three modules of the index – the product, the brand and the facility modules.

For more information on the Sustainable Apparel Coalition, please see www.apparelcoalition.org.

The Product Module – Rapid Design Module (RDM)

The aim of the RDM is to provide designers and buyers with a tool to be able to compare the sustainability of different materials, manufacturing processes etc., already during the pre-production phase. The product module has been implemented in Peak Performance which applies the module to a large number of product categories.

Using the RDM has created increased awareness on the sustainability of different design choices and increased the dialogue and collaboration between designers and buyers. This has also spurred creative thinking and dialogue with the supply chain on how to implement new sustainability initiatives.

The Brand Module

By using the brand module, companies are able to score their own performance on both environmental and social/labour issues, and then share the scores online with other value chain partners. IC Companys has used the brand module in Peak Performance and in IC Companys' corporate entity and has shared these scores. This enables the Group to benchmark its scores against other Higg Index users. Peak Performance has been pioneering this work and managed to reach its target this year by doubling its Higg Index score. This was achieved among others by rolling out the facility module to Peak Performance's partner suppliers and by implementing the Rapid Design Module.

The Facility Module

The facility module is targeted at raw material suppliers and producers to allow them to score their performance on environmental and social/labour issues. IC Companys has used the facility module for training our suppliers. Besides developing their capacity to work with The Higg Index, this module has also been used as a way to build trust and transparency in the value chain. When the IC Companys connects with a value chain partners using The Higg Index, the Group automatically shows them its scores. The index is not just another audit tool, but a tool that will help the users identify opportunities and potential for improvements in the value chain, and how stakeholders can work together to find sustainable solutions.

Clevercare – reducing climate impact and extending the life of garments

The biggest opportunity for reducing environmental impacts across the full lifecycle of clothes is to extend the use phase. A WRAP (Waste and Resource Action Programme) report published in 2012 asserts that carbon, waste and water footprints are reduced by around 20-30% each if the active life of garments is increased by only nine months. Clevercare aims to raise consumer awareness about the fact that caring for their clothes will extend its durability – thereby creating both economic and environmental benefits.

Peak Performance has joined the new care label initiative which was officially launched during Copenhagen Fashion Summit in April 2014. Peak Performance will be the first Group brand to implement Clevercare in January 2015. The aim is implement Clevercare in the other Group brands after a test period in Peak Performance.

Leather Working Group

The Group has joined the Leather Working Group in order to find feasible solutions on the challenges in the leather supply chain. Leather production may pose a high risk area which consequently makes it an issue that has the Group's full focus. The chemicals used in tanneries preparing raw leather potentially harm both workers and the surroundings.

IC Companys believes that its membership of The Leather Working Group will help create a more transparent leather supply chain. In cooperation with the suppliers IC Companys is working towards ensuring that the tanneries are contacted and urged to become members of Leather Working Group. The tanneries will, after training and audits, be graded according to the level of compliance. IC Companys has initiated this process among its suppliers in India, who are now engaged in this process on different levels. The tanneries are expected to be audited first time in the autumn of 2014 after ongoing preparation by consultants. IC Companys next step is to approach its Chinese leather suppliers in the autumn of 2014 to start the process in China.

For more information on the Leather Working Group, please see www.leatherworkinggroup.com.

Better Cotton Initiative

Cotton is arguably the world's most important natural fiber. However, some elements of the farming methods may pose threats to the sustainability of the cotton industry and the livelihoods of the farming communities that depend on this valuable crop.

To work strategically with these challenges, the Group has become a member of the Better Cotton Initiative (BCI). IC Companys is committed to procure Better Cotton and promote the idea of a more healthy and sustainable cotton production. Furthermore, the Group supports the education of the cotton farmers by working together with the partner Solidaridad (NGO).

The Group believes that through cooperation with BCI and setting a common industry standard for better cotton production, the Group has an opportunity to contribute to a more transparent and sustainable fashion industry.

During 2015 the Group will start a pilot project with the supply chain in Peak Performance in order to incorporate BCI cotton in their production.

For more information on the Better Cotton Initiative, please see www.bettercottoninitiative.org.

THE ANGORA CASE

In November 2013 a video was going viral on social media showing an angora rabbit being plucked. For IC Companys it was a great shock to discover that this method has been used to produce angora wool. IC Companys immediately stopped production of all angora products and started a dialogue with our stakeholders including our customers, own employees and suppliers to explain our actions and to find a solution. We quickly found out that no solution in terms of an audit protocol for rabbit farms existed and then set out to develop one in collaboration with an external service provider - SGS. With the development of the audit protocol, we did an audit which the nominated farm passed and then set out clear rules that only angora from this farm can be used for all IC Companys' angora products. The audit also showed that the hairs were cut and never had been plucked at this particular farm.

CLIMATE POLICY

As members of a global industry we have a responsibility for reducing our carbon footprint. We believe that taking charge of our carbon footprint is not only a sustainability imperative but also a way to future-proof our business to be able to keep growing while respecting the boundaries of our planet.

For IC Companys this entails focusing on the leverage points where we can make the biggest difference in terms of climate change. Among others, we use Environmental Profit and Loss accounting and The Higg Index to learn more about our biggest challenges, where we can foster change and help set industry benchmarks. Knowing the climate impacts throughout our value chain means we can make better decisions in the design phase and in the way we source products.

Finally we are aware that our actions alone only account for a minute share of our industry's carbon footprint and we therefore participate actively through various organizations in making the fashion industry more sustainable.

Environmental Profit and Loss project

To implement our Climate Policy we need to know even more about where we have opportunities and leverage to reduce our CO2 footprint. To arrive at this point we have started an Environmental Profit & Loss (E P&L) project. The aim of the project which we are doing in collaboration with the Danish Environmental Protection Agency and leading international experts is to be able to put a financial value on our environmental impact. The E P&L will show us where in the value chain we have the biggest environmental impact and we will be able to compare our impact on water, GHG, land use and air in monetary terms and identify sustainability hot spots. The E P&L will also show us the environmental impact of different choices of materials and hence also complement our work with the Rapid Design Module. The results will be ready in the Autumn of 2014.

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

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 2013/14 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 2014/2015

In the next financial year IC Companys will continue to work hard to have even better systems and processes in place for implementing our CR efforts across the board.

Furthermore, our membership of the Sustainable Apparel Coalition and the implementation of the Higg Index will continue to be an important driver for our CR work in 2014/15 focusing on engaging the whole value chain even more from designers to buyers and manufacturers. Moreover, we will continue our work on selected upstream projects which will include the Better Mills Initiative, aimed at achieving measurable improvements in the textile dyeing and washing sector, besides our support to the Leather Working Group and the Better Cotton Initiative.

Moreover, IC Companys will finalize the implementation of the anti-corruption policy.

CR ACTIVITIES AND RESULTS 2013/2014

PEOPLE – SOCIAL RESPONSIBILITY

POLICIES CONNECTED TO PRINCIPLES 1-6 IN THE GLOBAL COMPACT	
IC Companies 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 Companies as well as in	cooperation with our suppliers. 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.
PROCESSES	ACTIONS AND RESULTS
INTERNALLY	
CR Integration in relevant departments, managed by corporate CR Manager	CR team established in Peak Performance. Workshops and training successfully completed.
Consultation Committee with participation of management and employees representatives	Half yearly meetings, memos and action plans shared with all employees.
Annual employee surveys	This year's employee survey shows the same score as last year on Satisfaction & Motivation (72 points which equals high satisfaction and motivation). On Loyalty this year's score continues to be high by scoring 79 points though one point down from last year's survey.
Social/labour part of The Higg Index - Brand module	The brand module was implemented in Peak Performance and in IC Companies' corporate entity. The results have been employed to set new targets and benchmark our efforts against our peer members of the SAC
EXTERNALLY	
Country risk analysis	Is conducted continuously on all sourcing countries as part of human rights due diligence.
Business Social Compliance Initiative (BSCI) Code of Conduct	63% 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.
Social and labour part of The Higg Index – Facility module	Trained Peak Performance's partner suppliers on how to use The Higg Index.
Supplier scorecard incl. CR indicators linked to BSCI	The supplier score card has been rolled out to all preferred suppliers covering 80% of our total volume. High level discussions based on the score card every 6 months.
Bangladesh Accord on Building and Fire Safety	All suppliers have been inspected by the Accord. The Group ensures in cooperation with the suppliers that corrective actions are implemented.

PROFIT – FINANCIAL RESPONSIBILITY

POLICIES CONNECTED TO PRINCIPLE 10 IN THE GLOBAL COMPACT	
Zero tolerance approach towards corruption in all its forms. Whistle-blower system, which provides a confidential system to report misconduct.	
PROCESSES	ACTIONS AND RESULTS
INTERNALLY	
E-learning on anti-corruption	Waiting for roll out plan in autumn 2014.
Compliance Hotline	One case was reported in this financial year which was handled by the CR Compliance Committee.
Anti-Corruption policy	No cases.

PLANET – ENVIRONMENTAL RESPONSIBILITY

POLICIES CONNECTED TO PRINCIPLES 7-9 IN THE GLOBAL COMPACT

IC Company's supports the UN Global Compact's principles for the environment by continuously assessing our environmental challenges and following the overall principle of taking a precautionary approach to environmental challenges.

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.

Climate Policy

As members of a global industry the Group has a responsibility for reducing its carbon footprint. The Group believes that taking charge of its carbon footprint is not only a sustainability imperative but also a way to future-proof its business to be able to keep growing while respecting the boundaries of the planet.

For the Group this entails focusing on the leverage points where the Group can make the biggest difference in terms of climate change. Among others, the Group uses environmental accounting according to the Environmental Profit and Loss method (EP&L) and The Higg Index to learn more about where the Group can foster change and help set industry benchmarks. Knowing the climate impacts throughout the value chain means that the Group can make better decisions in the design and sourcing phases.

PROCESSES	ACTIONS AND RESULTS
INTERNALLY	
HQ chemicals knowledge center	Continuous training of own employees and value chain partners.
Risk Matrix and supporting guiding documents for avoiding harmful chemicals	Continuously updated on a weekly basis.
Restricted substance list (RSL)	Implementation of new and more ambitious RSL
Environmental accounting according to the Environmental Profit & Loss method (EP&L)	Process on track, results due autumn 2014.
Rapid design module (RDM)	40% of all Urban products and 20% of all Active products from Peak Performance have been evaluated using the RDM
Environmental part of The Higg Index – Brand module	The brand module was implemented in Peak Performance and in IC Company's corporate entity. The results have been employed to set new targets and benchmark our efforts against our peer members of the SAC.
EXTERNALLY	
Training of suppliers	Training on chemicals by MTS of 76 participants from suppliers in Shanghai and Hong Kong.
Supplier scorecard incl. indicators on harmful chemicals	The supplier score card has been rolled out to all preferred suppliers covering 80% of our total volume. High level discussions based on the score card every 6 months.
Better Cotton Initiative (BCI)	Pilot project with Peak Performance, roll-out in 2015.
The Leather Working Group (LWG)	Ongoing process. First roll-out with consolidated Indian supplier base in 2014. Consolidated Chinese supplier base will start roll-out in autumn 2014.
Clevertcare.org	All Peak Performance products will have a Clevertcare label from January 2015. After test-period and evaluation, a further roll-out.
Angora	Development of audit protocol and passed audit for the Group's nominated angora supplier. Process established that all angora will be source from this supplier
Environmental part of The Higg Index – Facility module	Trained Peak Performance's partner suppliers on how to use The Higg Index.