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**EUROPEAN LINGERIE
GROUP**



EUROPEAN LINGERIE GROUP AB

SUSTAINABILITY REPORT

For the year ended 31 December 2019

It is the core principle of European Lingerie Group to pursue our goals through innovation and sound, responsible business practices and contribute to a sustainable society.

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Our aim is to stay relevant for consumers today and tomorrow. We do so by developing a vision on sustainable fashion that goes well beyond simply achieving financial targets. We are committed to doing business in a way that respects the environment and engages with society, and in doing so creates positive added value for our customers, employees and other stakeholders.

HISTORY

ELG operations date back to October 2005 with the foundation of LSEZ Lauma Fabrics SIA, a leading manufacturer of fabrics, laces and narrow bands for lingerie industry in Europe. Operations of LSEZ Lauma Fabrics SIA as such date back to 1969 when the company Lauma was established. LSEZ Lauma Fabrics SIA also manufactures and distributes medical textiles under the brand name Lauma Medical.

In June 2017 the Group acquired Felina International AG. The company designs, manufactures and distributes premium lingerie under the brand names Felina and Conturelle. Felina's history dates back to 1885, and its brands carry high brand awareness, being positioned in the upper mainstream product segment.

BUSINESS MODEL

ELG is a fully vertically integrated intimate apparel and lingerie group which produces lace and fabrics for largest lingerie brands under Lauma Fabrics brand name, medical textiles under Lauma Medical brand name, as well as designs, manufactures and distributes branded premium lingerie garments under Conturelle, Felina and Senselle brands. ELG also owns Dessus-Dessous, the largest online retailer of lingerie and swimwear in France.

The Group is headquartered in Sweden, European Union. The Group operates its own production facilities in Latvia, Hungary, Belarus and Germany. It trades in 46 countries and its markets include Germany, Austria, France, Italy, Spain, Belgium, Netherlands, Finland, Denmark, Switzerland, Sweden, Norway, Slovakia, Slovenia, Portugal, Poland, Czech Republic, Greece, Hungary, UK and Baltic States in Europe and USA, Canada, China, Australia and New Zealand, Georgia, Iceland, Sri Lanka, Morocco, Israel, Lebanon, Russia and CIS countries in the rest of the world.

This is the first sustainability report from European Lingerie Group AB (further ELG or the Group) and with it we wish to give the reader - our business to business partners, consumers, employees and other stakeholders - an understanding of our sustainability work and our path going forward.

Sustainability report has been prepared in accordance with the requirements of the Annual Accounts Act.

In June 2018 ELG acquired Dessus-Dessous S.A.S., the French leader in online sales of lingerie. The company specializes in online sales of luxury lingerie brands including Lise Charmel, Van De Velde, Simone Pérèle, Felina, Conturelle and others. Dessus-Dessous has been leading the French online lingerie market since 2000, offering a constantly up-to-date selection of over 150,000 articles from over 50 brands.

In January 2019 the Group acquired Yustyna OOO (later renamed to Senselle OOO), a lingerie ready garment producer in Belarus.

The Group's consolidated revenue exceeded EUR 77 million in 2019 and the combined workforce was over 1,200 people.

Vision

Our vision is to become the preferred supplier of lingerie in Europe, be it fabrics and materials for ready garment production, or ready garments for customers presented in various distribution channels.

Mission

Our mission is to be effective and innovative one-stop-shop for lingerie offering the very best for our customers in terms of quality, style and comfort.

Strategy - sustainable growth based on a responsible business policy

Following our vision to become the preferred supplier of lingerie in Europe, we aspire to remain

transparent, accountable and forward-thinking in our business decisions and operations.

Working toward the aim of sustainable and profitable growth we commit to conduct our business legally and in a responsible and sustainable manner that is ethically sound and concerned with the welfare of our employees, our communities, our stakeholders and the environment. We acknowledge that sustainable growth can only be based on a responsible business policy.

We are dedicated to promoting fair competition and ethical business conduct. These principles provide the best incentives for business efficiency and a competitive advantage. It encourages business development and innovation and it creates a wider choice for consumers.

Through good governance and compliance standards we ensure that we apply this commitment

and manage any risks that would undermine our responsibility, sustainability or the achievement of company objectives.

This commitment to a sustainable and responsible enterprise is interwoven with our corporate Code of Business Ethics. It contains our fundamental Group values and policies, guiding our relationships with each other and our stakeholders.

Governance model

ELG is working to create sustainability teams/managers dedicated to the development of environmental issues in its core business units. Sourcing departments in all companies of the Group are responsible for the social compliance of suppliers, vendor qualification, contract management, price negotiations, procurement process, optimization and export administration.

ECONOMY – JOB CREATION & ADDED VALUE

ELG creates jobs and added value in various countries and economies: Germany, France, Belarus, Latvia, Russia, Hungary, Poland, Spain, Portugal and other countries.

Manufacturing companies are located in Latvia, Belarus, Hungary and Germany, whereas the rest of the above mentioned countries are the loca-

tions for the Group development, sales and distribution companies. ELG gives employment to over 1,200 people worldwide (31 December 2019: 1,285 employees; 2018: 1,279). It is a continuous effort, as for instance, in Germany, Felina GmbH has more than 130 years of history and in Latvia, LSEZ Lauma Fabrics SIA has been the largest employer and taxpayer in the region for already more than 45 years.

LABOR PRACTICES – A HEALTHY CORPORATE CULTURE

Policies

We all share a responsibility for improving the world for which we live. Honesty, integrity and fair treatment of employees, associates, stakeholders, suppliers and customers are our fundamental values.

The foundation of sustainable growth is the well-being of our employees and the strength and motivation of our international team. Thanks to our employees' passion, ELG can keep on growing. We take pride in a business culture which motivates employees and that encourages working with passion. Human friendly entrepreneurship is our core principle.

To ensure the well-being of our people, we keep

our attention on sustainable, social and ethical responsibilities. ELG respects its employees and their human rights, and supports internationally proclaimed human rights conventions and guidelines wherever we operate.

Our policy on human rights and employment practices is based on internationally recognized human rights, including the International Bill of Human Rights and the International Labor Organization's (ILO) Declaration on Fundamental Principles and Rights at Work, which address freedom of association and collective bargaining, forced labor, child labor, and non-discrimination. German, Latvian and Hungarian subsidiaries have collective bargaining agreements and working contracts with the workers' councils.

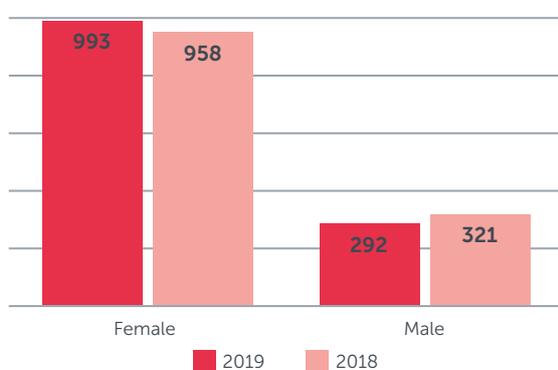
Risk areas

- Gender and age equality
- Absence of harassment and any kind of discrimination
- Safe and healthy workplace, including care of employees health

Actions

In ELG companies, there are equal opportunities for men and women alike, also in terms of equal pay. Almost 8 in 10 ELG employees are women. ELG ensures that people are not discriminated against on the basis of their gender. That also goes for age, religion or any other factor that can be the basis of discrimination.

Female versus male employees



The Group also has a strong female representation on the Management Board – 50% or 2 out of 4 members.

The Group pursues also equal opportunities in its companies for different age employees. The Group had the following employees age split at 31 December:

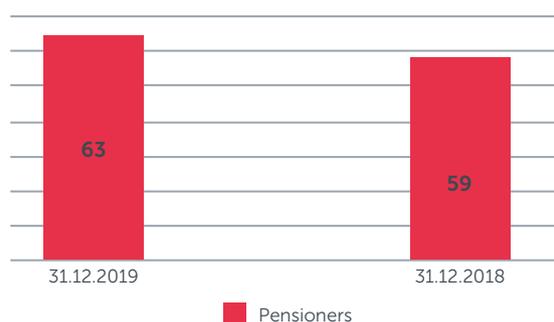
	2019	2018
Younger than 30 years	80	93
From 30 to 50 years	650	659
Older than 50 years	555	527
Total	1,285	1,279

The Group employs pensioners and people with physical disabilities:

Employees with physical disabilities



Pensioners



Each employee at ELG is the subject to our Code of Business Ethics, including the ELG Code of Conduct. It contains our general values and standards, but also our policy regarding ethical behavior.

ELG is a good, safe, healthy and professional place of work with an inclusive working environment. Thus, everyone shall behave with respect and integrity towards anyone you come into contact with through your work. ELG respects the right to a non-discriminatory workplace, free of harassment and discrimination. We do not tolerate working conditions or treatment of employees that are in conflict with international laws and practices.

As part of a healthy work place Felina Hungaria Kft. organises medical check ups for all employees including influenza vaccinations. The same employees are also acting socially responsible, as every year the company is organising a blood donation day where all the staff participates. Blood donations are also organized by LSEZ Lauma Fabrics SIA on a regular basis. The company also offers employees compensation for lunch in the local canteen and sport activities for employees and their families. Health insurance and/or compensations for health and gym are common in the Group companies, as well as professional training for the employees.

In addition, ELG is striving to attain additional official instruments and standards to strengthen and enforce our sustainable, social and ethical responsibilities. One of such initiatives has been joining

the Business Social Compliance Initiative (BSCI), for our newest business unit Senselle OOO in Belarus. Having obtained the certificate in May 2019, Senselle is the first lingerie producer to obtain BSCI A-grade certificate in Belarus. The main reason for obtaining the certificate is transparency of our high standards of the working conditions within the supply chain, social compliance and achievements in business sustainability.



By joining BSCI, ELG has become an active member of companies that cooperate and constantly network to further improve social compliance performance and to find common solutions for

current issues. BSCI unites over 1,000 companies around one common Code of Conduct with the aim to build an ethical supply chain with a step-by-step, development-oriented system. The BSCI Code of Conduct is built on the most important international conventions protecting workers' rights, notably the International Labour Organization's (ILO) Conventions and recommendations. Also our selected suppliers are BSCI certified (Far East) and comply with ILO regulations.

SUPPLY CHAIN – VALUE CREATION THROUGH VERTICAL INTEGRATION

Policies

ELG is a fully vertically integrated intimate apparel and lingerie group, supplying lingerie materials to all major intimate apparel brands and distributing own ready garment lingerie products through more than 5,000 points of sale in 46 countries worldwide and online.

Vertical integration is quite unique for the lingerie industry. The deep integration of the supply chain from fabrics to retail allows for efficient supply chain management, efficient inventory management across the whole supply chain and reduction of risk through controlling key elements of the industry value chain.

There is also high internal value-add from product design and collection management to own production sites that secure highest quality standards for our products. Vertical integration is the operational foundation to the Group's sustainable growth and innovation.

The basis of our efforts to build a responsible and sustainable supply chain is the compliance of each and every executive and employee within the Group with our ethical business practices. Based on this approach, we focus on supply chain management and responsible procurement of raw materials and works with suppliers and subcontractors to establish a responsible supply chain. Our priority

is to build sustainable relationships throughout the supply chain.

ELG is committed to sound business ethics in all our business activities and relations with stakeholders, both within our own operations but also with regard to external parties. We build relationships through honesty and integrity and we respect the laws and regulations in the countries in which we operate.

We comply with internationally recognized principles and standards so we can guarantee our customers that our products are produced and distributed under the best possible conditions for mankind and for the environment.

Risk areas

- Selection of responsible suppliers and subcontractors
- Satisfactory working conditions
- Production of environmentally friendly goods

Actions

To manage sustainability risks in the supply chain, we have it as our priority to ensure that we do not sell products produced under forced labour, in poor working conditions or products that have a dangerous impact on the environment. We comply with local regulations and national laws governing minimum wage, work hours, overtime compensa-

tion and environmental standards, throughout the supply chain.

We apply a disciplined approach when it comes to ensuring the quality of our products and protecting our customers and the environment. With the aim of ensuring high product quality, a more sustainable, environmentally friendly production and to both, maintain and enhance satisfaction, confidence, and trust, the Group companies and suppliers comply with internationally recognized production standards of Oeko-Tex, REACH and ISO. This is applicable for both, raw materials and also, for finished products, including ELG own brands, Felina, Conturelle and Senselle.



The STANDARD 100 by OEKO-TEX® is a worldwide consistent, independent testing and certification system for raw, semi-finished, and finished textile products at all processing levels, as well as accessory materials used.

To receive the certification, a company's product must be free of over 100 harmful substances to human health, according to Oeko-Tex Standard 100 and must be manufactured in environmentally-friendly facilities that apply socially responsible policies according to Oeko-Tex Standard 1000. OEKO-TEX® Standard 1000 is a testing, auditing and certification system for environmentally friendly operations along the textile chain. It includes all operationally relevant areas (management, production technologies, use of resources, quality assurance, safety precautions, social working conditions etc.) in its examination of sustainability). Oeko Tex Audit is conducted once every three years. Oeko Tex articles fulfill automatically also requirements of REACH (Registration, Evaluation and Authorisation of Chemicals).



REACH is a regulation of the European Union, adopted to improve the protection of human health and the environment from the risks that can be posed by chemicals, while enhancing the

competitiveness of the EU chemicals industry. It also promotes alternative methods for the hazard assessment of substances in order to reduce the number of tests on animals. To comply with the regulation, companies must identify and manage the risks linked to the substances they manufacture and market in the EU.



ISO standards are well-known internationally recognized quality standards. ISO creates documents that provide requirements, specifications, guidelines or characteristics that can

be used consistently to ensure that materials, products, processes and services are fit for their purpose. The most recently acquired (2019) is ISO 13485 for Medical devices (the Group company LSEZ Lauma Medical SIA), representing the requirements for a comprehensive quality management system for the design and manufacture of medical devices.

Where applicable, the Group companies also have certificate requirements for specific markets, e.g. Customs Union certificate. The Group medical products are registered in Health Agencies of its main markets - Russia, Kazakhstan, Ukraine, Moldova and Kyrgyzstan.

ENVIRONMENT – SUSTAINABLE VALUE CHAIN & OPERATIONS

Policies

At ELG, we take responsibility for the environmental impact of our value chain. Our everyday operation is an area where we can govern the greatest immediate difference. We believe in doing what is right in our industry, our community and our world. This includes conducting our business in an environmentally responsible way and opting for environmentally friendly suppliers.

Risk areas

- Sustainable raw materials consumption in production
- CO2 emissions
- Sustainable energy and water consumption
- Sustainable paper consumption
- Usage of environmentally friendly materials
- Waste minimisation

Actions

We are always looking for ways to reduce our environmental impact through better management of our resources, including energy consumption reduction and the application of reusable energy sources, maximising the use and reuse of materials (e.g. use of recycled plastic and compostable material, giveaways made of recycled, sustainable material) and the enhancing the efficiency of our supply chain via vertical integration, including the reduction of our shipping and transport needs and thus also the reduction of fuel use and CO₂. The table below demonstrates that the Group managed to decrease both the absolute consumption of fuel by its transport in EUR terms during 2019 compared to 2018 as well as fuel consumption per 1 EUR of generated revenue.

	2019	2018	Change, %
Total fuel consumption, EUR thousand	125	128	-2.3%
Fuel consumption per 1 EUR of revenue, EUR cents	0.16	0.17	-5.9%

We strive to manage the resources entrusted to us through thoughtful procurement of supplies, equipment and merchandise for our daily business operations. We are committedly taking steps to minimize waste generation, organize waste separation and maximize recycling, conserve energy and preserve natural resources and partner with environmentally responsible suppliers. All our major investments into production are oriented also to significant reduction of energy use (energy, water). As presented in the table below, the Group decreased its absolute consumption of utilities (electricity, water, gas and fuel) in EUR terms. Furthermore the decrease in consumption of all types of utilities per 1 EUR of generated revenue was even more outstanding.

Consumption, EUR thousand			
	2019	2018	Change, %
Electricity	1,290	1,338	-3.6%
Heating (gas+fuel)	1,141	1,297	-12.0%
Water	458	452	1.3%
Other	39	39	0.0%
Total utilities	2,928	3,126	-6.3%

Consumption per 1 EUR of revenue, EUR cents			
	2019	2018	Change, %
Electricity	1.66	1.82	-8.8%
Heating (gas+fuel)	1.47	1.76	-16.5%
Water	0.59	0.61	-3.3%
Other	0.05	0.05	0.0%
Total utilities	3.78	4.24	-10.8%

The largest manufacturing plant in the Group, LSEZ Lauma Fabrics SIA, is located in Latvia, which is ranked as the second greenest country in the EU, largely due to an abundance of natural resources (freshwater and forests) as well as producing a relatively low amount of greenhouse gases per capita and having a low consumption of nonrenewable energy. LSEZ Lauma Fabrics SIA acquires electricity by a local supplier Latvenergo, which is one of the most environmentally friendly electricity producers in the EU. In 2018, 47% of its electricity output were generated from renewable energy sources, mostly water.

Among our priorities is also minimizing the need for work travel, using modern ways of holding meetings, via Skype and video conferences, at the same time putting emphasis on green IT, minimizing the need to print out documents, to save trees and the environment. In our German operations, for our staff transport we are using monthly or annual season tickets, purchased en bloc from a regional transport association.



We are aiming to implement the use of sustainable, **FSC-certified paper** for catalogs and printed matter, including shopping bags. The FSC® logo signals to the consumer that it is made of wood from responsible forest management. The FSC® logo is awarded by the non-profit organization Forest Stewardship Council® (FSC®).

As mentioned above, to ensure a more environmentally friendly and sustainable value-chain and production process, our Group companies and selected suppliers are certified with internationally recognized production standards of **Oeko-Tex**, **ISO**, and **REACH**.

In addition, the Group has just started to use an environmentally friendly material **Tencel**, to pro-



duce different kinds of fabrics and also, the first finished product serie made with Tencel has been launched. Tencel is made by dissolving wood pulp and using a special drying process called spinning. This material is modified cellulose fiber and is biodegradable by microorganisms. Biodegradation in the soil, in compost and also in seawater has been tested and certified according to the valid guidelines EN 14046 (2003) and ISO 14855 (2005).

Tencel has incredible absorption characteristics and is 50% more absorbent than cotton. Because they're more breathable and less susceptible to odorous bacteria growth, fabrics made with Tencel are ideal for activewear. Tencel also requires less energy and water to produce than cotton.

We are looking for developing further fabrics and series with Tencel also in the future. Also, the company is looking into possibilities to use materials from recycled polyacrylate (PA) and polyester (PES) fibers in the production process.



Our production site in Dévaványa, Hungary (pictured above) uses own **solar panels** (yearly consumption covered by solar panels). This is an important part of our environmentally friendly policy to promote the use of reusable energy sources and also, enhance efficiency and cut costs.

Both of our production sites in Hungary (Dévaványa and Szeghalom) as well as the production site in Latvia, Liepaja also have LED lamps. This leads to a yearly reduction electricity consumption of 110.000-130.000 KW/h in Hungary and 800.000-900.000 KW/h in Latvia. Since 2015 the consumption in Szeghalom has been reduced by 16% and in Liepaja by 8%. In Szeghalom we use heatpumps (**geothermal heat**) and 70% of the needed heating and cooling volumes are produced by the heatpumps only, whereas the remaining 30% is bought (gas). There is waste separation in all production sites.



In 2019, ELG has made several major investments into production and innovation, with the aim of better quality and delivery performance, alongside with reducing energy consumption and waste. LSEZ Lauma Fabrics SIA acquired a new **finishing machine/stenter** that uses a heat-recovery system **ECO-HEAT®**. The process makes use of the energy

potential of the exhaust air in order to heat up fresh air via heat exchange system. The heat exchanging process between hot exhaust air and cold fresh air leads to a condensation of the contaminated particles of the exhaust air flow. Therefore the heat recovery system contributes to the purification of the exhaust air. The ECO-HEAT heat recovery system directs the heated fresh air back into the stenter. The new lace machine, also acquired for LSEZ Lauma Fabrics SIA in 2019, increases capacity and also reduces wastage due to less knitting errors.



In the recent years, ELG has also made considerable investments into its dye-house modernisation at LSEZ Lauma Fabrics SIA plant, installing 14 new dyeing machines and using **ECODYE** for dyeing processes, which is considered to be ecologically the best PES dyeing process. The use of ECODYE requires significantly less resources in terms of water, time and energy consumption while at the same time reducing CO2 emissions and protecting the environment - 30% shorter process time, 25% lower water consumption and 20% lower energy consumption. The Group manufacturing also opts for environmentally friendly products for its specific needs, including halogen-free retardant, formaldehyde-free aftertreatment agents (fixation agents) and phosphorus-free complexing agents.

For ELG, acting responsibly towards the environment includes the work-environment and the safety and well-being of our employees. How our facilities impact our employees is important for us. Our facilities encompass the modern standards for air quality, safety and cleanliness. We frequently evaluate the safety of our facilities to ensure and protect against the occurrence of any accidents or health hazards.

As a value-led business, we are committed to sustainable, responsible and thoughtful environmental behavior. We are pleased with our steps taken to date to reduce our environmental footprint. Going forward, our commitment is to consistently improve upon and expand our environmental efforts. We are constantly looking for ways to further improve our existing production processes - reducing the retreatment processes in dyeing/finishing and researching new technologies and opting for new and more sustainable and environmentally friendly products by yarn and chemicals suppliers. Together with our Group manufacturing companies, suppliers, partners and customers, we're helping to support a better environment.

ANTI-CORRUPTION

Policies

ELG applies Code of Business Ethics and local legislation requirements in anti-corruption activities.

ELG does not participate in, or through third parties (e.g. intermediaries), endorse any corrupt practices. Corruption refers to the abuse of entrusted power for personal gain. This includes, but is not limited to, bribery.

ELG does not give or offer outside parties (e.g. customers or potential customers, suppliers, consultants, governments, agencies of governments, or any representatives of such parties), any benefit or reward in violation of applicable laws and regulations or established business practices (if stricter than applicable laws), in order to obtain or retain business or gain an improper advantage.

Risk areas

- Corruption and bribery in the supply chain
- Corruption and bribery in meetings with B2B partners

Actions

We are working with education of all employees to increase the knowledge and anti-corruption is part of our Code of Business Ethics and therefore having focus during inspections and auditing of suppliers. The Group did not have any incidents of corruption or bribery reported in 2019 and 2018.

ELG supports international efforts to combat money laundering and the funding of terrorist and criminal activities. We are not engaged in unusual payment methods, or payments to unconnected parties, in contradiction to ELG policies. Money laundering is prohibited by ELG in line with the antimoney laundering laws of various countries.

CONCLUDING REMARKS

Our business is on a never-ending expedition. The further we go, the further we want to go. When it comes to sustainability, we are always thinking long term and pushing ourselves to go further.

We design garments that last. Our pieces are functional and contemporary but have the kind of classic cut you'll want to keep forever. In the same way, we value relationships that last – with our partners, our employees and our consumers. By building

lasting relationships, we build a lasting business. We also make resources last. By constantly improving our materials, processes and design, we create more performance with less impact.

And finally, we are devoted to make our planet last. The mountains, the streets, the trails – this is where we adventure. Yesterday, today and tomorrow: our never-ending expedition.

Stockholm, 17 August 2020

Carl Oscar Edgren
Chairman of the Board

Dmitry Ditchkovsky
Board member

Indrek Rahumaa
Board member

THE AUDITOR'S REPORT ON THE STATUTORY SUSTAINABILITY REPORT

To the general meeting of European Lingerie Group AB, corp. reg. no: 559135-0136

Engagement and responsibility

The Board of Directors is responsible for that the statutory sustainability report has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination of the statutory sustainability report has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's report on the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with Interna-

tional Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinion

A statutory sustainability report has been prepared.

Stockholm, August 17, 2020

Ernst & Young AB
Oskar Wall
Authorized Public Accountant