



dk company

RESPONSIBILITY REPORT 2022



Statement on responsibility

Under the Danish Annual Accounts Act sections 99a, 99b and 99d large companies shall publish a statutory non-financial statement on corporate responsibility and a statement on diversity and data ethics.

The statements are part of the Management Review of the Annual Report. In 2022 they are included in our Responsibility Report. The report describes our work with material sustainability matters including our targets, measures and performance indicators.

It addresses the required aspects of environmental matters including climate, social and employee matters, respect for human rights and anti-corruption and bribery matters as well as the required information on diversity and data ethics.

The reporting date is 31. December 2022. Major activities that happened after this date were also included.

The report is available on the DK Company website.

The board approves that the responsibility report has been prepared according to the Danish Annual Accounts Act and that it gives a fair presentation of the risks, impacts and policies the company have and the results of the work it conducts.

The statutory responsibility statement has been approved for issue by the Board on the 11. May 2023.

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Letter from our founder and group CEO

The sustainability issues of the global apparel industry are well documented. Global warming, biodiversity loss and water pollution are some of the global environmental problems, where we as an industry must contribute with solutions. We must also protect human rights and improve social conditions.

Our business activities will always leave an impact on the environment, but at DK Company we want to contribute to the sustainable development of the planet.

I am thankful for the efforts of our employees and suppliers to improve environmental, social and ethical impacts over the past years and during 2022. Their tangible results document the genuine wish of us as a group to change how we do things and continuously improve.

We set stretch targets

The sustainability challenges, we face, are unprecedented in scale and complexity, and the solutions require extraordinary measures.

As a company we take great pride in being ambitious and deliver results. We talk less about what we wish to do, and more about what we have accomplished. In our business planning we set goals, that we know how to achieve.

Our approach to sustainability is different. To deliver on our commitments to sustainable development we have decided to set stretch targets. They define where we want to go, but we may not yet know, how to get there. The targets force us to try harder and to think new, but we also run the risk of not being able to meet them all the time.

Every apparel company working seriously with sustainability topics is facing the same dilemma: Setting bold stretch targets and facing implementation challenges to reach the aspirational goals.

We should remember to celebrate

The industry has made substantial improvements over the past years. In times where companies increasingly fear accusations of green-washing, we should not forget to celebrate our progress.

Celebrating our achievements must not make us complacent. It should increase motivation and momentum by creating a sense of ownership and pride.



"Our blooming concept includes the environment, our customers and employees and the workers in our supply chain as key stakeholders to win from our business activities. When they don't thrive, we cannot exist in the long term."



Implementation is difficult

We should also allow ourselves, as an industry, to increasingly speak openly and honestly about, how difficult implementation is.

As a group with 26 brands, we face the complexity of implementation on a daily basis. What is readily achievable for one brand can be very difficult for another. To stay competitive there is seldom one-size fits all.

At the same time many improvements cannot be made by any of our brands alone or us as a company.

Progress for us and the industry is heavily dependent on scalable innovations, industry solutions, legislation and the apparel supply chain. It is our group strategy not to have own production. We make our products with trusted suppliers. We have worked with many of them for years, and we will continue to do so.

For us to change, our suppliers must change. That may not happen as fast as we wish, but we believe in the value of cooperation and long-term relationships. Together we are stronger.

We welcome joint measures

We all work towards goals for 2025 or even 2030 and 2050. Numbers don't lie, and a common lan-

guage with recognised measures will support our industry in measuring real progress. We therefore welcome efforts to create joint quantitative measures for sustainability like the Science Based Target initiative and the EU Corporate Social Responsibility Directive. We look forward to report on our progress and challenges with audited sustainability statements.

Our progress on sustainability

I am impressed of the progress made, by our corporate sustainability team, our local compliance teams and our brands, on sustainability in 2022, although not every brand met every target, and we as a company may not meet all targets on time.

The teams worked hard to implement more sustainable materials and to increase transparency on products, chemicals, social conditions and environmental impact throughout our supply chain.

They participated in promising national and international industry initiatives from human rights protection to circularity. We also continued our work on avoiding overproduction and empty turnover. This required substantial investments in never out of stock (NOOS) programs.

I continue to be proud, that we contribute to economic growth and prosperity, in the countries where we operate. We directly employ 2,400 em-

ployees, and through our business activities and long-term supplier relations, we create jobs for and support the families of more than a 100,000 workers in our supply chain.

All employees and workers should be treated with dignity, and I am pleased with our systematic work and progress on improving social conditions together with our suppliers.

The way forward

Our employees have strong opinions on and knowledge about sustainability. We ask our brands to reach their targets and to explore innovative solutions. After all this is, what historically have made us competitive and successful: Brand diversity, initiatives, decentral responsibility and group learnings.

Circularity is one of the sustainability themes, where we cherish brand diversity. It is multi-dimensional, and our industry is still experimenting with design practices and new business models. So should our brands. We appreciate their efforts, and they should continue to experiment and find their unique circularity identity within the DK Company group strategy on circularity.

In our new expanded offices, we have given sustainability a very prominent home, that should be a learning and go to place for all our brands. We look forward to move in.

I trust that stretch targets, an honest conversation about implementation, and the innovative power of our brands, our group and the industry, will make us contribute to economic growth and sustainable development.

Jens Poulsen, founder and group CEO

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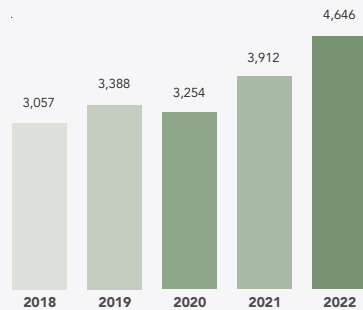




ANOTHER RECORD YEAR

18.8%

The record result for 2022 is based on Organic growth



Development in revenue (DKK MILLION)

26 BRANDS

MY ESSENTIAL WARDROBE

GESTUZ

KAREN BY SIMONSEN

CULTURE

Saint Tropez

BON'A PARTE

fransa

FQ1924

KAFFE

BLEND

b.young

ATELIER REVÊ

ICHI

CASUAL FRIDAY

CREAM

Matinique



PULZ JEANS

InWear

SOAKED

!SOLID



LOUNGE NINE

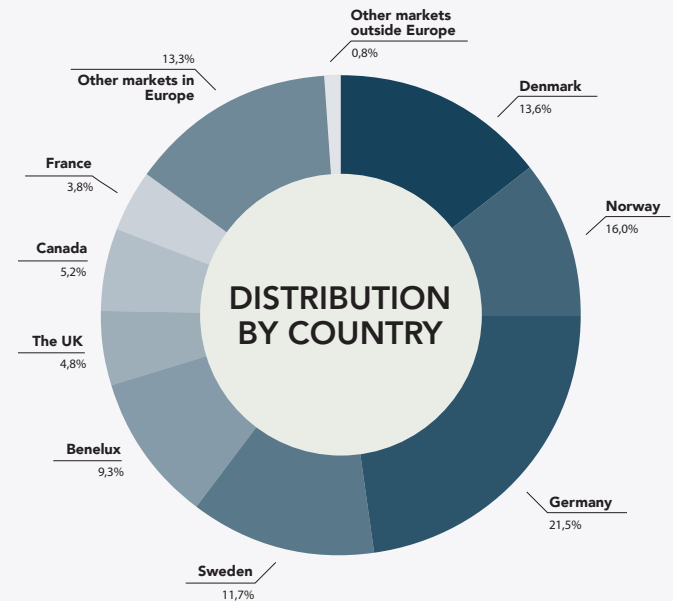
sorbet

KAFFE curve

PART TWO

fransa PLUS SIZE SELECTION

TheJoggConcept



1 DK Company has based the business on selling to more than 16,500 selling points.

Selling points **16,500**

2 One of DK Company's strengths is its strong geographical presence in more than 35 countries worldwide.

Countries **35**

3 DK Company's portfolio consists of 450 shops: fully and partly owned, franchises, consession and consignment.

Shops **450**



The Blooming Concept

DK Company's strategy is to be among the leading multi-brand suppliers in Europe in the mid-market. This strategy has proven strong, as the diversification into 26 brands has ensured increased earnings and revenue over the past 20 years. Moreover, DK Company's collections are represented in 35 markets, which reduces dependence on individual markets, thus providing the DK Company Group with considerable risk diversification, which helps to ensure continuous growth.

DK Company's sales channels are divided into wholesale, retail and e-commerce. The main activities of wholesale are the design, marketing, sale and distribution of brands to both women and men. The retail segment consists of 161 shops, which are wholly or partly owned by DK Company or operated on a franchise basis.

A number of brands have a total of 289 concession and consignment agreements with a number of European department stores. All the Group's brands are sold on the Group's e-commerce platforms. In addition, several brands are sold through partners' web shops.

The Group has its own designers and buyers in Denmark, and the collections are mainly produced in China, India, Bangladesh and Turkey. In China, Bangladesh and Turkey, DK Company has its own purchasing departments. Most of the collections are delivered to warehouses in Denmark, from where they are distributed to customers. A minor part of the collections is delivered directly to customers. Fulfilment centres in Poland and Germany handles e-commerce distribution.

“DK Company is a fashion group with the will and courage to stand out. Believing in soft values and being willing to follow the Blooming Concept”

DK Company sees more opportunities for growth in all business areas. Being present in 35 markets means there is untapped potential for additional sales in the markets already established.

Having 26 well-established brands provides the foundation for implementation of the strategic ambition of being able to offer different retail concepts.

The individual concepts, primarily designed for women and based on the Group's most distinctive brands, are: b.young, Fransa, Ichi and !Solid. The retail concepts Companys and Designers Market embrace most of the Group's remaining women's brands and constitute the Group's primary multi-brand concepts.

DK Company offers its partners several exciting single or multi-brand concepts and a variety of brands which may be adapted to the needs and customer base of the individual shop.

The partner concept is defined as a close collaboration with partners each selling several of the Group's brands.

BUSINESS CONCEPT AND MISSION

DK Company is a fashion group with the will and courage to stand out. Believing in soft values and being willing to follow the Blooming Concept are the hallmarks of our corporate culture. DK Company's dedicated staff know that growth and a healthy economy depend on the Group's values and the active day-to-day efforts of the staff.

DK Company's multi-brand strategy is primarily based on brands providing 'value for money'. However, brands such as InWear, Part Two, Karen by Simonsen and Gestuz put DK Company in the high-end part of the mid-market, where focus is on 'luxury for less'. In both cases, the consumers should feel they get more than they spend.

DK Company aims to build long-term 'win-win' relationships between the Company, its employees, customers and suppliers – it is from here, the strategic concept of '4 x win' has emerged. The relationships are based on trust, proximity and mutual respect for the entire value chain.



OUR BUSINESS

THE BLOOMING CONCEPT

The strategy is based on 'The Blooming Concept' visualised by a flower. The flower is a living, organic symbol of growth. It has healthy roots and a stem, which is strong enough to support and nourish the colourful flowers.

The retail flower is raised slightly above the other three flowers of the Group's brands. This is an illustration of how all brands must be able to think and act as retailers to contribute to the development of the overall business.

The flower requires care, attention and constant development to maintain its unique attraction, and to stay strong and straight, which will enable us to make the most any advantages and stand up to any adversity. The stem is a symbol of corporate functions such as business solutions, IT, HR, logistics, warehouses and the finance department. The root system is the foundation of the flower, which is made up of DK Company's suppliers and purchasing departments.

This foundation constitutes the competitive nourishment for the petals, illustrating the individual brands which must flourish for the benefit of shops and customers worldwide. Customers are illustrated by bees buzzing around the flowers. The bees should be attracted to the many different brands of the flower, which are also meant to make the Group an attractive partner.

The purpose of the Blooming Concept is for the entire value chain from root system to bees to experience 'the magic of win-win'. The primary resources in this context are people, networks and relationships. Without these, the flower loses both energy and attraction, and thus risks losing earnings and growth. People, networks and long-term relationships are therefore crucial to the Group.

ENVIRONMENT

SOCIAL

GOVERNANCE

STRENGTH OF THE BLOOMING CONCEPT

Several years of the experience have provided DK Company with considerable expertise in the integration and consolidation of acquisitions. This has been made possible by the root system and the corporate functions of the flower, which have provided the foundation of and been adaptable to the increased activity. Consequently, the foundation has strengthened existing and new petals alike by providing greater bargaining power over suppliers in addition to the cost-effective systems which help create success for the individual brands.

While integrating and consolidating its acquisitions, DK Company has managed to adapt the overall portfolio of brands. When, for various reasons, a brand cannot be further developed or it no longer matches the Group strategically, it will be discontinued. This provides room for further attention to existing brands or introducing a new brand which can be easily integrated into the Group.

By means of its support functions and root system, the Group is able to acquire and integrate complementary enterprises and/or brands which benefit from the stability of the stem, thus enabling the individual brands to maintain focus on developing products for the sales channels.

Likewise, the work on harmonising the Group's IT platform, finance function and purchasing procedures has contributed to establishing a plug-and-play set-up, which makes future integrations more effective both in terms of cost and time.

Through the development and acquisition of retail concepts, the Group has strengthened the sales channels of the individual brands, and in combination with the partnership agreements,



the wide range of brands allows customers to do business with a significant partner, thus creating a win-win situation.

By applying the knowledge brought to the individual brands by retail, wholesale is drawn closer to the market development, which enables the supply of the right products at the right time.

The establishment of the Group's own e-commerce platform, which may be used by all the Group's brands, has strengthened this particular sales channel in recent years.

The collaboration with external e-commerce partners has been increasing in the past couple of years.

This experience forms the basis of DK Company's business concept – that is the ability to integrate and develop brands in a structured and cost-effective way.



Multi-Brand Strategy

DK Company's multi-brand strategy is based on a portfolio of 26 brands with a broad geographical presence in 35 markets. The Blooming Concept ensures that all brands retain their unique identity and design DNA. Synergies are created by using a number of corporate functions. The realised synergies have made the Group more resilient with respect to generating positive results.



STRONG GEOGRAPHICAL PRESENCE

One of DK Company's strengths is its strong geographical presence. Our collections are sold to 35 countries worldwide. The strategic acquisitions of reputable brands in recent years, including InWear, PartTwo, Matinique, Saint Tropez and !Solid, have strengthened DK Company's position especially in Norway and Germany, which are also the Group's largest growth markets.

In addition, DK Company have realised rather significant revenues in the other European markets, where a major part of the revenue related to, for example, Blend was generated in Southern Europe. This contributes to a geographical revenue diversification, which makes DK Company less vulnerable to fluctuations in the individual markets.

RETAIL

Historically speaking, most of the Group's shops have been run in collaboration with a third party, either on a franchise basis or through shared ownership with DK Company.

DK Company's portfolio consists of 161 shops, the majority of which is located in Norway, primarily in large shopping centres. In Norway, b.young is the prevailing concept. A number of brands have entered into a total of 289 concession and consignment agreements with a number of European department stores.

When cooperating with a third party on the operation of a shop, DK Company uses one of two types of partnership agreements defined as follows:

- Partly owned shops, where DK Company participates by holding a controlling share and running the shop in cooperation with a local retailer.
- The franchise model, where partners run shops in the local area through presence and local knowledge.

The day-to-day business is supported by the DK Company's retail organisation, for example via initiatives such as a customer club, advertising campaigns as well as accounting and other finance services.

PARTNERSHIP AGREEMENTS

Historically, DK Company has based its business on wholesale and is selling its goods to more than 16,500 selling points primarily in Europe. Most of the Group's revenue originates from such business.

In order to create maximum synergy in the collaboration with external distributors, DK Company has entered into partnership agreements with the Group's distributors.

The purpose of such agreements is to ensure a close collaboration and create win-win situations between DK Company and its distributors. The agreements support the collaboration by affiliating several brands through a multi-brand agreement.

It is DK Company's ambition to become the preferred partner in the mid-segment. Our goal is therefore to expand the number of multi-brand agreements with the Group's wholesale customers to create unique opportunities for both parties.



Corporate responsibility at DK Company

DK Company's work with corporate responsibility covers environmental topics as well as social and governance topics.

Some topics are regulated by law or authoritative international instruments, and other topics will be regulated.

We define our company ambitions and priorities in the context of these requirements, and the expectations of our customers, employees and other important stakeholders.

Since the topics of sustainability and corporate responsibility are developing with record speed, the most urgent priorities are also evolving and new topics are joining the agenda.

This report describes our current priorities and future priorities as we see them in May 2023.

During 2023 and 2024 we are conducting a review of our sustainability strategy including a materiality assessment according to the guidelines of the EU CSRD.





Key principles and ambitions of our sustainability work

We want to do what is right, and we believe in responsible wins for the planet, employees, suppliers, customers, communities and for our brands.

We support sustainable development and focus on improvements resulting in less harm and doing more good through the power of diversity, initiative and cooperation among our people and brands and our customers, partners and industry stakeholders.

We want to be an attractive workplace, and we work for the health, well-being and development of our employees.

We support our customers with more sustainable offerings and substantiated sustainability information.

Our supply chain should be transparent, accountable and we understand our impacts through solid due diligence.

We reduce our emissions and meet science based targets with renewable energy and low energy choices.

We preserve natural resources through material choices, circularity, chemical management and sound environmental practices of our suppliers.

We protect and improve human rights and labour conditions through our purchasing practices, supplier training and industry cooperation.

We are humble and conduct our business activities with ethical integrity and legal compliance.

We do many things great, but we can do much better and we will.





Supporting sustainable development

It is part of the DK Company sustainability strategy to contribute to sustainable development as defined by the United Nations in the global Sustainable Development Goals (SDGs). In our business activities and sustainability work we contribute most directly to four SDGs:

Goal 8. We contribute to Decent work and economic growth through our business activities, where we create jobs in our own operations and in our supply chain. In our own operations we focus on the well-being and development of our employees. In our supply chain we emphasise long-term relationships and work for respect for human rights, decent jobs and continuous improvement of working conditions.

Goal 12. We contribute to Responsible consumption and production in our work to preserve natural resources. With our circularity initiatives we implement recycled and other more sustainable sourced materials and reduce waste and chemical use. We work closely with our suppliers on reducing our environmental impact.

Goal 13. We contribute to Climate action through our commitment to reduce our emissions in line with the Paris Agreement and set a Science Based Target by 2024. In 2022 we created full transparency on our emissions in scope 1, 2 and 3.

Goal 17. We contribute to Partnerships for the goals through our close cooperation with our suppliers in reducing environmental impacts and improving social conditions. We believe sustainable development is only possible through cooperation, and we participate in numerous industry initiatives on for example supply chain due diligence, circularity, more sustainable materials and climate action.

SUSTAINABLE DEVELOPMENT GOALS





Our sustainability priorities

Planet

Preserve natural resources

Suppliers

Protect human rights

Employees

Take care

Customers

Offer solutions

DK Company

Drive responsible business conduct

ENVIRONMENT

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Planet – Preserve natural resources

At DK Company we want to preserve natural resources and contribute to leaving nature in a better state than when we started 20 years ago.



In the apparel industry environmental impact mainly occurs in the production of fibres, yarns and fabrics; sewing and finishing of products; transportation of the products to warehouses and customers and in the consumer use-phase through washing.

That is the case for land, animal and biodiversity impacts, water and chemicals as well as energy consumption and CO₂e emissions.

We can reduce our impacts through our informed choices of materials, production solutions and transport modes. We can inform consumers, and work with our suppliers and the industry on improvements that make a real difference.

The environmental impacts occurring from our own operations are comparably small. The water, electricity and heating used by our employees and warehouses, and the waste they generate is relatively small.

Thus, we can only improve together with our partners. We and our suppliers must first and foremost be compliant with statutory environmental requirements. This is part of our supplier code of conduct.

Additional environmental measures are regulated in our supplier manual through our chemical policy and requirements to environmental monitoring.

All strategic partners must measure their environmental impact and management systems with the Higg FEM tool from the Sustainable Apparel Coalition, and all other suppliers must use the BEPI tool from Amfori.

In our public material guide we define material priorities. Our internal material requirements define strict criteria to the content and documentation of materials to be defined as more sustainable. We are currently updating our claims framework,

defining what our brands are allowed to communicate about the sustainability credentials of their products and materials.

Our planet protection priorities are based on the UN's Sustainable Development Goals, the European Green Deal and the Science Based Target Initiative and organised around three focus areas

- Reduce CO₂e emissions in line with science
- Design and produce circular
- Cooperate with partners on environmental protection in the supply chain

We are working with initiatives and targets on each of the focus areas and continuously measure our progress. During 2023 we will integrate our numerous guidelines and supplier procedures into one integrated and updated environmental policy.

Environmental protection including climate protection is managed by our corporate sustainability team. The team defines standards, measures and guidelines for our external partners in the supply chain and for our brands.

Our local compliance team is monitoring and supporting implementation at partner factories. Ongoing material and production choices are taken by our brands. Executive Management is regularly involved in prioritisation and decision-making.

In our work to identify and develop suitable improvements we participate in many different partnerships and industry initiatives driving environmental protection.



CO₂e emissions

By committing to set a Science Based Target by 2024 we are planning to reduce our emissions in line with science

Limiting global warming and climate change is a tremendous challenge that can only be met through legislation, business leadership and innovation and major industry partnerships and initiatives. Under the 2015 Paris Agreement, national governments have committed to pursue the goal of a post-industrial temperature increase of well below 2.0°C or 1.5°C.

To reach such a scenario governments and business must cut emissions in half by 2030 and reach net zero emissions by 2050. In the apparel industry there is a consensus that this can only happen with emission reduction across the entire value chain, through a fossil free energy consumption driven by large-scale industry partnerships and initiatives.

Through our business activities we do emit emissions in our own operations and through the activities of our supply chain partners.

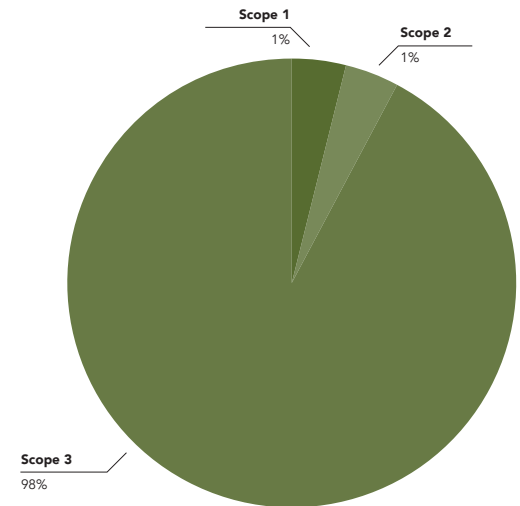
At DK Company we are committed to reduce our emissions. In 2022 we signed up to the Science Based Target Initiative, and we will develop a science-based reduction target over the next two years. In parallel we are already implementing reduction initiatives.

Since 2021 we are measuring our emissions according to the GHG protocol in our own operations (scope 1 and 2) and emissions outside our own operations (scope 3). For scope 1 and 2 we use actual energy consumption and emission factors. Emissions are calculated based on operational control and the market-based approach. For scope 3 we use activity-based emission factors from recognised databases. We also collected primary energy data for transportation from our logistic partners. We will increasingly use primary data for purchased goods and services through information from the Higg FEM reporting.



DK Company CO₂e emissions
100% = 141,000 tCO₂e

In 2022 DK Company emitted a total of 141,000 tCO₂e. Only 2% resulted from our own operations.





We will reduce our own emissions significant

In 2022 the emissions in our own operations were 3,404 tCO₂e. 44% were direct emissions from fuel consumption of our company cars. 56% were indirect emissions from electricity consumption and from energy for heating of our offices, warehouses and retail stores.

Compared to 2021 We increased emissions in scope 1 with 12%. This was driven by our sales force, that was able to visit customers again after Covid-lockdowns.

In scope 2 we decreased emissions with 4% despite increased activity in retail, offices and warehouses.

To reduce CO₂e emissions in our own operations we are investing in energy-efficient measures and increasing the share of renewable energy.

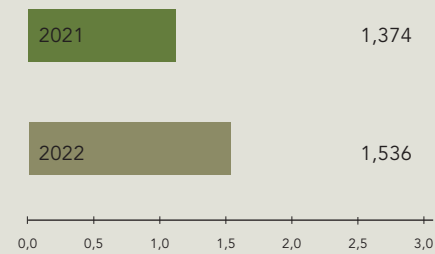
Our warehouse in Ikast Denmark is operated by a photovoltaic system on the roof that will be extended to cover the consumption of even more of our electricity use.

In Vejle we were able to convert our heating from gas to district heating.

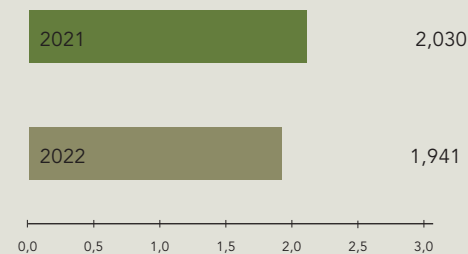
We will set a Science Based Target by 2024 and reduce our emissions significantly through a combination of energy efficiency measures and behavioral changes, purchase of renewable energy and own generation of renewable energy.

With the support of external energy experts our sustainability team has developed a draft road-map and estimated the required investments needed to achieve the reductions. This road-map is part of our science-based target development.

Scope 1 emissions tCO₂e



Scope 2 emissions tCO₂e





98% of our emissions are generated outside our own operations

Outside our operations in scope 3 we measure all emissions from purchased goods and services, transportation of our products to our warehouses and customers, waste generated in our warehouses and business travel. In alignment with the GHG protocol we do not cover the usage of sold products.

With 82% and 17% the manufacturing of our products and transportation of them represent almost all our emissions.

When we continue our company growth our absolute emissions will also grow. It requires large scale innovations and a fossil free supply chain to decouple growth and emissions.

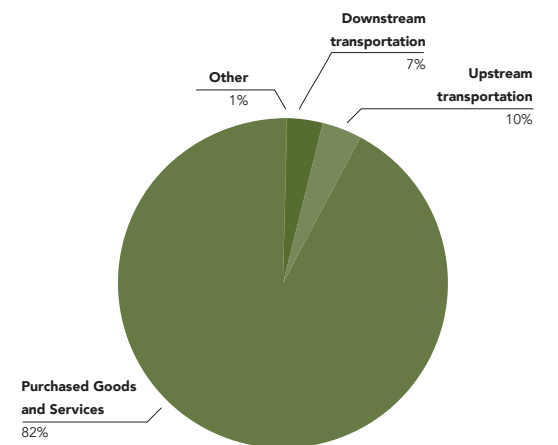
We will only be able to reduce the emissions resulting from our products through several levers and initiatives. The largest lever is the energy consumption and the type of energy used at our manufacturing and material suppliers.

We will work with our suppliers on adopting energy efficient production methods and implementing renewable energy.



DK Company CO₂e emissions outside own operations (scope 3) 100% = 137,000 CO₂e

In 2022 82% of our scope 3 emissions came from the production of our products.





Circularity and materials

In 2020 the EU adopted an action plan for circularity with the Circular Economy Action Plan. The apparel and fashion industry plays a central role in the plan and for the past years new regulation is being planned and enacted with record speed.

At DK Company we work with the many dimensions of circularity and are convinced that we can preserve natural resources by working more circular: reduce virgin inputs, design to recycle, minimise waste.

It is our first priority is to avoid overproduction and empty turnover. We should not produce more than we sell. We pursue this goal through strong order and stock management, reruns and our never out of stock (NOOS) programs.

In our material choices we continuously convert our collections and our packaging towards more recycled and less resource intensive materials.

In the development of a collection circularity starts with circular design including designing for longevity and recyclability. Over the next years it will be a requirement for all design teams to work with circular design principles.

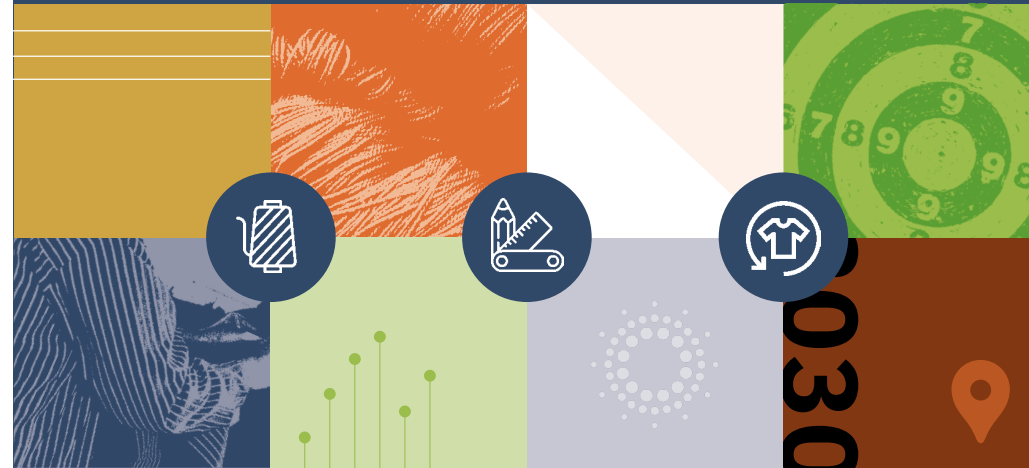
We believe such efforts should be industrywide and are currently participating in the Danish voluntary sector collaboration on textiles under the Danish Ministry of Environment.

Although many local and global circularity initiatives have yet to be scaled, the industry is testing and investing in everything from recycling technologies to waste legislation, rental and resale business models. The winning technologies and models remain to be seen, but a common denominator to all is the need for digitalized product information. We are therefore testing various solutions.



Action Plan 2030

Voluntary sector collaboration on textiles



In 2022 the Danish Ministry of Environment initiated a voluntary sector collaboration on textiles administered by the Lifestyle & Design Cluster.

The collaboration supports the EU Textile Strategy and has three goals on recycled materials, circular design and circular business models.

To date an action plan has been developed until 2030. With the final publication and communication of goals companies within the Danish textile and fashion industry can commit as signatories.

Together with other Danish fashion companies, sector organisations, the Ministry of Environment and the Danish Environmental Protection Agency DK Company has been a member of the steering group from the beginning and participating in the working groups defining the goals and the action plan.



"Circularity is one of the sustainability themes, where we cherish brand diversity. It is multi-dimensional, and our industry is still experimenting with design practices and new business models. So should our brands. We appreciate their efforts, and they should continue to experiment and find their unique circularity identity within the DK Company group strategy on circularity."

Jens Poulsen, Founder and Group CEO

Resale platform

In 2022 Gestuz launched their Gestuz PRE.LOVED platform, where consumers can buy and sell their used Gestuz styles.

GESTUZ



Jeans produced with less water and chemicals

Our jeans brand Pulz Jeans has systematically worked with circularity principles through better material choices and reduction of water consumption and chemicals in their jeans production.

Pulz Jeans has been testing and is implementing new ozon and laser washing techniques eliminating hazardous chemicals and using significantly less water.

In 2022 the first jeans produced with the ozon technology Wiser Wash were ordered for delivery in 2023.

On all orders placed in 2022 Pulz Jeans also met the DK Company more sustainable cotton goal with 100% Better Cotton, certified organic cotton or certified recycled cotton in styles with more than 50% cotton.

The brand also exchanged all its leather trims to a material made from cellulose.





Our strategy for more sustainable materials

The choice of fibres and materials has a major influence on the social and environmental impact of apparel. It is also central to circularity, as it influences the durability and wear of clothing, the drain on renewable or non-renewable natural resources and the ability to recycle used clothing at their end of life.



Our brands have implemented more sustainable materials in their collections for a while. Since 2020 they received guidance in their choices from our material guide.

At the end of 2020 we defined targets for the conversion to more sustainable materials for our main fibres cotton, viscose and polyester. We also defined targets for our smaller volume materials wool and leather.

The stakeholder demands to what can be defined as more sustainable are developing, and so are the legislative requirements to consumer communication.

This is for example reflected in the EU legislation on substantiating green claims and in the recent preferred fibre review from Textile Exchange, which is the largest authority on more sustainable fibres.

During 2022 we made our sustainable material criteria stricter.

With the new criteria a material must have documented sustainability credentials by being

- Certified from a recognised certification scheme and body or
- Sourced from a branded sustainable material with documented credentials

In addition the product must be accompanied with a chain of custody through scope certificates and transaction certificates. We require this for the entire supply chain including the garment factory.

Our brands have implemented the new criteria since the middle of 2022. We will measure our progress from 2023. These requirements are a

major compliance and administrative effort, but important for the apparel industry to build trust with its customers.

When we communicate a product as more sustainable, we want our consumers to feel safe, that the product is indeed better for planet and people.

We measure our fibre and material consumption in purchased volume based on the weight and material composition of our products. Fibres and materials are defined as more sustainable, if they comply with the requirements in our material guide and our material requirements guide.

More sustainable

After a year of green-washing accusations, the apparel industry struggles with how to define and communicate the sustainability of its products or materials.

Textile Exchange defines a preferred fibre or material as one which results in improved environmental or social outcomes and impacts in comparison to conventional production.

This is how we at DK Company define a more sustainable material.



Part Two has systematically converted the materials in their entire collection into more sustainable choices over the past years. In 2022 they reached our goals of 100% more sustainable cotton and 100% more sustainable leather, and they are far on implementing more sustainable viscose, polyester and wool.

The brand has also been fast in implementing our new strict certification criteria. In their coming autumn collection 90% of products contain certified materials or branded fibres.

PART TWO

In 2022 our brand Soaked in Luxury introduced the collection Soaked Studio focusing on longevity and sustainable material choices.

SOAKED
IN LUXURY





Cotton

Cotton is the most used material in our collections and used by all our brands.

Conventional cotton production is known for its considerable water consumption and use of pesticides. In some geographies there is also a risk of child labour and modern slavery.

At DK Company we are committed to source cotton with documented sustainability credentials. We define Better Cotton, organic cotton, recycled cotton and cotton in conversion as more sustainable than conventional cotton.

In 2020 we set ourselves the target to source 100% of our cotton as more sustainable by 2022 (on styles with 50% or more cotton).

In 2021 we reached 75% more sustainable sourced cotton and in 2022 85%. Part Two, Inwear and Gestuz were among the brands reaching 100%. We work focused on converting the remaining cotton.

DK Company is a member of Better Cotton. Our products are sourced via a system of mass balance and therefore may not contain Better Cotton. Better Cotton is the world's largest cotton sustainability programme, whose mission is to help cotton communities survive and thrive, while protecting and restoring the environment. In 2020-2021, Better Cotton licensed 2.2 million farmers from 24 countries on five continents. Better Cotton educates and supports farmers in protecting the environment during cotton cultivation through control of pesticide use, water stewardship and protection of soil health and biodiversity. Better Cotton also works for decent working conditions for farmers.

Better Cotton is sourced via a chain-of-custody model called mass balance. This means that Better Cotton is not physically traceable to end products. Because of the mass-balance principle Better Cotton can be difficult to explain to consumers. When a consumer buys an organic t-shirt, no chemical pesticides were used in the cotton cultivation.

With a Better Cotton t-shirt the consumer will not be wearing the better cotton, but the consumer is increasing the demand and production of cotton cultivated under the Better Cotton conditions.

Mass-balance means that the amount Better Cotton sourced will be equal to the amount Better Cotton produced. Because of its clear scale benefits mass-balance is a principle used in many industries including renewable electricity, and Better Cotton has scale.

According to Textile Exchange 8% of global cotton was produced under Better Cotton conditions in 2020/2021. Only 1,4% of global cotton production was organic. Read more about Better Cotton here: <https://bettercotton.org/>

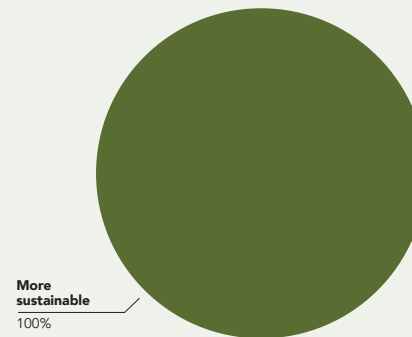


For products with 50% or more cotton, all cotton should be sourced more sustainably

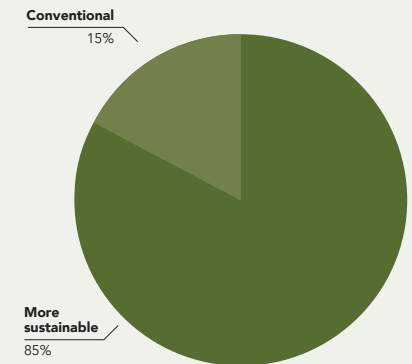
Strategy and status on more sustainable cotton
Cotton consumption, % of volume

- Conventional
- More sustainable

Target 2022



Status 2022





Viscose

The global production of viscose materials is still small, but the availability of more sustainable choices is growing. At DK Company it is appreciated by several of our brands and their customers. Viscose is the second most used fibre in our collections.

Viscose is the most common fibre of the man-made cellulosic fibre group, which also contains lyocell, modal, cupro and acetate. They are made from wood pulp or other natural materials containing cellulose like agricultural bi-products or bamboo. The cellulosic material is made into fibres through a chemical process.

To reduce the negative environmental impacts of conventional man-made cellulose the wood must be sourced from sustainable managed forests to avoid deforestation and risks to biodiversity.

The chemicals used in the process should also be minimised and ideally used in a closed-loop to limit hazardous waste and water pollution.

FSC® certified viscose is documenting that the cellulose is sourced from sustainable managed forests. In addition there are several documented sustainable branded viscose fabrics made in a closed-loop chemical process.

As more sustainable viscose we accept for example FSC® certified viscose and branded fibres from Lenzing. In 2020 we set a target to source 100% more sustainable viscose by 2025. In 2021 and 2022 45% and 44% of our viscose was from more sustainable sources.

In the process, we meet several challenges. Lead times of the preferred materials have been too long, and some materials for knitwear have not been living up to our high quality standards for pilling and colour fastness. We are working directly with the suppliers of more sustainable viscose to develop high quality solutions.

Forest Stewardship Council (FSC®)

DK Company is a member of the Forest Stewardship Council and has an FSC® promotional licence (FSC® -N003234). This means that we are approved, by FSC Denmark, to use the FSC trademarks in our communication and promotion of FSC-labelled products. The FSC label means that the forest-based materials used in a product have been responsibly sourced.

The Forest Stewardship Council® (FSC) is a global, not-for-profit organisation dedicated to the promotion of responsible forest management worldwide. FSC defines standards based on agreed principles for

responsible forest stewardship that are supported by environmental, social, and economic stakeholders. To learn more, visit www.fsc.org

Wood based products bearing the FSC label are sourced from forests with responsible forest management and ensuring the long-term preservation of the forest and other controlled sources.



The mark of responsible forestry

100% of our viscose should be sourced more sustainably by 2025

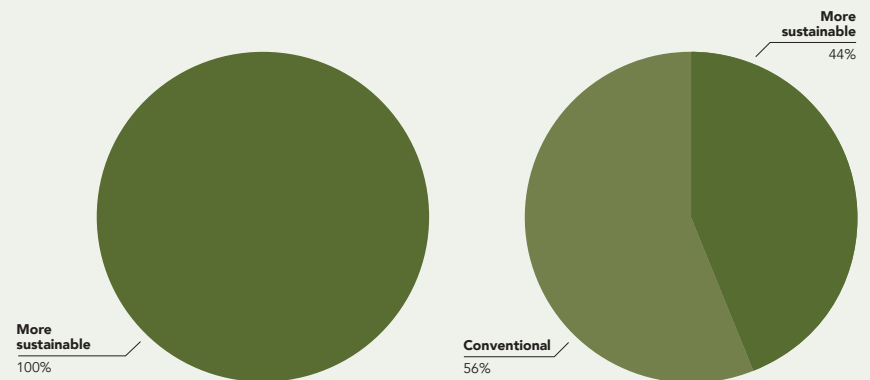
Strategy and status on more sustainable Viscose

Viscose consumption, % of volume

- Conventional
- More sustainable

Target 2025

Status 2022





Polyester

Polyester is a synthetic material primarily made from fossil fuels and disputed with respect to its sustainability credentials. Some apparel brands are going all natural and avoiding any material derived from fossil fuels.

In 2020 we set a target to source 50% polyester by 2025. We have started the work, and in 2022 we sourced 12% polyester more sustainably, up from 9% in 2021.

Other brands are only working with recycled polyester fibres. Some brands are praising the durability, strength and recyclability qualities of polyester.

We are facing several challenges in the sourcing of more sustainable polyester. Some times our orders do not meet high minimum order sizes of the more sustainable materials, or the lead times are very long. In addition several of our fabric mills have scope certificates for recycled polyester (GRS) but our garment factories not yet. It will be challenging to reach our ambitious 2025 targets.

At DK Company we have styles, where we believe, polyester is the best choice of material. Certified recycled polyester is the most common polyester, that we define as more sustainable, but we also acknowledge for example branded polyester from agricultural waste.

Documenting sustainability claims with a chain of custody

There are several ways to document product sustainability claims. A chain of custody with documentary traceability through scope certificates and transaction certificates is one common way and for example how the Global Recycled Standard (GRS) works.

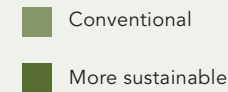
Every time the company produces goods according to the certified standard, and sells it to the next company in the supply chain, the order will be accompanied with a transaction certificate.

A scope certificate documents that a company in the supply chain is qualified to produce goods according to the relevant standard. The company must be audited by a certification body to show compliance with the standard.

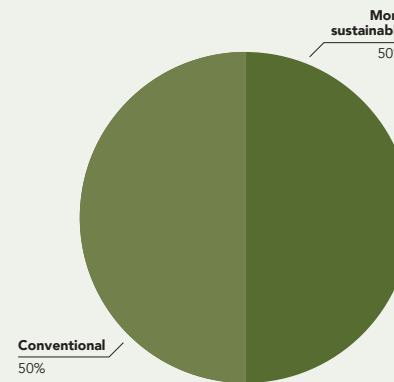
In this way a product can be traced from the raw material, yarn and material to the finished product with transaction certificates every time the goods change ownership. The consumer can be confident, that the final product is living up to the certified standard.

50% of our polyester should be sourced more sustainably by 2025

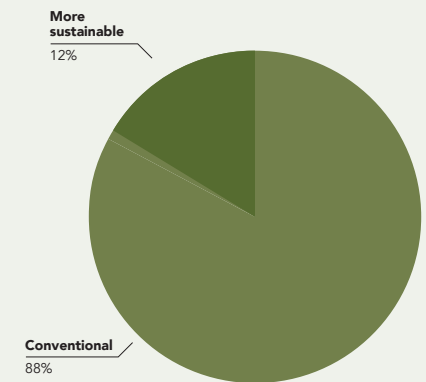
Strategy and status on more sustainable polyester
Polyester consumption, % of volume



Target 2025



Status 2022





Animal materials

In our collections 3% of materials come from wool or leather. Wool and leather are both natural and very durable materials. Leather is very strong, and wool does not need to be washed very often, and it can be recycled.

Wool

Wool farming has been associated with cruel animal practices, unsustainable land use and fabric production with hazardous chemical practices.

At DK Company several brands use wool in their collections. In our public animal welfare policy we prohibit any farming methods involving harm to animals including mulesing.

Due to the existing animal practices we entirely prohibit the use of angora and fur.

The most recognised standard for more sustainable wool is the Responsible Wool Standard (RWS) from Textile Exchange which also exists for mohair. At DK Company we also define certified recycled wool as a more sustainable fibre.

In 2020 we set a target to source 100% more sustainably wool by 2025. We have started the wool but our largest suppliers are not yet certified.

Leather

Apart from the CO₂e emissions and land use from cattle farming the major sustainability issue with leather is the chemicals used in the tanning and colouring processes. These processes may contain hazardous substances with danger to workers in the tanneries, polluted waste water and ultimately health hazards to consumers.

DK Company has a stated policy that it only sources documented more sustainable leather. For leather the most recognised standard is the Leather Working Group certification.

In 2022 all of our leather for apparel came from mills with at least a bronze level from the Leather Working Group.

Leather Working Group (LWG)

DK Company is a member of the Leather Working Group and we only buy leather from tanneries with a LWG certification.

The LWG certification ensures that the tanneries are living up to high standards of environmental management with special focus on management of chemicals. LWG and its members drive improvements across the global leather supply chain.



100% of our wool should be sourced more sustainably by 2025

We do not use Angora or Fur.

All our down is from more sustainable sources including certified recycled down or the Responsible Down Standard (RDS).

All our leather for apparel is sourced more sustainably from suppliers with Leather Working Group certification.

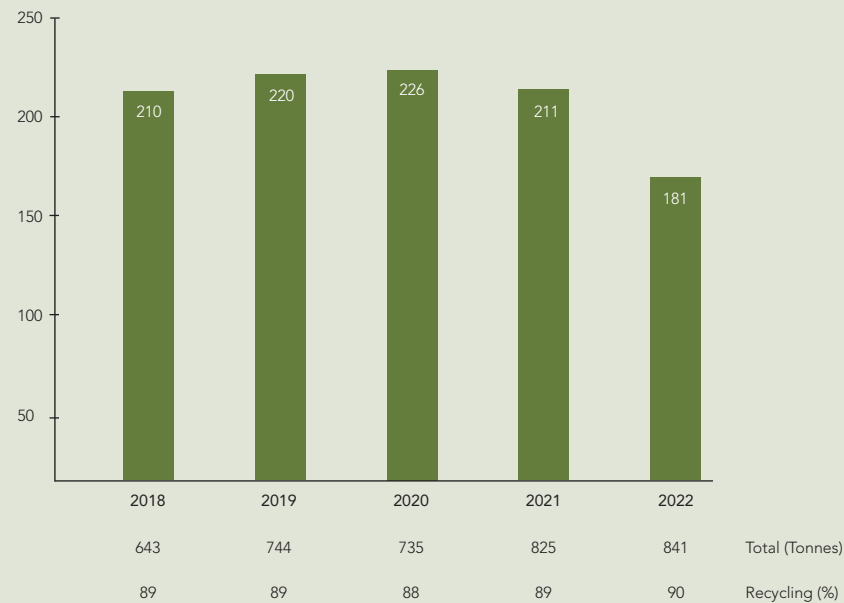


DK Company waste

We continuously try to reduce the waste from our offices and warehouses. Our waste should be recycled and our sorting measures must comply with statutory requirements. During 2022 an external agency analysed our set-up and suggested corrective measures.

In 2022 90% of our waste was recycled. 80% of our waste is cardboard from our warehouses. In relation to our increasing turnover, we managed to decrease our waste in 2021 and 2022.

DK Company waste from offices and warehouses
Waste/Turnover (Kg/DKK Million)



Source: Waste quantities and recycling shares based on inventory reports from our partner Marius Pedersen A/S.



Improving sustainability of trims and packaging

Our brand Culture has always worked with beautiful metal trims on their hangtags. As part of their trims and packaging strategy they decided to remove all metal trims in 2022.

During 2022 770,000 metal trims were eliminated.

CULTURE





Cooperate with partners on environmental protection in the supply chain

We can only protect the environment through close cooperation with our partners in the supply chain and industrywide cooperation.

The majority of our environmental impact occurs in our supply chain. In addition to energy use and emissions, water consumption, chemicals, water effluents and biodiversity, are the main impact areas that we focus on.

As part of our environmental efforts, we have initiated a strategic supplier program with our 45 largest partners.

In 2022 all of them reported their environmental impacts and management through the Higg FEM tool, which together with the work of our local compliance teams have given us great insights into potential improvement areas.

In 2022 we also started awareness training with the suppliers, which we will continue in 2023.

During 2023 and 2024 we will onboard strategic material suppliers to our program and expand our work on water and chemicals management.

By 2025 all strategic material suppliers should have implemented the recommendations from the Zero Discharge of Hazardous Chemicals (ZDHC).

As described in more detail in the social due diligence chapter we are continuously improving the due diligence of our environmental, social and governance issues in our supply chain.

During 2023 we are conducting a general update of our due diligence processes according to the OECD guidelines. On environmental topics we will expand the scope to include water and micro-fibres more extensively and also include biodiversity.



Higg FEM

Higg FEM measures the environmental impact and management of production facilities in the apparel industry. It has been developed by the Sustainable Apparel Coalition.

Based on a very detailed questionnaire, the index identifies strengths and areas for improvement by giving scores and benchmarks.

Higg FEM covers seven impact areas:

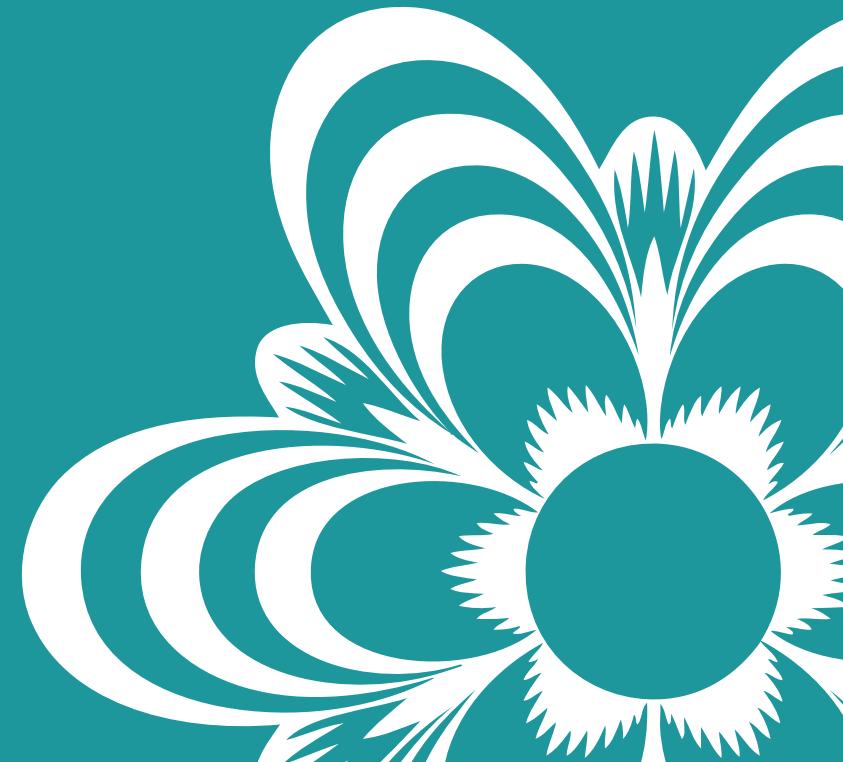
- 1 Environmental Management System
- 2 Energy/Greenhouse Gas Emissions
- 3 Water
- 4 Waste
- 5 Wastewater
- 6 Air Emissions
- 7 Chemicals Management

In 2022 our 45 strategic suppliers, representing two thirds of our purchase volume, reported through Higg FEM. They represent a total of 78 factories with 75 factories reporting. We are in the process of verifying their reports.



SOCIAL

- 31 SOCIAL RESPONSIBILITY
- 32 SUPPLIERS - PROTECTING HUMAN RIGHTS
- 38 EMPLOYEES - TAKING CARE
- 41 CUSTOMERS - OFFERING SOLUTIONS
- 43 INCREASING TRANSPARENCY AND TRACEABILITY





Social responsibility

In the ESG terminology a large amount of stakeholders and topics are covered under the S. Of special relevance to DK Company are the social conditions of the workers in our supply chain, the well-being of our employees and the trust of our customers. We therefore organise our work on social responsibility around the topics of these three stakeholders.

Our current focus areas are:

Suppliers

Protecting human rights

improve conditions through better due diligence processes and supplier guidance

Ensure well-working grievance mechanisms and training of suppliers

Increase transparency and traceability

Employees

Taking care

Support mental and physical health, well-being and a caring culture

Offer development opportunities

Promote diversity and gender equality

Customers

Offering solutions

Guarantee product safety

Secure data ethics

Provide substantiated sustainability information





“

At DK Company we directly employ 2,400 employees. More than 100,000 are working in our supply chain employed by our partners. Together we have a joint responsibility for their human rights, safety and well-being.

The supply chains of the apparel industry are labour-intensive and generally very complex, fragmented and historically intransparent.

DK Company is committed to respect human rights and promote good labour conditions as defined in the UN Declaration of Human Rights and the International Labour Organization' (ILO).

It is our ambition to comply with all statutory requirements on human rights and labour standards as a minimum and to contribute to sustainable development by continuously improving conditions.

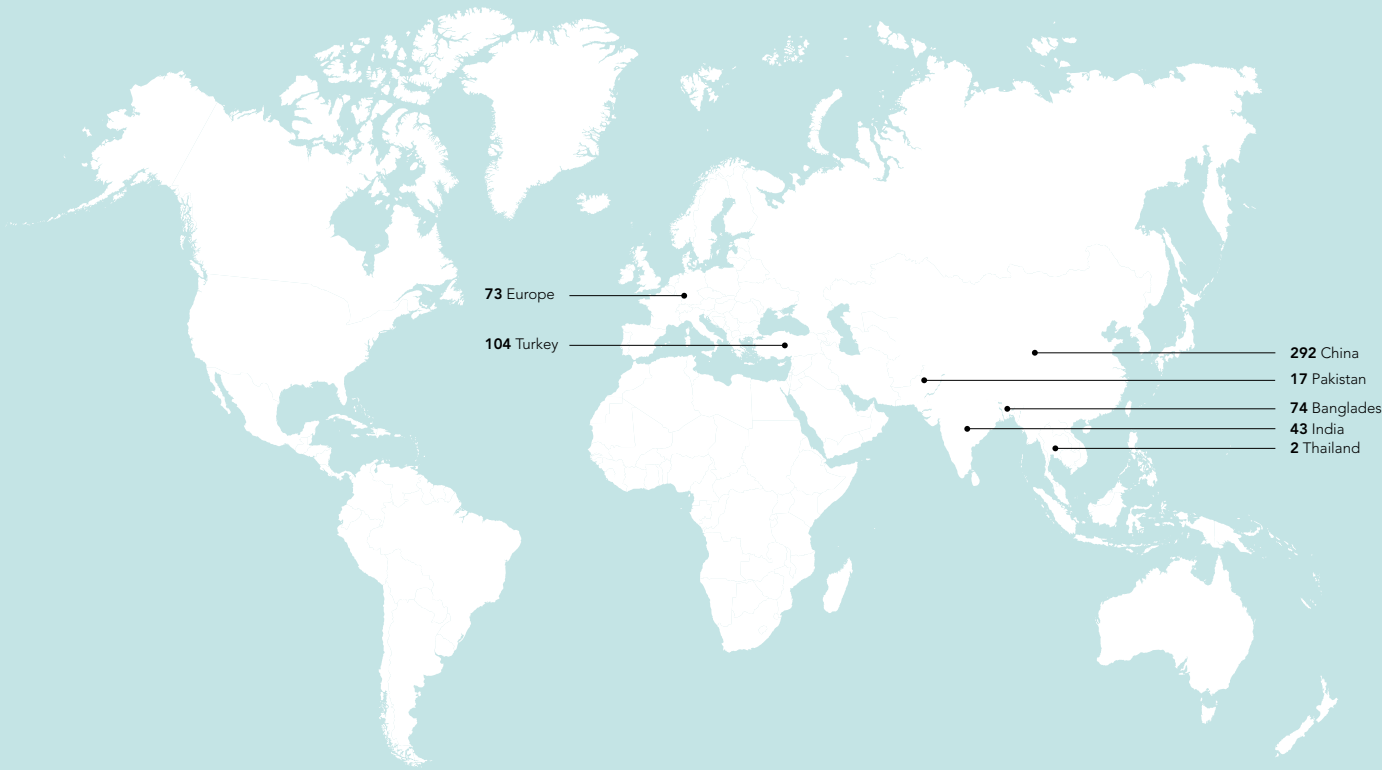
Our priorities with respect to social responsibility in our supply chain is to

- Improve conditions through better due diligence processes and supplier guidance
- Ensure well working grievance mechanisms and training of suppliers
- Increase transparency and traceability

We produce our products in 15 different countries with the majority being produced in China, Bangladesh, India and Turkey. In 2022 we worked with a total of 348 suppliers and 605 factories.

With 832 active factories in 2020, we have systematically reduced the number over the past years. This process has increased our ability to monitor and cooperate closely with our factories. We are continuously consolidating our supplier base and working closer with our strategic partners.

We aim for supplier cooperation based on mutual understanding, trust and long-term relationships. Cooperation on social responsibility and environmental protection is an essential part of the relationship.





Improving conditions through better due diligence processes

In 2020 we decided to significantly improve our supply chain due diligence processes and align with the OECD due diligence guidance for responsible business conduct and emerging due diligence legislation. We are proud of the progress we have made after the loosening of Covid restrictions enabled us to work closer with our suppliers again. By the end of 2022 all our suppliers have signed our policies, and due to the incredible work of our local compliance team 98% of factories have valid third-party social audits and defined corrective action plans.

Our principles for social responsibility are defined in our supplier code of conduct and a number of public policies on human rights, child labour and ethical sourcing requirements. During 2022 we reviewed and updated all our policies and added a new policy on diversity, inclusion and equity.

We do recommend our suppliers to use the Amfori BSCI audit, but we also acknowledge SA8000 and Sedex audits. In 2022 31% of our factories had good audits, and no audits resulted in a red rating. We did not have any zero tolerance issues like child labour or modern slavery.

All our suppliers have signed the policies as part of their contractual arrangements with DK Company. With their signature they also commit to make sure, that their suppliers comply with our policies.

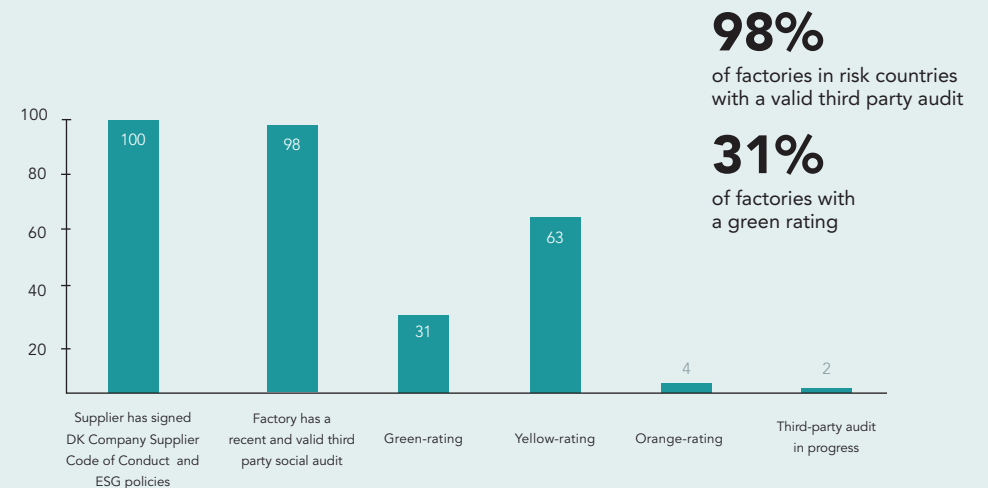
The follow-up on all social audits is a corrective action plan based on the findings with actionable improvements and timelines. For factories with a yellow or an orange rating our factory monitoring program prescribes the plans to be reviewed at a site visit after 6 or 3 months respectively.

In our due diligence work we continuously assess and monitor if the factories of our suppliers comply with the principles stated in the policies. In 2021 we made third-party social audits mandatory for all factories in countries with risks of abuses to our principles. In 2022 88% of our factories were located in risk countries.

Almost all our suppliers are very cooperative in implementing improvements, but on rare occasions responsible due diligence requires off-boarding. If our partners repeatedly refuse to cooperate on areas identified for improvements, DK Company will terminate the relationship as a last resort.

Our risk assessment is based on the Amfori country risk assessment. During our 2023-2024 improvement of due diligence processes, we are updating our risk assessment and expanding it to systematically include the entire supply chain beyond garment factories.

DK Company factory monitoring 2022 100% = 532 factories





Country risk assessment

The risks of adverse impacts to human rights and labour conditions in the textile industry are well documented by the OECD and other recognised sources. We use several sources and indicators to support our due diligence work.

To determine the need for a third-party evaluation of social conditions in a sourcing factory, we use the Amfori country risk classification. The classification categorises countries into countries with low risk of violations to social and ethical principles and countries with high risk. A country is defined as high risk, if it on average scores 0-60, and low risk if the country scores 60-100.

In 2022 our main sourcing countries were classified as high risk.

WGI country risk score, 2021
Main sourcing countries

	Bangladesh	23
	China	44
	India	48
	Turkey	35

Benchmark

	Denmark	81
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Amfori country risk classification is based on the Worldwide Governance Indicators (WGI)

The Worldwide Governance Indicators are published by the World Bank. It scores more than 200 countries on six broad dimensions of governance, and thereby measures the traditions and institutions by which authority in a country is exercised.

The dimensions are voice and accountability, political stability and absence of violence/terrorism, government effectiveness, regulatory quality, rule of law, control of corruption.

The indicators are calculated based on a wide range of sources produced by survey institutes, think tanks, non-governmental organisations, international organisations and private sector firms.

Factory monitoring program

The DK Company factory monitoring program is mandatory for all factories located in risk countries.

Accepted audits



Factory is located in a risk country

Mandatory third-party social audit verifying compliance with DK Company supplier code of conduct

DK Company classification based on audit result

Green BSCI A or B Sedex NC* 0-5 SA8000	Yellow BSCI C Sedex NC 1-5 Major or, 6 Minor	Orange BSCI D Sedex NC 1 Critical or 6 Major	Red BSCI E Sedex NC Business critical
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Corrective action plan (CAP) and initiatives CAPs are developed for all factories on identified areas of improvement together with the local DK Company compliance team. Factories must also implement DK Company country or region specific initiatives.

On-site follow up in addition to third-party audits

Yearly on-site follow up	On-site follow up after 6 months	On-site follow up after 3 months	Immediate on-site follow up
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*NC = Non-Compliance



Organising due diligence is the responsibility of our central sustainability team in Ikast, Denmark who regularly reports on progress to the Executive Board.

While the corporate team defines the standards and processes, they are implemented by our local compliance teams in China, Bangladesh and Turkey. Their deep expertise, experience and local knowledge is of incredible value in our monitoring and improvement work.

Our compliance officers are on-site at the factories talking to employees and management, following up on defined corrective action plans and identifying common issues.

In 2022 unauthorised sub-contracting was identified as an issue. The findings resulted in a new guideline to our supplier code of conduct.

The guideline emphasises that DK Company does not accept any form of sub-contracting, that has not been accepted by the company in writing, and that all new sub-contractors must undergo our formal factory onboarding process, before production can be initiated.

It is also our local compliance teams that are inspecting new suppliers. This is the last step in our on-boarding process before placing the first orders at a new supplier.

On-boarding always starts with the corporate team making a risk assessment and the supplier signing our supplier manual with all policies and sharing available audits and certifications.

The importance of industry cooperation and partnerships

The challenges to human rights and labour conditions in global apparel supply chains are systemic and cannot be solved by us or any other company alone. DK Company welcomes global initiatives like the OECD guidance and new legislation, and we recognise the need for the industry to work in partnership and together with organisations and initiatives dedicated to improving the social conditions.

We are a member of Amfori, a recognised international business association for open and sustainable trade. We work with the Amfori Business Social Compliance Initiative (BSCI) to continuously improve the social conditions in our supply chain.

Through our membership of Etisk Handel Danmark we are learning about fundamental social risks and updated on urgent challenges in our sourcing countries. We participate in development of supply chain due diligence improvements.

DK Company is also a member and signatory of the International Accord for Health and Safety in the Textile and Garment Industry. This is the successor organisation of the Bangladesh Accord and is an independent, legally binding agreement between 190 brands and trade unions working together to improve especially health and safety standards.





“

Farhana is part of our local compliance team and responsible for monitoring and improving the conditions in our factories in Bangladesh. She is a graduated textile engineer, and has conducted more than 850 social and quality audits in her former job as a lead auditor of SGS.

- **Farhana**, *DK Company Compliance Team*

Working with our suppliers in Bangladesh

During 2022 we made great progress on our work with social responsibility and environmental protection in Bangladesh thanks to our committed local compliance team.

Bangladesh is defined as a priority country for our due diligence work, due to its historical issues with especially health and safety for factory workers and due to its share of DK Company's sourcing volume.

In October 2021 we signed the International Accord, the successor of the Bangladesh Accord. By now a total of 190 brands have signed the legally binding agreement for safer workplaces. During 2022 our local compliance team verified that all our supplier factories comply with the Accord.

By the end of 2022 97% of factories had a valid third-party audit with 57% receiving a good green rating and all factories were progressing on their corrective action plans.

As part of our environmental protection program we conducted a work-shop with our accredited inspection partner SGS and our strategic suppliers in October in Dhaka, Bangladesh on the topic of environmental impact and monitoring with the Higg FEM tool, that we are implementing with all strategic partners.

Farhana, during 2022 you worked with all our factories in Bangladesh and made impressive progress? What was our largest achievements, and what were you most proud of?

We increased the share of suppliers and factories joining Higg FEM or BEPI in 2022 to 55%, and they improved their environmental performance.

I feel proud to be a team member of the DK Company sustainability department, and it gives me a platform to improve social and environmental compliance in the Bangladesh apparel sector.

What are your priorities for 2023, and how would you define success by the end of the year?

I want to on-board more of the factories on Higg FEM and BEPI, ideally to cover 75%. And I want to on-board 50% of Tier 2 facilities.

What would you say are the biggest challenges to solve at factories in Bangladesh today?

There are numerous challenges in ready-made-garment factories and not only in Bangladesh. One is unauthorised sub-contracting. This is a topic, we have worked with at DK Company. A second is energy consumption and carbon emission reduction. A third topic is gender discrimination in leadership roles.

57%
of factories with
good social audit

100%
of factories verified
for Accord compliance

FIRST
training of strategic
suppliers in environmental
management



Ensuring well-working grievance mechanisms for workers in the supply chain

Accessible, trusted and well-working grievance mechanisms, where supply chain workers can communicate serious abuses of rights or interests and seek remedy, is an important part of the OECD due diligence guidance for global supply chains.

In our supplier code of conduct we require our suppliers to implement operational level grievance mechanisms in the factories and to inform their workers about their availability, functioning and purpose.

Every third-party audit verifies, if a grievance mechanism is established, and whether the factory workers are well-informed about it. However, recent Amfori evaluations show, that workers often lack trust in the mechanisms, and they are perceived as ineffective.

At DK Company we recognise the importance of grievance mechanisms, but also understand the challenges to implementation. We are highly supportive of the new Speak For Change initiative from Amfori. Speak For Change is a campaign and initiative, where Amfori works for better working grievance mechanisms at the factory level and of-

fer an international level Amfori worker grievance mechanism, that workers can use, if they do not have access to a local mechanism or do not trust it.

To avoid duplication of work and benefit from scale, Amfori is working with a number of other large organisations working with social responsibility in supply chains.

Amfori has just finished the first pilot in Vietnam and will work with Bangladesh, India and Turkey in 2023. At DK Company we will successively promote on-boarding of our suppliers on the mechanism and training of workers.





Caring for employees

Entrepreneurial leadership is at the core of the DK Company culture. The company is led by our founder and owners. Our 26 brands are run by strong independent brand management.



The past 20 years and the future success of DK Company is fully dependent on the motivation and abilities of our employees and us as an organisation. To stay competitive we want to be an attractive employer and to continuously develop a fair and caring culture.

We believe in decentral organisation, where we are close to our customers, and we believe in employee well-being. DK Company must at all times and at all locations be a good place to work.

Executive management and staff is responsible for personnel strategy and corporate personnel management. Brand leadership is responsible for brand personnel management.

The focus of our employee work is to:

- Support mental and physical health, well-being and a caring culture
- Develop our employees
- Promote diversity and gender equality

With these prioritise we believe to achieve the target of increasing our attractiveness as an employer.

The well-being, mental and physical health of our employees is a high priority. We govern it based on our employee contracts, our employee handbook and our strong brand leadership.

We emphasise, that we as a company should be an inclusive work-place where no employee should be discriminated based on gender, age, race, religion or other personal characteristics. We promote inclusivity by employing humans of all abilities whenever possible.

We do not tolerate any form of harassment. Employees can report any case to our independent and anonymous whistle-blower function.

We grow when our employees grow. To facilitate development and employee well-being every employee has an annual appraisal review, where well-being and past performance is discussed as well as new goals, development opportunities and formal training.

To develop our brand leadership and younger talents we have implemented leadership modules at our three big locations in Denmark covering 100% of our brand leadership and core talent.

We will continue to roll out our talent and leadership programs. We will also train all employees in relevant sustainability policies and thereby increase awareness of our values and principles.



Balanced work

We believe a balanced work and private life is important to be an attractive employer. We offer all employees various forms of contracts and flexible working models including working from home, when it is compatible with employee responsibilities. Depending on the employee's geographical preferences and specific job we also offer office flexibility at our three locations in Denmark.

The majority of our employees work with office work in Northern Europe with minimal risks of human rights violations or physical injury. In our offices we offer a healthy breakfast and lunch, massage and private and professional coaching.

At our warehouse locations in Ikast and Vejle physical health also includes occupational health and safety. The responsible employees report regularly to the site responsible.

We like to expand horizons and to party. During 2022 we had several external speakers in our offices addressing topics from "leading generation Z" to "understanding the world economy". We also held several great parties and went skiing with the entire company.

Leadership opportunities

Due to its size and diversity DK Company offers various opportunities for employees changing jobs within the group and taking on new responsibilities. This enables us to develop our employees and keep competences within the group.

We are proud, when we are able to develop our employees into leaders. In 2022 50% of our leadership positions were held by employees being promoted internally.

During 2022 all our 26 brand leadership teams went through a leadership training course emphasising motivational leadership, team building and conflict resolution.





2,400 employees

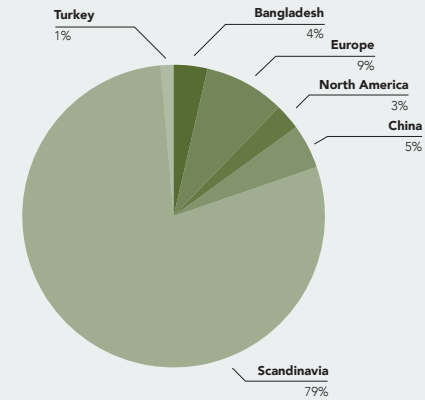
Today we are 2,400* employees across 16 countries and many different organisational functions from design and sales, to logistics and warehousing, local procurement and compliance and retailing.

The diversity of nationalities in our organisation, the breath of backgrounds of our workforce and the number of channels and functions that we cover with their many different experiences and perspectives are among our core competitive advantages.

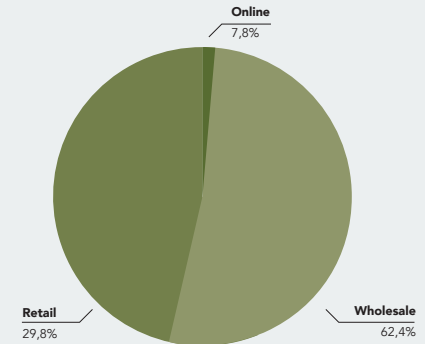
(Permanent number of employees 31. December 2022, average 1,621 FTE 2022*).



Employees by location



Employees by function





Matinique

Our male brand Matinique has a large outerwear collection with a customer base that does not want to get wet. As a sustainable alternative to traditional durable wet treatments with PFCs Matinique is using the BionicFinish technology from Rudolf.



Guaranteeing product safety

No customer should be at risk wearing our products. We ensure product safety by strict chemical guidelines and a systematic testing program for our finished products.

With the REACH regulation the EU has the toughest chemical legislation in the world by banning the use of certain substances or limiting restricted substances to defined limits.

Together with our external testing partner SGS we have developed a Restricted Substances Lists (RSL) that is compliant with the REACH regulation and with other chemical and safety regulation in all countries, where we are present.

All of our suppliers have signed our chemical policy and restricted substances list, and to verify compliance we systematically test our products before the final release order to the manufacturer.

During 2023 we are updating our restricted substances list and fully aligning it with the AFIRM recommendations. AFIRM is a recognised brand-driven collaboration promoting chemicals management in the apparel and footwear supply chain.

Part of our update will also be to phase out the use of PFCs. PFCs are strictly regulated under REACH but not banned. They are a group of chemicals often used in outerwear for durable water and dirt repellence (DWR).

They are highly effective for this purpose, but research continues to document their persistence in the environment and the potential hazardous effects to human health. Several of our brands have already phased out the use of PFCs.



Securing data ethics

The handling of all data at DK Company is governed by our public data ethics policy. With the policy we seek to ensure ethical data processing of all internal and external data at DK Company and at affected suppliers like IT suppliers. We also commit to assess all new technologies according to our principles. The policy applies to personal data and other data.

At DK Company we process personal data about our customers like for example contact information and information about their visits to our online shops. We also process personal data about our employees and business partners.

All personal data must be handled in compliance with the requirements of the EU General Data Protection Regulation (GDPR) or any other applicable data protection legislation.

Violations of data privacy is a risk to the affected people and a risk to DK Company in terms of compliance and reputational damage.

With our policy and internal guidelines we aim to reduce the risk of violations and ensure the professional and legally correct handling of personal data.

All DK Company online shops have a public data privacy statement describing the purpose and scope of our data processing.

The overall responsibility for the implementation and monitoring of our data ethics lies with our CFO and CTO.

In 2022 we did not have any known breaches of data privacy or our data ethics policy.





Increasing transparency and traceability

Transparency is fundamental to working more sustainable. We need transparency to measure our environmental, social and ethical impact. We need transparency to assess status quo and to monitor progress.

Transparency is a difficult task because of the sheer number of data points and KPIs; the many unique sources; the required master data discipline and the multitude of software solutions that must be integrated.

Traceability has been a buzzword and much discussed topic in the fashion industry for a while, and there are several good reasons to trace the origins, materials and production steps from raw material sourcing to sewing of every single product.

Like transparency, traceability is also complicated in a supply chain that is long and historically intransparent.

At DK Company we are improving traceability to better manage the social and environmental risks in our supply chain.

For example, traceability will help us understand and manage salient human rights risk at the raw material production level and enable us to collect primary data on our product related emissions.

With improved traceability we also prepare ourselves for future product communication and substantiating our green claims.

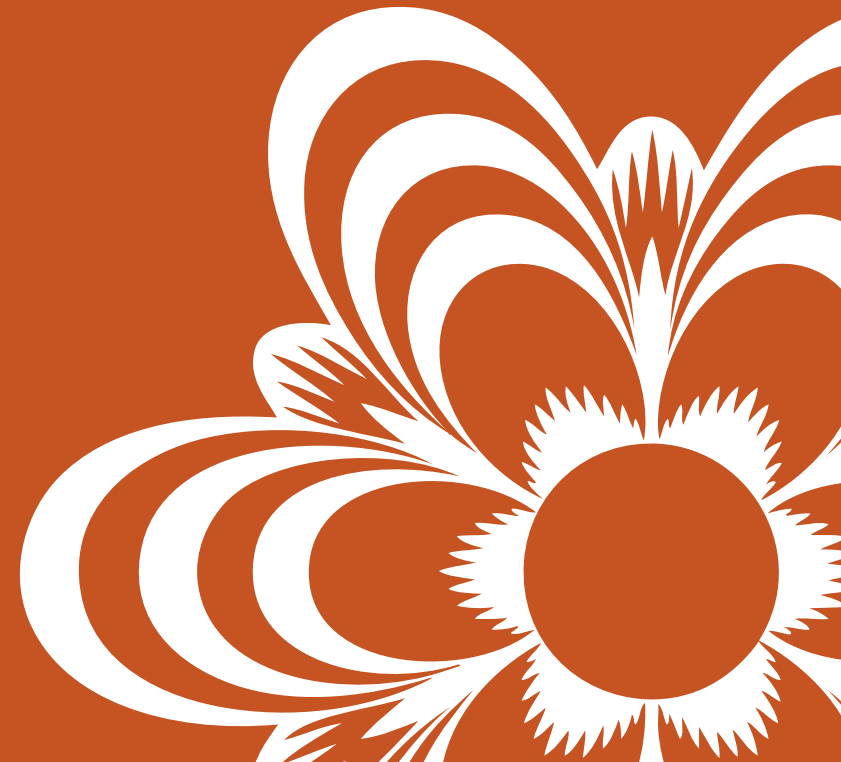
We approach our transparency and traceability work from several angles. When we buy more sustainable materials, they must be documented from a brand or a certified chain of custody.

We develop our ERP and PLM systems to hold and integrate information about our supply chain, products and production methods. We work with expert providers of relevant software and sustainability tools.



GOVERNANCE

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Diversity in management

Gender equality in management positions cannot be taken for granted in the fashion industry at large, in our supply chain or in our headquarters in Denmark, and part of our work with diversity is to work for gender equality.

Of our 2,400 employees 75% were women and 25% men in 2022.

In 2021 the Board of Directors defined an ambition of at least 20% representation of women on the Board by 2025 and equal gender representation in Brand Leadership with a minimum of 40% representation of the underrepresented gender.

In 2022 there were no changes in the Board of Directors. The Board is since March 2023 represented 20% by women and we increased the share of women in Brand Leadership from 41% in 2021 to 46% in 2022.

DK Company has not defined a gender equality target for the Executive Board. Today it consists of the three owners of the company.

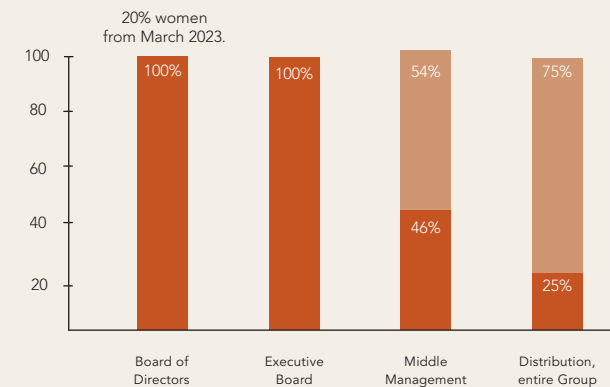
An overview of the gender split by management level for the past financial years can be found in appendix 1.

“We are very happy that our brand leadership is almost equally represented by men and women”

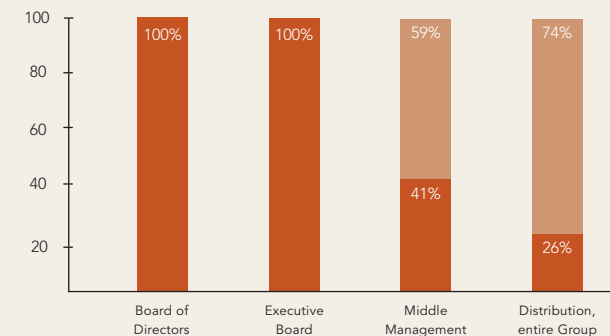
Employees by employment type and gender



2022



2021





Driving responsible business conduct

At DK Company we are entrepreneurs. We believe in diversity, decentral decision-making and personal initiative.

We have built the company on hard work and strong values, and with our growth we have learned the benefits of formalizing principles in policies, processes and clear responsibilities.

Our business activities must be based on responsible business conduct starting with ethical and lawful conduct from our employees and our partners throughout the supply chain.

Our current priorities with respect to the governance of sustainability topics are to:

- Live our policies, processes and responsibilities
- Ensure legal compliance and solid reporting
- Prioritise efforts based on material topics, transparency and stakeholder engagement

The principles of our conduct and that of our partners are described in our public and internal policies. Among them are our Human Rights Policy with our commitment to respect human rights.

Of direct relevance for the everyday conduct of our employees are also our Data Ethics (GDPR) Policy, our Inclusion, Diversity and Equity Policy, our Anti-Corruption and Bribery Policy and the guidelines described in our internal Employee Handbook.

The overall responsibility for corporate compliance, our principles, policies and their implementation as well as the general sustainability strategy lies with the Executive Management.

The Board approves the sustainability strategy and is regularly informed about compliance activities and progress on the strategy.

The corporate sustainability team develops our corporate sustainability strategy, work with our industry partners and drives implementation.

The responsibility for the operational execution of our strategy and policies lies with our brand leadership with support from our corporate sustainability team and local compliance team.



Anti-corruption

Corruption is a legal offense that we under no circumstances tolerate from our own employees or our suppliers. It can result in major reputational damage to the company and fines as well as criminal charges against the persons involved.

Our principles are stated in our public anti-corruption policy that all employees receive as part of their contracts and that all our suppliers sign.

The risk of corruption varies across geographies and functions. We use the corruption perception index (CPI) as part of our risk mapping and the continuous monitoring of corruption indicators is part of mandatory social audits and the work of our local compliance teams.

At the functional level the largest risk exists in purchase, where awareness is especially important. Anti-corruption awareness training will be part of our initiatives in our new sustainability offices in Ikast.

Employees must report any indications of misconduct to a trusted manager or to the DK Company whistle-blower function.



Ensuring legal compliance

At DK Company we always want to follow applicable laws, in the countries where we operate. With the pace and scope of new sustainability legislation this can be challenging. We scan the legislative environment to always be aware of new legislation and to implement initiatives accordingly.

An example of new legislation, that has taken up considerable time and administrative resources to implement, are the many national implementations of the EU's Extended Producer Responsibility legislation.

Every country has a different collection system, and several countries are also implementing national specific labelling requirements to follow.

Another example, of new legislation that we follow closely, is the various EU legislation with relevance for the apparel industry resulting from the EU Green Deal strategy.

Our compliance screening is the responsibility of our corporate sustainability department with support from a number of external organisations.

Prioritising sustainability efforts

Not all sustainability related topics are equally relevant to us as a company, and we must prioritise our efforts. We prioritise by focusing on the areas, where we have the most impact, and where we face the largest risks as a company.

During 2023 we will make a formal materiality assessment based on the double materiality principle and involving our most important stakeholders, in order to prepare ourselves for the future EU CSRD reporting.

In addition to the materiality assessment, we are developing our reporting for the requirements, setting up a new system for transparency and auditing of our sustainability KPIs and adding controlling resources to the sustainability and reporting team.





Our policies and guidelines

Environment	Public	Internal
	Animal welfare	Chemical
	Environmental	Material requirements
	Material Guide	
Social		
	Child labour and young worker	Employee handbook
	Data ethics	On-boarding guideline
	Ethical sourcing	On-site auditing SOP
	Human rights	Supplier Code of Conduct
	Diversity, inclusion and equity	Sub-contracting policy and SOP
Governance		
	Anti-corruption	

OUR BUSINESS

ENVIRONMENT

SOCIAL

GOVERNANCE



Learning and living sustainability

We are continuously expanding the scope of our sustainability work. We are on a mission to make sustainability a relevant and natural part of all functions and responsibilities, and not only positions dedicated to compliance and sustainability. We can only achieve our ambitions, if sustainability is lived and implemented by every brand and in all functions from design and purchase to marketing and finance.

In addition to our corporate sustainability team and our local compliance teams every brand has a person with overall responsibility for sustainability topics. The corporate team and the brands meet regularly to discuss open issues, progress and share best practice. It is one of our focus areas, how we can better support brand initiatives.

During 2023 and 2024, we will bring several sustainability topics to the brands. In Ikast we are about to move into new expanded office buildings. In the new offices, sustainability has become a prominent home with larger training and work shop facilities.

We will use our new offices in combination with brand initiatives and digital tools to increase training of our employees. All employees will be trained in governance topics like anti-corruption and data privacy. For other topics like circularity and supply chain due diligence we will train and do work shops with the relevant functions.

“We are giving DK Company sustainability a prominent home in our new office buildings in Ikast”





Employees by management level and gender								
	2019		2020		2021		2022	
	Women	Men	Women	Men	Women	Men	Women	Men
	%	%	%	%	%	%	%	%
Board of Directors	0	100	0	100	0	100	0	100
Executive Management	0	100	0	100	0	100	0	100
Brand leadership	49	51	45	55	41	59	46	54
DK Company	78	22	75	25	74	26	75	25



Company Information

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CVR no: 24 43 11 18
 Founded: 25 November 1958
 Registered office: Ikast-Brande Municipality
 Financial year: 1 January – 31 December
 E-mail: info@dkcompany.com
 Web: www.dkcompany.com



Executive Board Jens Poulsen, Group CEO
 Jens Obel Jørgensen, CEO
 Søren Bak Lauritsen, Group CFO

Board of Directors Bo Boulund Knudsen, Chairman
 Lars Radoor Sørensen
 Marianne Tochtermann
 Jens Poulsen
 Kasper Toftekær Philipsen

Audit PricewaterhouseCoopers
 Statsautoriseret Revisionspartnerselskab
 Jens Chr. Skous Vej 1
 DK-8000 Aarhus

Banks Jyske Bank A/S
 Vestergade 8-16
 DK-8600 Silkeborg

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 DK-2600 Glostrup

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 DK-7430 Ikast



The Annual Report was presented and adopted at the Annual General Meeting of the Company on 11 May 2023

DK Company A/S, La Cours Vej 6, DK-7430 Ikast, Denmark, CVR no. 24 43 11 18