IMPACT REPORT

2021/22

ICEBUG GROUP - FISCAL YEAR

210301-220228

ICEBUG®

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01. Let's be the change

Icebug does not have a growth target. We're not here to maximize profit. We're here to drive sustainable transformation.

Our vision is to be a changemaker for a society where people can thrive on a planet in balance. This isn't just some distant effect of our work. This is the work.

We don't exploit people. We accept that there are planetary boundaries, and we strive to thrive within them. A healthy cash flow lets us make our own decisions and scale our best efforts without contradicting our sustainability targets.

In this Impact report, we will share how it is done.

Achieving maximum impact

We make shoes. We believe that getting out in nature is a fundamental human need and that people need good shoes to do so. However: manufacturing consumes resources, let's not pretend that there is an "environmentally friendly" production.

The harm done in production, the negative impact, needs to be minimized – and measured and publicly reported – and balanced with the legitimate need for the product.

Do the right thing, even when it hurts Icebug

We strive to create value in three dimensions: **For the user, for Icebug, and for the World.**

This is our positive impact. Mostly we can align this, but sometimes there is a clear conflict. That's when this commitment is put to the test. In 2021, we decided not to use air freight to catch up with delivery delays following the Covid lockdown at the factories we work with in Vietnam since this would cause at least 20 times more emissions than shipping by sea.

In 2022, delays remain – and so does our commitment to do the right thing, even though it's challenging and can mean losing sales.

Our way forward

A serious climate commitment must start with this: Avoid avoidable emissions.

The climate crisis is an existential threat. The current IPCC reports tell us that we need to take immediate action to decrease emissions. We must start by halving emissions by 2030 and not emitting more while we're working towards this goal.

Up until now, we have moved too slowly. But with the knowledge that we now have – and are sharing to help others fast-track change – we will most likely be able to move faster going forward.

From now on, we will take a firmer stand in disrupting the destructive parts of our industry.

We will be more assertive in calling out when air freight is used and called "necessary" when it's only necessary to maximize sales and profit. That's not because we enjoy being trouble-makers, but because we believe that the race to zero is a team sport. Sharing best practices and pointing out the opposite are two sides of the same moon.

At Icebug, we will do what we can to scale climate action. That includes not only reporting on what has been done but also sharing what we have learned and what we are planning to do. This is not to sell a rosy future. We're still accountable for what we have achieved, not just what we had planned to do. But sharing what we've learned gives others information to start fast tracking to lower their greenhouse gas emissions.

We're far from perfect, but we're not letting that stop us from acting.

We act, learn, and take new action based on better knowledge. So far, we have done a few

things that stand out. Follow the footprints is one of them. If you're in the industry: please feel free to use this concept. Being transparent about emissions and supply chains gives consumers a fair chance to make informed decisions. Another one is co-financing a pilot project to put solar energy on factory rooftops in Vietnam. This cuts our emissions and lowers the emissions of other brands producing at the shared site. The solar rooftop project cuts emissions and costs at the same time. This is a promising development that has the potential to scale throughout the footwear industry and spread to other countries and industries.

Energy production is the central cause of the climate crisis for the World and our business.

Act now

Here's the cheat code if you sense the urgency to take immediate action:

Start with energy.

Use less of it.

Switch to renewable sources.

Stop burning fossil fuels, starting with coal.

Make the change where it matters most, throughout the supply chain and not only in your operations.

If you have questions, criticism, or suggestions, please do get in touch. We're keen to learn and develop.

Let's stop doing unethical work.
.. put an end to the tyranny of business as usual.
.. be the change that we want to see.

02. Our framework

In this chapter we will present the directives, principles and goals that decide what we do. In short, these are as follows:

Owners' directives

Guiding principles

The global goals

Exercised through the board and top management, it is the owners that have the ultimate power and responsibility for why a company exists and what it should do. Transparency regarding what the owners prioritize is essential, as it sets the inner fundament of the framework that the company operates within.

Therefore, we start by sharing the Owners' directives of Icebug.

Switching to the external perspective, we have the global goals for sustainable development.

OWNERS' DIRECTIVES ICEBUG GROUP 2022

Stakeholders:

While most private companies put the shareholders' interest solidly first – Icebug choose to highlight Nature, Society, Customers, Employees, Suppliers and People involved in the supply chain. Of course, the shareholders have an important stake, but since Icebug's business has great impact on so many other groups, all those interests are balanced. With a clear priority: Nature and Society are Icebug's most important stakeholders.

The vision for Icebug is to be a changemaker for a society where people can thrive on a planet in balance.

This is our North Star on the horizon. It is a moral obligation to guide us in our daily work and our view of what the World needs.

To make best use of Icebug, in the context that we are in with an ongoing climate emergency affecting us all, we instruct the company to work towards systems change. A new paradigm where growth and profit are not prioritized above everything else. Towards a system where business is a driving force to improve the livelihoods of many and is not fueled by exploiting people or exceeding planetary boundaries.

We believe that capitalism can be a strong positive force. However, businesses should be properly reigned in and given fair rules of play that stay within what's good for people and nature. While those boundaries are still largely absent in the World, we choose to set these boundaries for ourselves. The change is also a change towards a culture where we consume less but have a greater quality of life by connection and experience. We are creating a culture where we value resources and take responsibility for our footprint.

Commitment: To do the right thing – even when it hurts Icebug

We strive for value creation in three dimensions: For the customer, for Icebug, and for the World. Most of the time, these dimensions are easy to combine. But not always. When there's a conflict between putting what's best for Icebug short term over what's best for the world long term – we go with the world.

This is not about us being perfect. We won't always know what is right – but when we know what the right thing to do is, we won't do the opposite. That would be unethical.

We believe in building a society where people can thrive, and we are willing to do more than our part to get the planet in balance. We believe that this is our responsibility, and we are going to use our business to do it.

Financials

Icebug does not have a growth target. But since we make products that meet a legitimate need and add value to peoples' lives, we will most likely continue to grow anyway. We are not opposed to growth per se - but responsible growth cannot drive consumption. Also, it is essential that our products have a smaller negative footprint than the alternatives.

Our profit target is 10-15% earnings before tax, with the dividend guideline at 10% of the earnings after tax when our cash reserve situation allows. The profit target and the dividend guideline are set to secure financial longevity.

The value derived is also distributed through 1% for the planet and a profit-sharing program with employees.

Guiding principles

Part of striving to be a changemaker is looking to make the maximum positive impact. Sometimes that means being first, but sometimes it creates more impact to be a follower and contribute to scaling.

We have **five purposes** that help us turn our vision into practical work.

× Inspiring more sustainable lifestyles.

× Empowering people to get out more.

× Scaling climate action.

× Disrupt the destructive industry.

× Develop and spread good work that works on developing people.

Icebug's main business is making footwear. There is no such thing as environmentally friendly production, as it always consumes resources.

Therefore, to be a company making products and taking responsibility, there is a **sustainability hierarchy** to follow:

1. Making products that people need.

2. Making those products to be used for as long as possible (comfort, fit for use/versatility, durability, style/longevity).

3. Minimize resource use and negative footprint in production.

4. Strive for positive impact from production and end-of-life solutions.

We have defined a few **guiding sustainability principles** that help us with points 3 and 4 of the product hierarchy:

× Protecting biodiversity both when sourcing and financially funding projects, striving for regenerative practices.

× Reducing the climate emissions to prevent global warming.

× Getting rid of our dependency on oil and other fossil materials.

× Only doing responsible sourcing, with a focus on caring about nature, animals, and people.

× Sharing what we learn, being transparent, and making it easier for others to scale up better solutions.

Policies

There is a risk of sub-optimizing – moving problems to other parts of the eco or social system – if we focus too hard on one parameter, such as climate emissions. To cover all important issues in the sustainability field, we have developed further guiding policies.

Environmental Policy

× Our products shall be durable, easy to take care of, and repair.

× We inspire and inform our customers (including event participants) to make better environmental choices.

× We always search for the best environmental material and process and strive to minimize environmental impact in all parts of the product value chain.

× We connect with suppliers and other partners that help us fulfill Icebug's sustainability targets.

× We strive for continuous improvement of Icebug's sustainability performance.

× We map the environmental impact in our value chain to make the right priorities, and accordingly we focus on energy/climate, hazardous chemicals, and resource management/circularity.

× Of course, we follow all relevant Swedish, EU, and international legislation.

Supply chain code of conduct

Icebug operates according to 9 principles as a basic sustainability level that we expect at all levels of the Icebug value chain:

1. Icebug strives to comply with international human and labor rights declarations.

2. Icebug complies with labor laws and regulations in the countries where we are active.

3. We actively improve processes and labor conditions at our partner factories by being frequently on-site (Covid-19 travel restrictions have reduced our presence).

4. We strive for continuous improvement of the labor conditions in the Icebug value chain.

5. We establish long-term business relationships with our suppliers where quality aspects (incl. environmental and social standards) are equally as important as cost.

6. We believe in mutual learning to raise the sustainability level, including workers' conditions. This will allow Icebug and our suppliers to grow together.

7. We are open about where we source our components and produce our products.

8. We share information between brands about sustainability conditions (including labor conditions) to raise the level of transparency in the footwear sector and make it easier for others to do the same.

9. If we need to find new suppliers, we focus on working with partners that have been audited by recognized third-party audit organizations.

Since Icebug became a member of the Fair Wear Foundation, we have committed to Fair Wear's code of labor practices (this code has many points in common with the above Code of conduct). We get third-party support in following up on the social conditions in the value chain.

Deeper reading in **chapter 07**

UN global goals

In 2015, all United Nations Member States agreed upon The 2030 Agenda for Sustainable Development. At its heart are the 17 Sustainable Development Goals (SDGs), widely used worldwide by companies, organizations, and countries to communicate sustainability work and progress.

Icebug's sustainability work is contributing to several of the goals:

SDG 3 Good Health and wellbeing.

In action: Promote healthy lifestyles by empowering and inspiring outdoor activities all year-round. Reduce slipping-related accidents and injuries.

SDG 6 Clean water and sanitation.

In action: Using dyeing and leather tanning techniques with less water consumption, using materials with environmental certifications such as bluesign®.

SDG 8 Decent work and economic growth.

In action: Close and long-term collaboration with our assembly factories, following up on workers' social conditions, ensuring that our products are made in fair and safe conditions. Developing an operative system and culture at Icebug where people grow by learning new things and extending this beyond Icebug.

SDG 9 Industry, innovation, and infrastructure.

In action: Replacing standard materials with innovative, more sustainable materials and processes, creating new ways of collaboration, and sharing between industries, and measuring climate impact to find improvement possibilities.

SDG 12 Responsible consumption and production.

In action: Giving our customers the choice of more sustainable shoes than the standard shoe. Encouraging people to only buy what you need, repair, and care for the products. Utilize natural resources responsibly and consume only what the planet can regenerate. Learn how to use and produce in sustainable ways that will reverse the harm that we have inflicted on the planet.

SDG 13 Climate action.

In action: Reducing greenhouse gas emissions at least in line with the science-based targets (cut at least 50% of emissions by 2030 at the latest and then continue emission reductions according to the carbon law, reaching net-zero by 2050 at the latest, to have a chance to stay within 1,5 degrees). Compensate all remaining unavoidable emissions with a surplus.

SDG 14 Life below water.

In action: Replacing some of the fossil foams with algae harvested from lakes and other waterways where there is a surplus of algae, thereby cleaning the water and helping to restore a healthy ecosystem. Also, we use recycled ghost nets in some styles.

SDG 15 Life on land.

In action: Searching for (climate efficient) bio-based materials with the lowest possible negative impact – or ideally a regenerative effect – on the ecosystems, for instance, organic textile fibers from sustainable farming or forestry, sustainable animal breading for leather and wool.

SDG17 Partnerships for the goals.

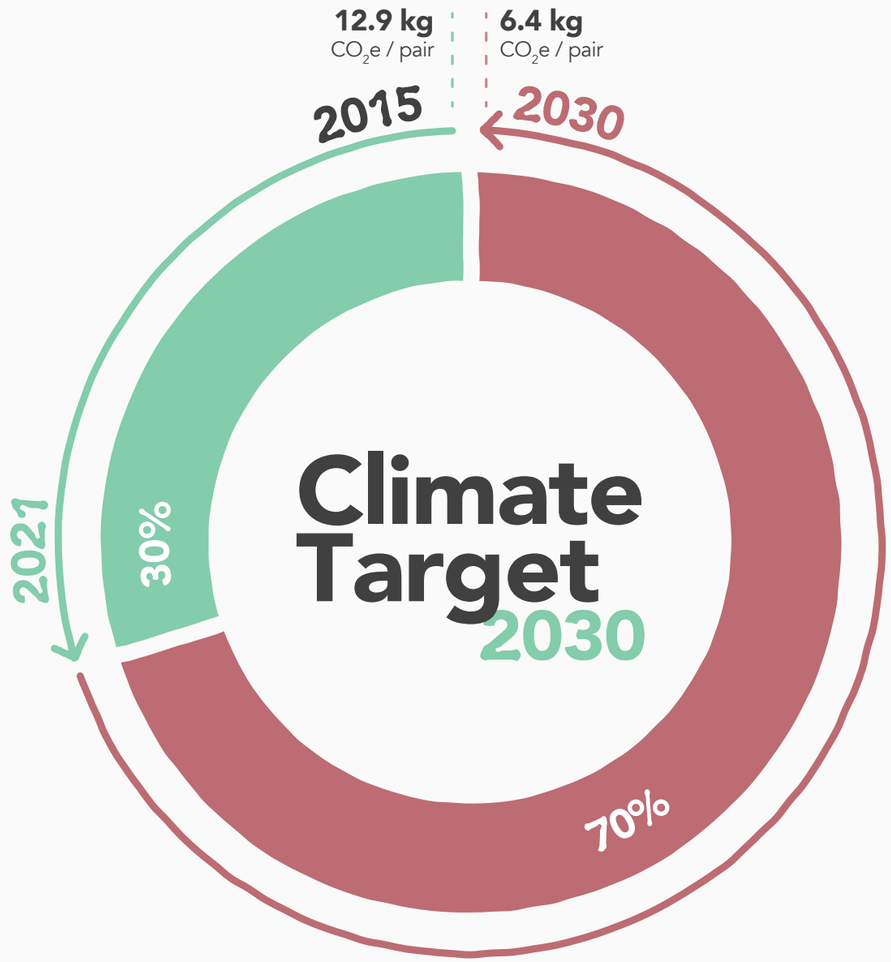
In action: Share all sustainability wins we make for others that want to use them. Actively seek cooperation and participation in networks. To, for example, scale up the solar roof top project and help other brands to copy our model is a natural part of this way of thinking.

Climate targets

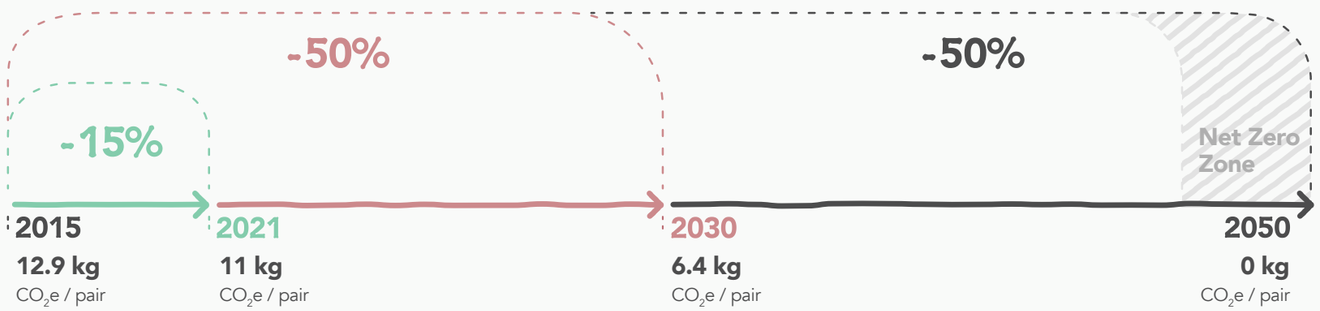
At Icebug, we have aligned our climate emission reduction targets with the science-based targets and the 1.5°C Business Playbook. Icebug commits to:

- **Reduce emissions from Icebug's value chain by at least 50% by 2030 from the base year 2015,** and then keep reducing emissions according to the carbon law to stay below a 1.5°C temperature increase. Reaching net-zero by 2050 at the latest, but we are aiming for net-zero by 2040.
- **Have at least 50% renewable energy in our Tier 1 factories** (Tier 1 means factories that produce our footwear) by 2022.
- **Get below 6.4 kg CO2e per functional unit** (pair of footwear) at latest by 2030.
- **Keep inbound air freight at 0%.**
- **Keep climate compensating 200% of remaining emissions after reduction measures.**

Deeper reading in **chapter 04**



Reaching net zero



Areas to set targets on

- **New specific energy targets** for the supply chain.
- **Timetable for investing in renewable energy** that covers Icebug's total energy use (measured in renewable energy credits).
- **Timetable for fossil-free transportation** and set transition targets for inbound and outbound freight.
- **Timetable to get rid of fossil materials** and set new indicator % virgin oil used during the transition period.
- **Social conditions in the supply chain**.
- **CO2e footprint per functional unit per use time**, tied to product lifetime and an extended warranty.

03. Since our last report

Our last report was published in June 2020.

During the past years, we have taken many steps towards a more sustainable way of doing business.

Good working conditions

In previous reports, we identified the need for further engagement regarding Icebug's social impacts. Icebug became a Fair Wear Foundation member in December 2020, which gives us valuable support with social audits and follow-up activities to secure and improve the social conditions in the value chain.

All four assembly factories, representing 100% of Icebug's shoe production, have been audited by Fair Wear or by Fair Wear member brands. Since Fair Wear Foundation only audits Tier 1 factories, we still rely on our factory relations and on-site presence further upstream in our value chain.

Icebug's ability to influence becomes smaller when we don't have direct business relations. That does not mean that Icebug doesn't need to take responsibility for providing fair and safe working conditions. We've increased accountability by increasing transparency.

Inner development goals

In 2015, the Sustainable Development Goals presented a plan for a sustainable world by 2030. The 17 goals cover a wide range of issues that involve people with different needs, values, and convictions.

There is a vision of what needs to happen, but progress along this vision has so far been disappointing. Since 2022, Icebug takes part in a program led by "Inner Development Goals" – a non-profit organization for inner development. The idea behind the concept is that people need to practice new skills to deal with our increasingly complex environment and challenges. The program encourages the employees to think in new ways, to be brave, compassionate, and so forth.

Supporting climate activism

We closed our second year as a member of 1% For the Planet. Icebug's contribution amounted to a total of 242 588 USD working to reduce deforestation and climate emissions.

Icebug's heart and soul is in the forest. Unfortunately, the real, old forests are rapidly disappearing. When we cut down the trees, we also lose biodiversity which will have consequences for humanity and life on the planet. With this in mind, we are happy to donate money to organisations that work to preserve the forests that remain.

Follow the Footprints™

In September 2020, Icebug decided to develop a new sustainability communication concept for our products called "Follow the footprints."

This is a way to show the key sustainability indicators we presented in the last report, as well as each product's journey through the supply chain.

We developed a method and calculated footprints for all styles, generated QR codes, and populated QR landing pages for each style with content. "Follow the footprints" was launched in March 2021 for the SS21 season and was rewarded by the Scandinavian Outdoor Groups Sustainability Award.

In 2020/21, Icebug reported climate emissions based upon climate impact analyses of four styles representing winter style leather studded (Adak), winter style textile studded (Ivalo), running (Outrun), and lifestyle leather style (Loe). Each style's climate footprint was calculated using the simplified lifecycle-based method that we use for "Follow the footprints".

The method was further improved and used for three seasons: SS21, FW21, SS22, and FW22. We just did the first whole year calculation with final order volumes and used the correct energy and transport data for the actual year 2021. The average carbon footprint for the 2021 summer and winter collection was 11.0 kg CO2e per pair. Having the footprints for all existing summer and winter styles, we could also calculate an average for the baseline year 2015 to be 12.9 kg CO2e per pair.

We found that Icebug has reduced the carbon footprint by 15% (from 12.9 to 11.0) on average per style from 2015 up till today.

We are committed to reducing climate emissions by 50% by 2030 in accordance with the 1.5-degree climate target. To accomplish this, Icebug shall reduce the average footprint of each pair of shoes by at least 0.6 kg CO2e per pair each year.

FSC® natural rubber

As Icebug increases the number of bio-based materials used in our shoes, we see the need to be even more involved throughout the value chains to secure both environmental and social sustainability.

Early 2021, we initiated a project to source FSC® certified (sustainable forestry) natural rubber, in collaboration with Forest Stewardship Council international® and Inclusive Business Sweden. The project has proven successful and scalable and made it possible for several other brands to make use of our work.

Deeper reading in **chapter 05**

Steps towards solar energy

Icebug produce the vast majority of shoes in Vietnam. Unfortunately, much of the electricity in the Vietnamese grid comes from fossil sources. To Icebug, this means that we have a huge possibility to change things for the better. Therefore, we are working hard to help the factories switch to solar energy. Even though we are a small player at the factories, we believe that we have an important part to play. This year, we made great progress.

Deeper reading in **chapter 05**

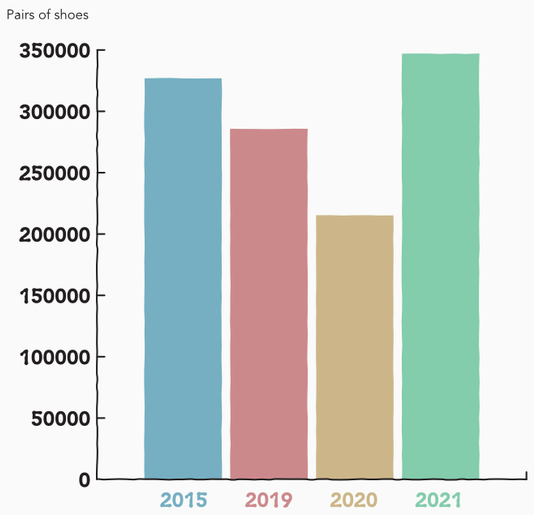
Images from **other installation** project led by our solar energy partner.

04. Impact summary

Icebug has set a goal to halve carbon emissions by 2030. To do this, we have calculated the footprint linked to every style of shoes and set a tough climate budget that stipulates how much we shall decrease emissions on a yearly basis.

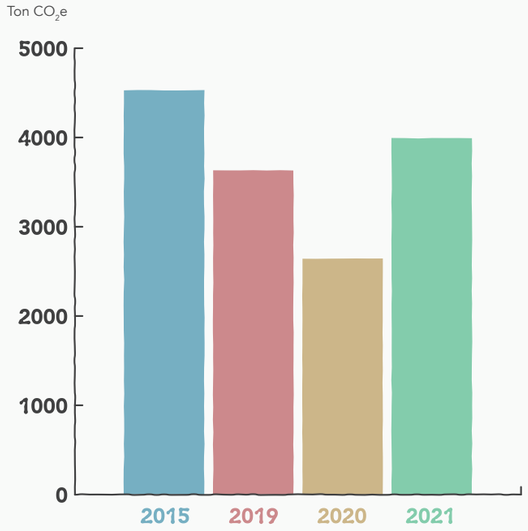
Production volume

Total yearly production volume



Carbon footprint

Total yearly carbon footprint

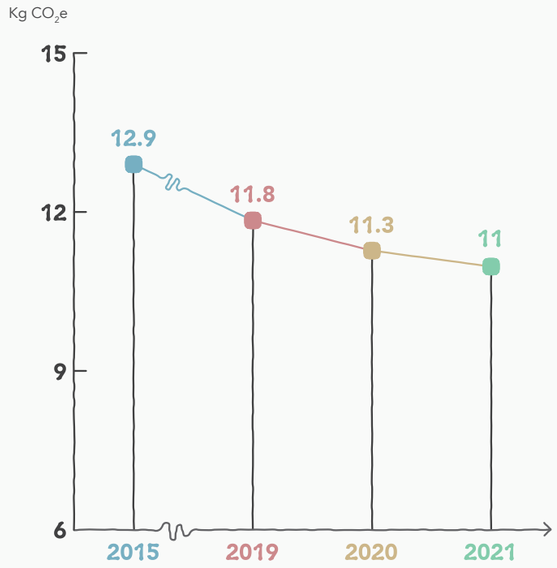


3992
tonnes CO_2e

Total footprint of scope 1-3 for 2021/22

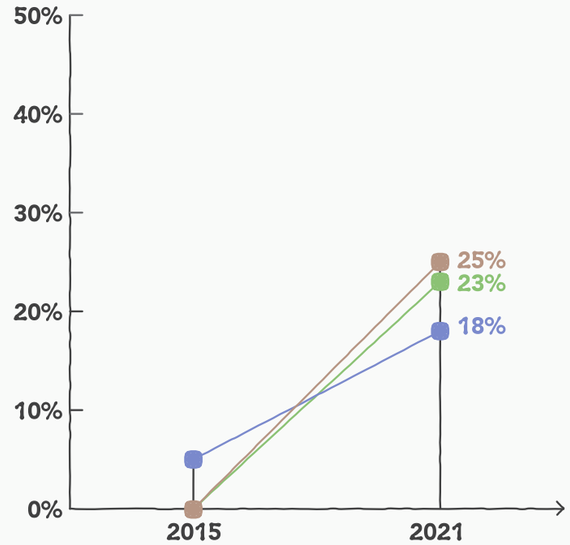
Shoe footprint

Avg. carbon footprint per pair of shoes



Sustainability key indicators

Avg. weight % of material per pair of shoes



- **Recycled Material**
- **Low impact processed materials**
- **Bio Based Materials**

Category average

Avg. carbon footprint (Kg CO_2e) per pair of shoes

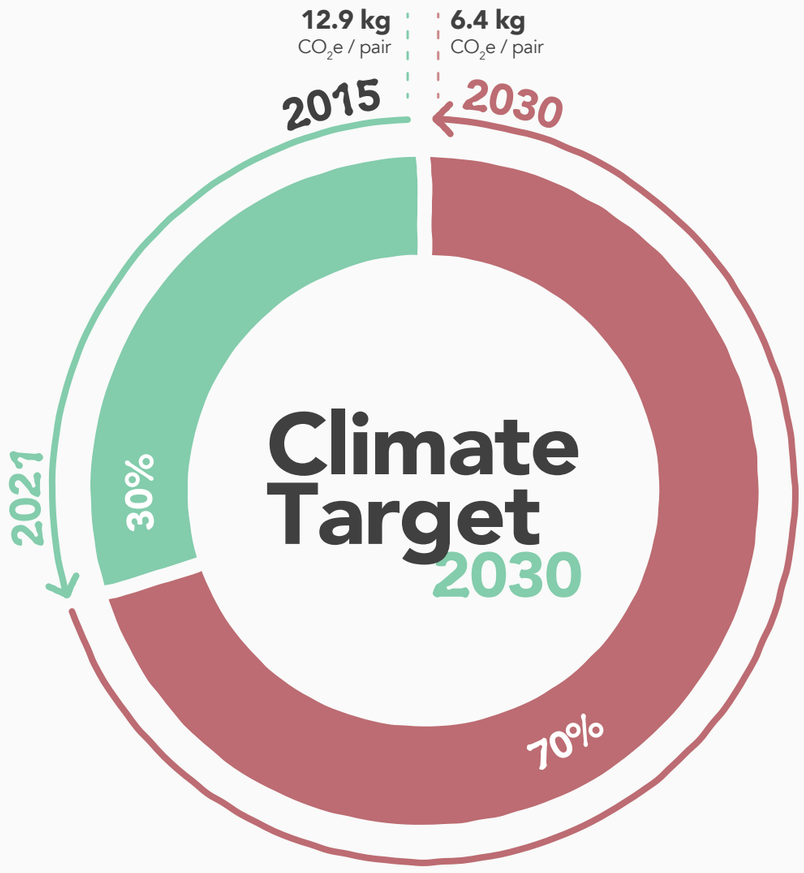
FALL / WINTER 21

8.7	10.7	15.2	15.5
Running	Outdoor	Lifestyle	Pro

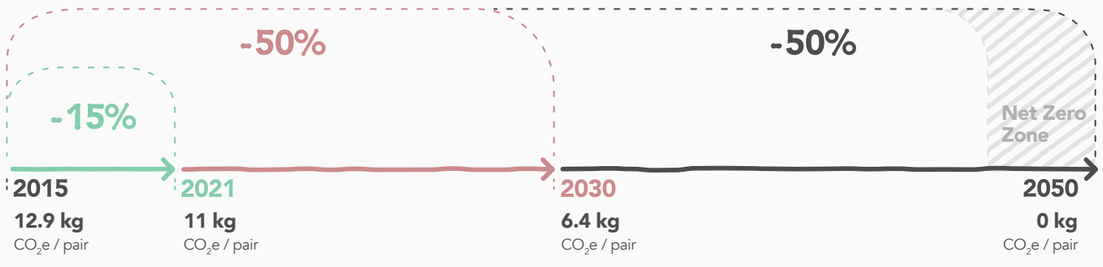
SPRING / SUMMER 21

9.2	9.0	10.8
Running	Outdoor	Lifestyle

*Read more about calculating methods in chapter 08. Calculating the footprints



Reaching net zero



Climate target 2030

Icebug has committed to at least halve emissions, latest by 2030. To do this, we have calculated the footprint linked to every style of shoes and set a tough climate budget that stipulates how much we shall decrease emissions on a yearly basis.

As you can see, we sold more shoes than ever in 2021 – but managed to emit less greenhouse gases than we did in 2015.

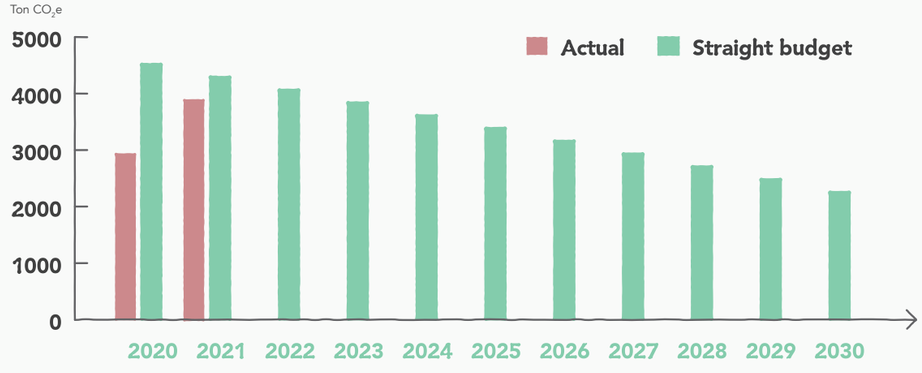
Year by year, the average footprint from a Icebug shoe is shrinking thanks to using more sustainable materials and logistics.

Saying no to air freight saves a huge amount of Co2 and helping the factories in Vietnam switch to solar energy will change the game completely.

Reaching net zero

All scenarios to stay at 1,5 degrees global warming – or even staying below 2 degrees – requires removing more carbon from the atmosphere than what we add by 2050. How much carbon we need to capture will depend on how much we emit on the way there. Since we don't really know how to do that on a global scale, it's wiser to do the utmost to avoid emissions in the first place.

For a company to claim "net zero" status, which would also be a true definition of being "climate positive", would require first reducing emissions by at least 90% and then capture more carbon than the remaining emissions.

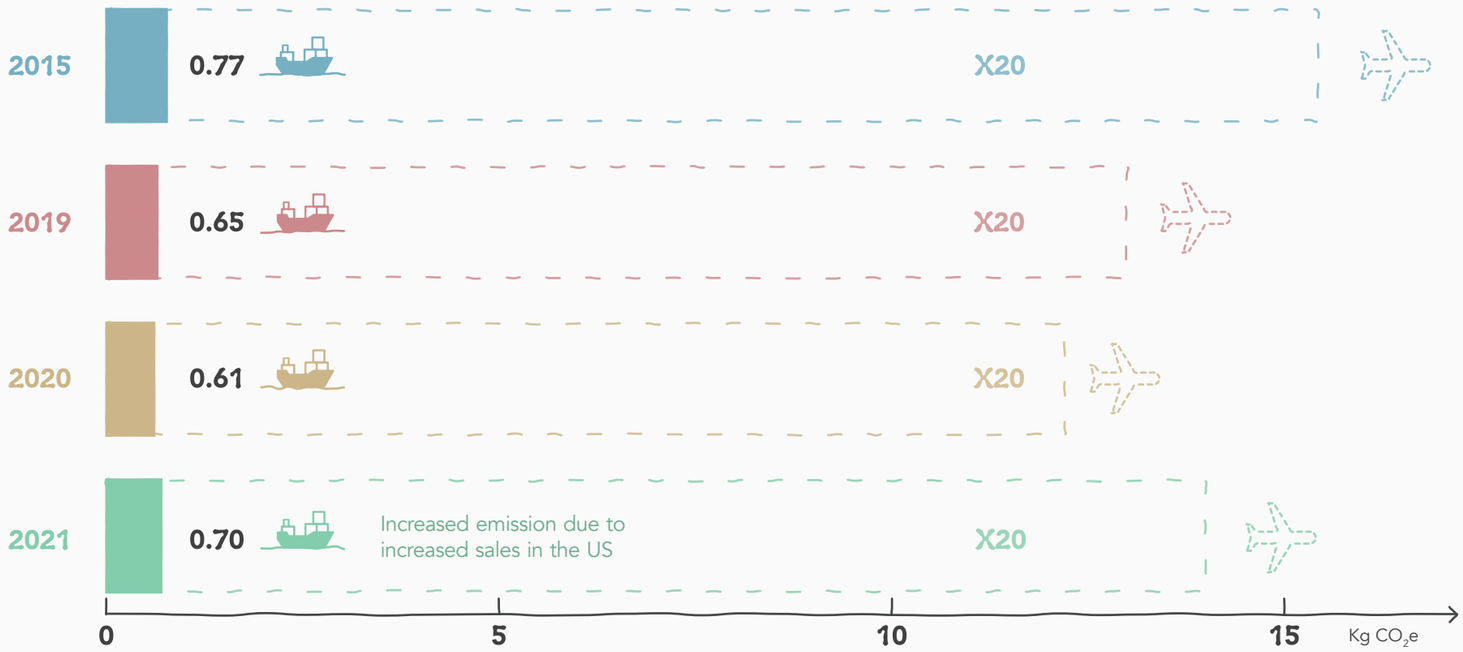


Carbon budget

So far, we are in line with our carbon budget. However, with a much larger production post-covid we will see an increase in emissions. To have a set carbon budget triggers us to be innovative, to keep sourcing better materials and to champion renewable energy. We don't expect the curve to be linear. Some years we will fail, and some years we will take leaps as we make breakthroughs in the fields listed above.

Inbound transport emission

Kg CO_2e emission per pair of shoes



Why our shoes don't fly

Icebug has made a planetary decision not to use inbound air freight. As the illustration shows – our emissions linked to shipping would multiply by approximately 20 times by using air freight. In many cases, this would mean more than doubling a pair of shoes' total footprint.

Unfortunately, many brands (even those claiming to make sustainable shoes) use air freight to keep up with deliveries. To Icebug it is vital to be trustworthy when it comes to sustainability, and to communicate our choices to consumers, not least when our actions mean that they may have to wait a few days extra for their orders.

Sustainability timeline

The start
Making people safe to get out in slippery conditions

First sustainability report

Pledge to become climate positive by 2020

New membership
1% for the Planet, Certified climate neutral.

Goals
>50% of renewable energy in Tier 1factories.

2001 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2030

Getting structured
Finally passed the 100MSEK turn over, Icebug was big enough to kick-off of integrating sustainability fully in the business model.

Average Footprint
12,9kg C02e per pair of shoes, only standard materials.

First major material up-grade
Most used textiles, nylon ripstop upper and fleece lining, changed from standard to more sustainable option, recycled and solution dye.

Climate positive
World's first climate positive outdoor footwear brand (according to the UNFCCC), Introduction of algeas in midsole compound.

Follow the Footprints™
Full product footprint and supply chain transparency.

Halve emission per functional unit
Less than 6.4kg CO_2e per pair of shoes in average

05. Climate strategy in four pillars

Icebug is a member of the Exponential Roadmap Initiative (ERI).

The Initiative is for innovative, transformative, and disruptive companies and organizations committed to halving greenhouse gas emissions before 2030 through exponential climate action and solutions. In this chapter, we will present how Icebug makes use of the **4 Pillar Climate Strategy** which is endorsed through the membership.

Since ERI is an accredited partner of the United Nations' Race to Zero (RTZ) campaign, companies joining ERI automatically become members of Race to Zero. ERI members endorse the 1.5°C Business Playbook, committing and taking action to halve their own – and value chain emissions before 2030 towards net-zero, integrating climate into business strategy, and influencing climate action in society towards global net zero. This is outlined in the 4 Climate Pillars of the 1.5°C Business Playbook.

How it works – in short

The first pillar focuses on a company's activities to reduce its own emissions, aligned with a 1.5°C pathway. The second pillar focuses on a company's activities to reduce value chain emissions with the same goal. The third pillar addresses the alignment of the company's portfolio and value proposition with a 1.5°C ambition and acceleration of solutions that drive down and remove emissions. It means prioritizing products and services that significantly help to cut customer emissions and suppress solutions with an adverse climate impact. The fourth pillar describes how to contribute to the 1.5°C ambition beyond your own business, aligning external policy engagement with the target of halving emissions by 2030 towards net zero by 2050.

Pillar 1 – Reduce your own emissions

We have set the target of halving all our emissions (scope 1-3) by 2030. Pillar 1 talks about own emissions, here defined as scope 1-2 plus business travel/staff commute (which are normally in scope 3). We have several initiatives in place to reduce these emissions, such as securing renewable electricity for offices and the store, replacing fossil fuel cars with electric vehicles, encouraging employees to travel less by car, buying used office equipment (phones, furniture, etc), recycling, and refraining from flying if possible.

Everything counts, but it's worth noticing that Scope 1 and 2 together only account for around 1-2% of our total emissions, so if you see companies reporting only on Scope 1 and 2 emissions, be aware that this could be only a very small part.

Pillar 2 – Reduce value chain emissions

Since the targets for the company includes all our emissions, this includes where we have the vast majority of our footprint: value chain emissions (scope 3).

We have an absolute emissions reduction target to halve emissions by 2030 at the latest (compared to a 2015 baseline) and do so following the carbon law 2020-2030, accounting for our total carbon emissions budget during this period with a yearly update.

The 2021/22 figure for our total emissions, scope 1-3 (our fiscal year ends February last) was 1,349 tonnes CO2 larger, compared to the previous year 2020/21 (due to the previous year having small volumes for Covid reasons). For the last two years, we are now 2,109 tonnes of CO2e below the budget. However, this is not a win to the extent it might seem since it's largely dependent on decreased quantities produced.

We also have a target to at least halve emissions per functional unit, which we think is relevant as we set out to meet a legitimate human need: Proper footwear to get outdoors and be active.

This target has been further broken down into yearly average increments of 7%, or 0.6kg CO2e, decrease per functional unit. This decrease was not met during 2021/22, decreasing only 2.7% per functional unit. To note here is that we don't expect this decrease to be linear, but rather in bigger jumps when there are changes in energy source or bigger material changes, and then flat for some years. During the pandemic and lockdowns, planned work has slowed down, but as we have in-depth climate calculations done on every product that we produce, we have excellent opportunities to identify where we can get the most impact on our actions in the value chain. Our focus now is energy, starting with Tier 1 factories – as calculations have shown that this will have a substantial impact and is straightforward to finance. Our three main factories (that account for more than 99% of our products) are in the last stages of installing solar panels on their rooftops as a direct result of a pilot project for supply chain decarbonization run by the Clean Energy Investment Accelerator, Apparel Impact Initiative and IDH, that Icebug has co-financed and been one of the strongest driving brand partners. Installing solar panels at Tier 1 factories will decrease our overall footprint by around 8% per functional unit (a pair of shoes).

Icebug has guidelines in place to limit our supply chain emissions, such as not using conventional dyeing ("wet treatment" is an emission hot spot in textile production), not using coal as an energy source, and not using air freight for transportation from factory to our warehouses. We are also pursuing other initiatives to decrease value chain emissions, such as more recycled content, traceable leather, and FSC®-certified natural rubber.

How to expand as a company without compromising your targets

As climate action matures, we believe that we will need a more informed discussion about companies adhering to absolute or per functional unit targets. We understand the totality of greenhouse gas emissions for the World is absolute and must decrease by at least 50% by 2030. But within that totality, it should be a climate win if companies that satisfy legitimate human needs and do so with a lower footprint take market shares from alternatives with a higher footprint, even if that individual company increases total emissions. This would be conditional on several things. Starting with not increasing consumption, but also durability of the products. These will be difficult but important to find ways of measuring.

Pillar 3 – Integrate climate in business strategy

Our vision is to be a changemaker for a society where people can thrive on a planet in balance. Concern for environmental footprint has been integrated into the core of how we do business, and Icebug has identified nature as our first stakeholder.

We have internal pricing of carbon at €100/ton CO2e, which follows indications from leading climate scientists of how carbon should be priced. This has a direct effect on the process of developing new products. As we have access to great data per unit produced, we can early on calculate a fairly accurate footprint. Pricing it at €100/ton, the emission consideration is integrated into the business case for each new product. The internal pricing of our emissions drives action and produces a tangible effect.

We report on KPIs on a seasonal basis, the ones currently in the roster are:

- Kg CO2e per style
- Total kg CO2e
- Total amount (weight) of recycled materials (on yearly volume)
- Total amount (weight) of bio-based materials (on yearly volume)
- Total amount (weight) of low-impact processed materials (on yearly volume)
- Total amount (weight) of sustainably sourced (bio-based) materials (on yearly volume)
- Energy use in production

We don't have a sales growth target anymore. We sell shoes where they are needed and don't try to create artificial demand. If we grow, it should be because there is a problem that we solve. Sound profitability remains an important target, as we believe that a company needs to be profitable to be sustainable over time.

Pillar 4 – influence climate action in society

We have two purposes that bridge the vision of being a change maker into practical work.

- Scaling climate action.
- Radical transparency regarding our supply chain, the method of calculating and measuring data, and sharing what we learn for others to be able to move faster to take action that has an impact, as well as driving projects which have an impact well beyond Icebug's footprint.
- Disrupting the destructive industry.
- Using our knowledge to speak up and trying to put the spotlight on unsustainable practices that happen out of sight and sometimes deep in the supply chain. This is often a black box to those that are not part of our industry.

We also see that getting on the pathway to a 1.5-degree future has two important parts. Apart from reducing greenhouse gas emissions, also protecting, restoring, and managing the ecosystems that bind CO2.

Solar rooftop pilot in Vietnam

Stopping the use of fossil fuels as an energy source is at the core to be able to tackle the climate crisis. This is true for the World and Icebug's supply chain.

We have invested time and money to finance a solar rooftop pilot at factories in Vietnam. Switching away from the electricity of the grid – which in Vietnam is approximately 70% fossil-based – means decarbonizing our supply chain. The investments will not only benefit Icebug (as we have only a small share of the production in those factories, ranging from 0.5 to 25% of the total production) but all the customers of the factories. The solar rooftop project has potential to eliminate 17-53% of the factories' annual carbon footprint (large differences due to factory size, scope, etc), summing up to more than Icebug's total annual greenhouse gas emissions.

The project is moving forward and The Clean Energy Investment Accelerator (CEIA, US), the Apparel Impact Initiative (AII, US), and the sustainable trade initiative (IDH, NL) provide an excellent project for supporting our factories in the purchase process of solar rooftop installation. Since the kick off in summer of 2021, all three assembly factories in Vietnam have decided to take part. As an additional benefit, factories will also lower their cost for electricity. Icebug's intention is to get a proof of concept and to scale this pilot to more Vietnam factories in the footwear and apparel industry and other geographies.

FSC® natural rubber project

As Icebug phases out oil-based materials and increases the bio-based materials in our shoes we also see the need to engage deeper into the value chains to secure both environmental (climate, biodiversity, etc) and social sustainability. When Icebug ramped up the use of natural rubber, Forest Stewardship Council (FSC®) certified rubber was not available off the shelf. So together with Inclusive Business Sweden and FSC® International, we started a pilot to collaborate on sourcing in early 2021.

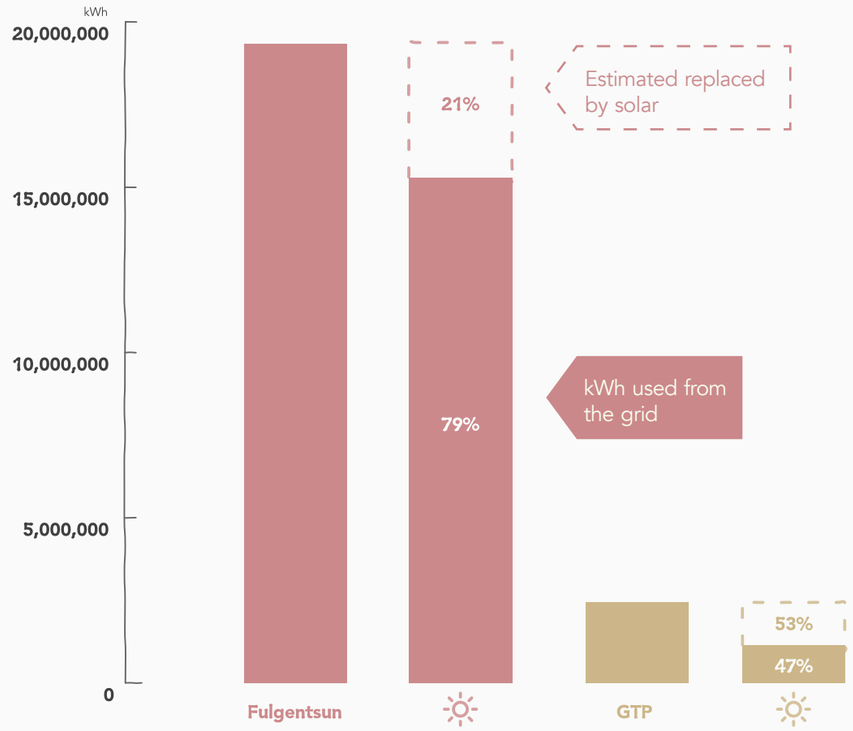
There were already smallholder rubber farmers in Thailand that were FSC® certified, harvesting sustainably and with decent working conditions, but they had no steady demand.

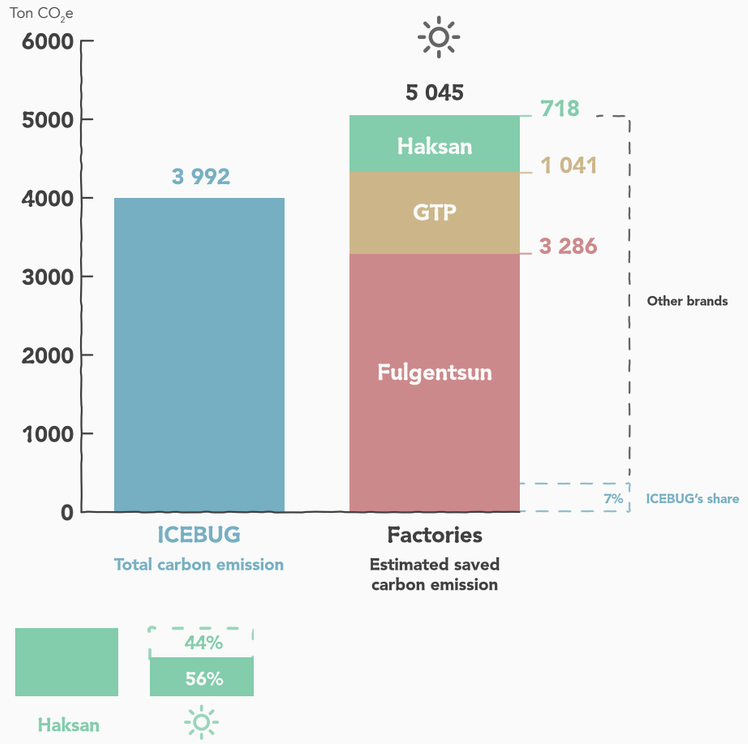
The aim of the project was to create demand to match the supply, giving the farmers better prices and motivating the processor to take the step to FSC® certify. The processor is a crucial part of the supply chain who transforms liquid latex from farmers into footwear rubber. Icebug alone would be far too small to do this, so other footwear brands were invited to "our" FSC® supply chain. 25 brands attended the sourcing meeting, including some of the biggest global footwear brands..

Now six brands have shown clear interest and the scale-up for 2023 is indicating a demand of 15,000 tons of FSC®-certified natural rubber – a good match with the processors' capacity of 20,000 tons and probably contributing to FSC® certifying that small factory. That's a case study of the value of collaboration.

Influencing other brands

It's not only that Icebug switches, but it also makes it easier for other brands to do the right thing, and when they do it's almost a 1,000 times multiplier to Icebug's use of natural rubber, 17 tonnes. It's also equivalent to 9,000 hectares of FSC®-certified forests. Icebug was FSC® certified early this year (license code: FSC-C173562), and so was the sole supplier, and the assembly factory Great Process and the others are in the process of being certified now.





The plan is to launch FSC®-labeled shoes for SS23. All our outsoles (except safety shoes) have 23-62% of natural rubber.

Scaling climate action

Icebug is open to collaboration with other brands to scale sustainable solutions, not only for climate actions but in the broader sense of sustainability. Sometimes it's about overcoming the chicken-or-the-egg challenge to balance demand and supply for new, more sustainable materials. And sometimes, it's teaming up to get purchase power and better financing conditions.

In many cases, it's simply about networking to spread the word and inspire others to make a difference.

Disrupting the destructive industry

While we prefer collaboration, we also believe that there is a need to speak up when we see unethical behavior. Meaningful climate action must start with avoiding avoidable emissions.

No to inbound air freight

There's widespread use of air freight in our industry, even though this increases transport emissions by more than 20 times. In the case of Icebug, with production in Vietnam and our main markets in Scandinavia and North America, using air freight would practically double the climate footprint of our products platforms and external channels to campaign against air freight and increase general awareness about the problem.

When we see colleagues calling this "necessary" to catch up with delivery delays, when in fact, it's a question of maximizing sales and profit at the expense of the planet, we will continue to call this out.

Other disruptive practices that we strive to raise awareness about are pushing consumption, greenwashing, over-production, and the use of emissions and water intense conventional dyeing when there are low-impact alternatives (though with the tradeoff having larger minimum quantities and not being able to offer the same amount of color options, presumably leading to lower sales).

Advocacy

The purpose of our advocacy is to influence more businesses to take a bigger responsibility, to influence our customers towards more sustainable lifestyles, but also to install the courage in regulators to do what's needed. We believe that businesses can be at the forefront of the sustainable transformation and lead by example, but eventually, the race to zero is about critical mass, and we can't rely solely on goodwill to get there – we will need regulation.

Whenever we have the chance, we push the narrative of halving by 2030 while following the carbon law on the way there. We do this in cooperation with ERI. We're also a supporter of the Ecocide law alliance.

We also advocate a proper price on carbon of at least €100/ton CO2e.

Saving old growth forest

Apart from acknowledging that nature has a value in itself, biodiversity is increasingly connected to the climate issue in research reports and the public awareness. Conservation of old growth forest remains an important cause to support for Icebug. During the year we have supported the following organizations dedicated to nature conservation: Naturarvet, Naturvernforbundet and Naturskyddsföreningen. The contribution of more than 80k USD for the year means these organizations can purchase land and conserve existing forest.

Protect Our Winters

During the year, we have been a global partner of POW, rallying snow sports and outdoor enthusiasts to practice their favorite activities with a smaller footprint and voicing the demand to politicians to take climate action from the community.

Influencing consumers

When marketing Icebug products, it is key to only promote necessary consumption. We want people to buy things that they need and that they will use for a long time. We raise awareness on how to take care of the products, how to clean them, and how to repair them.

Also, we use our marketing channels and social channels to discuss sustainability issues– from how we produce our shoes to our quest to stop deforestation. When sending out newsletters and press releases, information on our sustainability work is included. Icebug wants to be an ambassador for sustainability and strives to be part of the debate – and ignite it when possible.

Last but not least, offering sustainability data via Follow the footprints is an almost revolutionary way of helping consumers make informed decisions.

Inner Development Goals

All the major problems that the World faces today are caused by humans. We've had the UN Sustainable Development Goals (SDG) since 2015, and a string of IPCC reports making it completely clear what we need to do.

The Inner Development Goals (IDG) is an attempt to tackle this problem by identifying the qualities and skills – the human development – that we need to reach the SDGs. The scope of this is universal. Icebug supports that by being a partner to IDG. The qualities and skills have been well researched. We're starting small scale with how we can work with these in practice.

Starting in 2022, we have started an inner development program where we set up a structure and dedicate time to employees to work with their development with the objective that this will strengthen them to contribute to the SDGs, while also helping employees navigate the complexity of modern work life – getting better at the job at Icebug – as well as being something that they will benefit from it in private life – in relation to themselves and others. We have weekly meetings and reflections aimed at individual growth and maturity.

06. Sustainability management

At Icebug, we are not very formal or fans of heavy documentation. We try to integrate good routines into the everyday actions and DNA of the teams. However, we believe it's very important to be able to motivate our decisions and show how we get our sustainability data, so that our documentation is focused on data and key decisions rather than work process descriptions. Continue reading to learn more.

Icebug's definition of sustainability management is "the way we plan, structure, prioritize, realize, follow up, and regularly improve the sustainability work" within our business activity in the value chain where we operate. A very short description of management systems is the so-called

Plan-Do-Check-Act cycle (PDCA):

Plan: map where the biggest impact is and prioritize actions to improve.

Do: act in an agile, efficient way in team-ups with colleagues, suppliers, and other stakeholders.

Check: follow up on the results and how the situation has changed.

Act: let the new situation guide us in the next steps and how to improve further.

Our Approach

We are successively building an agile sustainability management system that meets the needs of Icebug and our stakeholders and that is integrated into our working processes. The way Icebug handles this is to combine parts from different established systems:

Mapping significant sustainability aspects according to Global Reporting Initiative (GRI) standards: this gives a basis for goals and priorities in the whole area of sustainability.

The GRI-based mapping of significant sustainability aspects was used as the basis for the sustainability management at Icebug.

The most important aspects lie in the shoe production part of the value chain. This mapping does not go into details of the operations (offices, transports, staff).

Icebug was certified in 2019 and 2020 according to Miljödiplomering (Swedish Environmental Management System), a simplified environmental management system. It is based upon the core elements of the international environmental management systems ISO 14001 and EMAS. This served us well in initiating a management system. However, now we have decided not to renew the Miljödiplomering being limited to ecological concerns and the Swedish part of our business. The system does not cover the entire sustainability field (ecological, social, and financial impact) as the scope of the sustainability work at Icebug does.

Icebug is now in the process of joining the B corps certification, which we believe will be a good framework to manage the totalities of Icebug's sustainability activities (ecological, social, and economical issues). The US-based B corps certification, covers a wide sustainability scope, including business models, and provides an active network. More about this in the next sustainability report.

Through Icebug's membership in the Fair Wear Foundation, the social conditions are measured and followed up both in factory audits and brand performance checks of Icebug's efforts to align with Fair Wear's code of labor practices.

We follow the basic principles in the Green House Gas (GHG) Protocol for calculating and reporting on climate impact.

Mapping significant aspects

In 2019, Icebug mapped the sustainable aspects of our total activity. This was a significant impact analysis, which is the basis for GRI reporting. This mapping is revised yearly in connection to the sustainability report.

The 2019 mapping was partly based upon the Global Reporting Initiative (GRI) Standard 101 Foundation concerning the reporting principles (report content: 1.1 stakeholder inclusiveness, 1.2 sustainability context and 1.3 materiality). The first mapping was purely qualitative with an indirect estimate of the stakeholders' priorities.

Since then, there has been no major reports or findings that would change the basic knowledge about the sustainability impact of footwear. The IPCC 6th Assessment report (Intergovernmental Panel on Climate Change) in August 2021 clearly states the alarming urgency of climate action, which was already a high priority to Icebug.

So, the prioritized sustainability aspects for Icebug remain as follows:

Health and wellbeing are the highest prioritized aspect, followed by hazardous chemicals, energy/climate, working conditions, transparency and sharing, waste, and circularity/circular economy.

These aspects, plus water/sanitation (Bluesign, DriTan, etc.), ecosystems, and biodiversity, have been prioritized in Icebug's work to improve the sustainability of shoe production and sourcing new materials since 2015.

Biodiversity has come increasingly into focus during the last years and is clearly linked to climate change. We don't have much data about how our actions influence biodiversity. However, we do know it's a good thing to protect biodiversity – for our safety through not exceeding planetary boundaries, but also because nature has value in itself. Icebug protects old Nordic forests and strives to do responsible sourcing of bio-based materials.

We feel confident keeping the same priorities as we can't see any specific drastic changes during the last years – neither in Icebug's stakeholders' sustainability values nor in the global monitoring of sustainability news or benchmarking of other brands.

Regarding circularity/circular economy Icebug has a clear role as a user of circular materials (recused, recycled industrial, or post-consumer waste or leftovers from other production) that will nearly always result in lower resource consumption and climate footprint than virgin materials. We also strive to make long-lasting products and offer support to customers to give their products longer life. However, we would not call ourselves a circular brand in the sense of having a circular business model and/or take-back system to handle our products. As most shoes (still) have many small parts of different materials, they are difficult to separate and collect to recycle the material again in efficient loops. An important question about circular solutions is: will the negative impact from extra transport and handling be lower than the positive impact of recycling or upcycling the material? If not, the total impact might even be worse.

Benchmarking

Together the apparel and footwear industries are estimated to generate 5-10% of global pollution impacts. Footwear alone represents approximately 1-2% of the total impact. According to Quantis, footwear accounts for 1.4% of global climate impact or 700 million metric tons of CO2 equivalents. (Ref. Quantis: Measuring Fashion – Environmental Impact of the Global Apparel and Footwear Industries Study, 2018)

The phases in the lifecycle with the highest impact were identified as follows:

- × Production of input materials, particularly leather and synthetic materials.
- × Manufacturing of finished product.
- × Distribution, use, and end-of-life phases are of minor importance.

(Ref. Background report for the EU Ecolabel of footwear (2013) and the Quantis report above).

Overall, the Manufacturing, as well as the Raw material extraction stages, are the biggest drivers across all impact categories. Transport accounts for only 2.5% of footwear's global impact, and packaging production and disposal appear to be negligible, regardless of the selected indicator. This is also confirmed by Icebug's footprint analysis.

In 2021, we mapped the material flows of the value chain by putting all product data from producers and material suppliers into the TrusTrace platform. By September 2021, we had covered all styles and materials for one year – SS and FW 2021 – and could, for the first time, make a more accurate calculation of the total impacts of Icebug shoes and get an average carbon footprint for a whole year:

11.0 kg CO2e per Icebug pair 2021.

Once we had the footprints for all existing summer and winter styles, we could also calculate an average baseline for the year 2015: 12.9 kg CO2e per pair of shoes. Our 2021 footprint compared to our base year 2015 represents a reduction of 15% at the style level.

Deeper reading in **chapter 08**

Social impacts in value chain

The general impact studies described above mainly consider the physical ecological impact of shoes in the value chain. The social impacts are less explored at a sector level (this is a gap to fill).

Health and well-being are the core of Icebug's business and are naturally highly prioritized. Health is addressed both by reducing injuries due to slip-and-fall accidents and by inspiring people to get moving outdoors. Since 2020, we have had "compulsory" train-for-your-brain activities 3 days a week, where we close the office for one hour to go out and get fresh air and physical activity.

Icebug did not identify specific issues or challenges in the overall business activity regarding ethics, human rights (partly included in working conditions), corruption, equality, or diversity. However, we recognize that in general, these are areas of concern, so we need to stay vigilant.

Working conditions in the value chain are a highly prioritized aspect, and Icebug is working closely with the shoe producers to follow up on working conditions. Icebug became a member of the Fair Wear Foundation in December 2020, enabling support in following up and improving the labor conditions, together with the suppliers.

The Fair Wear audits were delayed due to Covid travel, visit restrictions, and the Covid lockdown situation in Vietnam, but now all four assembly factories have been Fair Wear audited.

Engaging staff and suppliers

The specific actions to reduce sustainability impact are decided and prioritized in the value flow teams, which are supported by the Sustainability Team up (CEO, CFO, Sustainability Manager, and Copywriter) when it comes to priorities and calculating impact, etc. The Development & Production team has been very active since 2015 and other teams are increasingly taking action in their respective area.

Engaging both Icebug's staff in different teams at the HQ and our sales offices in Germany and USA, and also engaging our supply chain partners, is key for moving sustainability work forward.

All new employees at Icebug get basic sustainability training, and we also do workshops with each team to identify potential sustainability improvements. The teams set sustainability targets that we will follow up on in the next impact report.

Our sourcing partner in Taiwan, Vanbestco, takes a big responsibility for sourcing new materials and production processes and is closely linked to the Development & Production Team. That team is responsible for the input of sustainability data in TrustTrace regarding materials, styles, and other data that is the basis for calculating footprints. Exchanging ideas and expertise raises the level for Icebug, Vanbestco, and the concerned suppliers.

We strive to regularly increase the knowledge level also for our suppliers and are developing a future-proof value chain together.

Some examples of activities that Icebug has initiated that we believe will both raise the competence level and give a competitive edge to the suppliers' offers:

- The rooftop solar project: a collaborative project for solar power installations.
- Fair Wear social audits.
- FSC® CoC (Chain of custody) certification for traceability of forest based materials.

All these are described in more detail in other parts of this report.

Being a forerunner in calculating and publishing footprints, Icebug also requires many specific data points from the material suppliers and sometimes pushes them to do sustainability certifications.

07. Sustainable design, sourcing, and production

The Development & Production Team of Icebug works with sustainability considerations as an integrated part of the entire design and development process, from beginning to end, striving to minimize negative impact while securing performance and durability.

Timeless design

The design work at Icebug is focused on longevity, both physical and aesthetic durability. We believe in timeless design that you don´t feel you need or want to change over the seasons. The design language is clean yet accessible. Everything is there for a reason: making better shoes for people that want to get outdoors every day.

Keep it simple

Can something be removed that has no function?

Can the number of materials and components be reduced?

Many shoes on the market today have an abundance of materials, often fossil plastic or foam added for aesthetic reasons without bringing any function.

We summarize our visual design strategy as "Inclusive minimalism": inviting and attractive with an air of Scandinavian minimalism and connecting to nature.

Circular design solutions

Circular is a wide concept (including prolonged lifetime by material choice or repairing, reuse/upgrading/reselling, making recyclable products, using recycled materials, take-back systems, etc.) that is too often used without a clear definition. Circular solutions must be carefully evaluated so that they contribute in a positive way to the overall impact by considering transport, product lifetime, energy use for processing, and the borders of the circular system. To make take-back systems efficient, it's essential to collaborate between brands and the public sector, rather than each brand taking back and recycling only their own products.

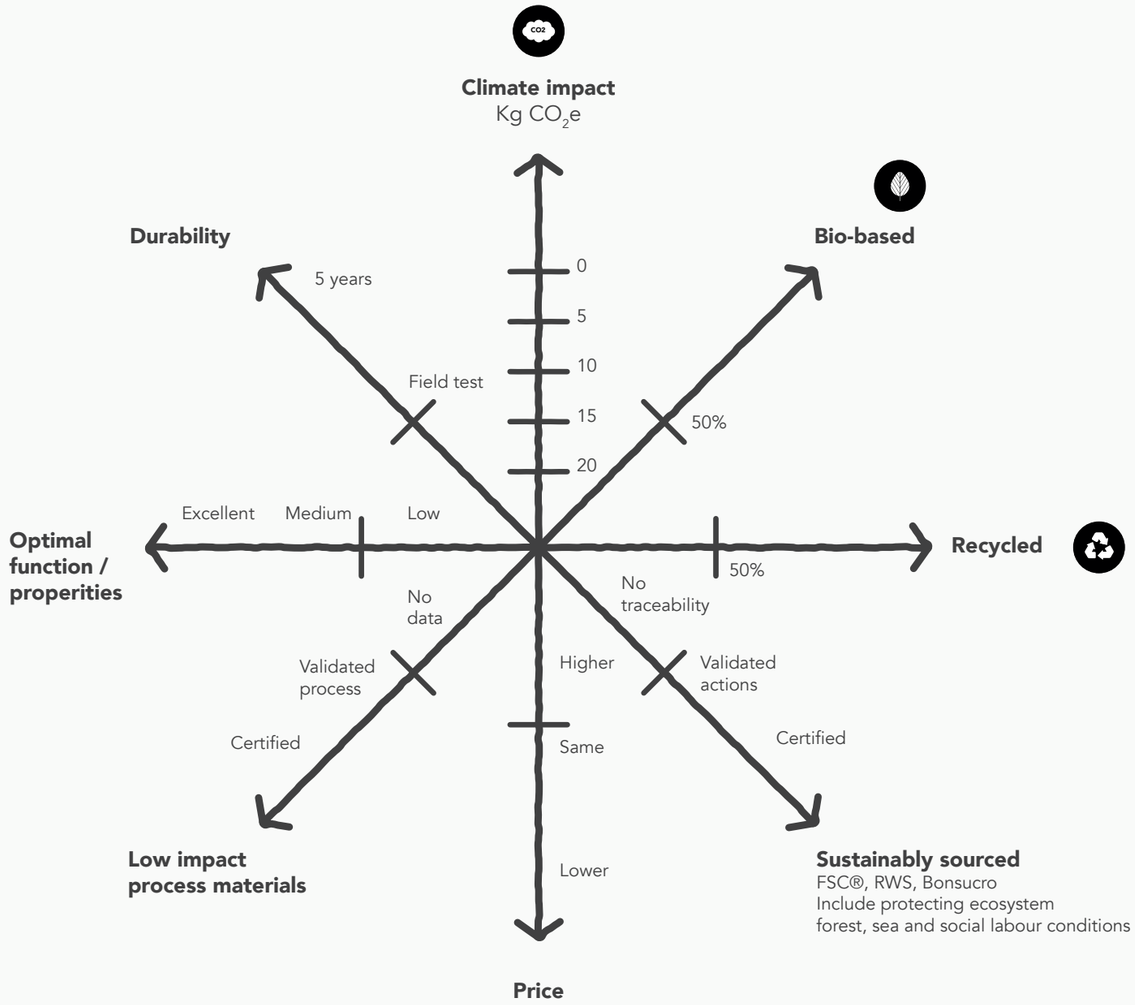
Icebug uses a large share of recycled materials from other industries and our supply chain, amounting to a total of 25 weight-% of all our products (63 tonnes of recycled material) in 2021. We also focus on making long-lasting products and enable us to care for and repair worn parts without ending the life of the whole shoe.

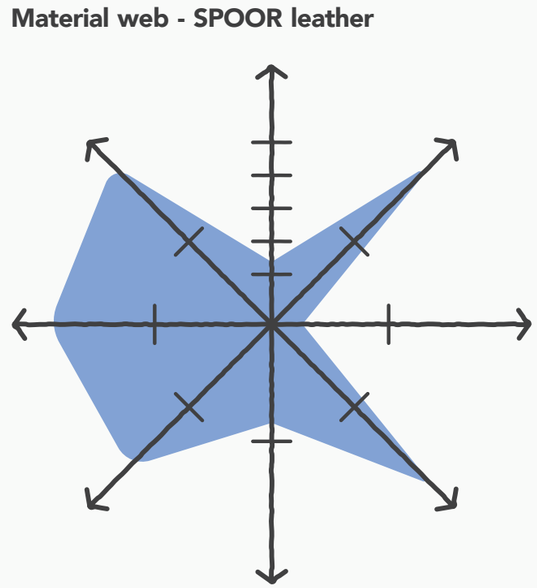
Sustainable materials

A big part of a shoe's sustainability impact lies in the impact of the materials used. We are striving to use only the most sustainable materials in our shoes. In this work, Icebug's guiding principles are implemented into practical actions that can also be measured to see the development:

- × Protecting biodiversity both when sourcing and financially funding projects, striving for regenerative practices.
- × Reducing the climate emissions to prevent global warming.
- × Getting rid of our dependency on oil and other fossil materials.
- × Only doing responsible sourcing, with a focus on caring about nature, animals, and people.
- × Sharing what we learn, being transparent, and making it easier for others to scale up better solutions.

For the sourcing of new materials, we have defined a set of material evaluation criteria that we **visualize in a material web** to get an overview of the total impact.





Material evaluation

Our method to evaluate and decide whether the material is mature to put into production:

Gate 1: Basic information such as features and sustainability information regarding at least the key sustainability indicators, certificates, price, and minimum quantities.

Gate 2: Lab test results provided by suppliers or by Icebug's sourcing team in Asia.

Gate 3: Field tests of material in existing style and/or field test in a new style.

Gate 4: With all the facts gathered, a decision is made if and how to bring the material and the concerned style/s into production and to the market.

And, of course, we have chemical requirements that apply to all our materials and products (see Partners, RISE chemicals group).

A new aspect of the price evaluation is that we have added internal pricing of CO2e at Euro 100/per ton in the product calculation, thus building a proper price of carbon into our margin calculations and driving financial decisions toward lower carbon options.

For all materials and especially for bio-based materials it's important to make sure the raw materials are produced in a way that protects the biodiversity (no deforestation or damaging of land), with decent animal welfare and with good social conditions for the workers.

This can often be secured by using well trusted sustainability certifications for responsible farming or animal breeding.

Production strategy

As we are writing this report, the world is still recovering slowly from an unprecedented crisis with the Covid-19 pandemic. The consequences to follow are and will continue to be on many levels.

The most important aspect of our factory strategy is creating a strong partnership. We believe in the mutual organic benefit between partners to create a sustainable business. A key factor for a strong relationship is time. It takes time to build an understanding of the process, product, business and trust.

Even with so many uncertainties and so much volatility, we can say with confidence that we are not afraid to take on the challenges together with our partners. Due to government policies, it has not been possible to have as much presence on-site as pre-Covid. The factories even had to close down for a couple of months in the summer of 2021. We have therefore been obliged to respond very swiftly with digitalization and flexibility. This is positive for the environment, and we realize (like many others now) that digitalization can be implemented much faster than forecasted when we are obliged to. This is a golden opportunity for the planet to be able to reduce travel, but of course, this puts an even higher demand on communication and trust.

During the past years, Icebug has made efforts to increase traceability and minimize our footprint. Traceability is a huge area; there is always another level to go deeper into the supply chain. We have entered all collections since SS21 into the TrusTrace platform. This means that every single component and every gram of materials will be in the system with detailed raw material specifications, and in many cases, the origins of the raw materials.

These are positive steps, but challenges remain. Energy and pricing are two challenging topics that we are actively working on. The renewable energy project shows that our shoe production factories can make a really good business case for the switch to green energy. Saving up to 67% of climate emissions and saving money at the same time. We're happy to be able to support our partners with this competitive advantage to provide a future-proof supply chain.

RISE – The Swedish Chemicals Group (see Networks and Partners) helps us with screenings of Icebug's products to prioritize tests and make test schedules. Together with RISE experts, we screen our shoe collection twice a year (spring/summer and fall/winter). Test shoes are picked from the production line, and external test institutes perform the chemical testing of our shoes before they are approved for shipping to our warehouse.

Securing good conditions at our factories

Code of labor practices

Icebug became a Fair Wear Foundation member in December 2020, which gives us valuable support with social audits and follow-up activities to secure and improve the social conditions in the value chain, especially targeting Tier 1 assembly factories.

We commit to the Fair Wear Code of labor practices covering **eight aspects** that are measured in the Fair Wear audits of the assembly factories:

The Covid situation made it difficult to visit the factories during 2020-21. However, all four assembly factories, representing 100 % of Icebug's shoe production, were Fair Wear audited during the last year. As new members of the Fair Wear Foundation, we look forward to this first year of work in practice to follow up and learn from Fair Wear audits and find a good way forward to improve together with our suppliers.

Covid Lockdown in Vietnam

During Covid-19 outbreaks in Vietnam, the Vietnamese government applied a so-called "3 on-site motto," giving factories the choice of closing production or following the rules of the motto. This new policy stated that workers should work, eat, and sleep inside the factory area to decrease the spread of Covid-19. However, it's doubtful whether this led to less virus spread. In some cases, it caused local outbreaks in the factories instead. It also led to new problems, such as unsanitary conditions and possible harassment in crowded living conditions where men and women were not separated. Nevertheless, the Vietnamese government kept the motto for a long period. Some suppliers chose to close their factories instead of adhering to this new policy. Icebug's suppliers applied it for periods and chose to close the factory for other periods.

In August 2021, Icebug reached out to all Vietnam factories to offer Covid support to workers that were suspended during lockdown periods. The factory where we produce most of our products accepted the wage support to suspended workers due to the Covid lockdown. Icebug paid a compensation of 86,500 USD for salaries already paid to workers by the factory and for other Covid-related expenses.

Living wages

Living wages are defined as full-time wages that are possible to live on. Various definitions apply to a family or a single person and for different regions within a country with different cost levels.

The recent Fair Wear audit reports indicates that the average wages in our four assembly factories represent between 87-135 % of the living wages (counting bonuses but no overtime) referring to the Anker method, see globallivingwage.org. Three out of four factories are on/above the Anker reference living wage.

Icebug's target is that all workers shall be able to live on the salary. We are following up closely on this issue, in cooperation with the factories, with Fairwear and with other brands sourcing from same factories. Icebug is following up on this issue closely, in cooperation with Fair Wear and other brands sourcing from same factories.

Ensuring that living wages are paid – which is a foundation of making sure that our products are made in a fair way without exploiting people – is complex in an industry like the footwear business that's both highly fragmented and very competitive. Unfortunately, it's not fixed by Icebug paying the difference to "our workers" when our part of the business is between 0.5% and 20% for the factories where we produce. It will require cooperating with the factory and with other brands producing in the factory. In the case where gaps are identified, Icebug is fully committed to driving this process forward without delays. This is our moral obligation.

08. Calculating the footprints

The carbon footprint, or climate impact, is just one part of a lifecycle-based analysis, which covers the whole range of ecological impacts. However, it's a high-priority goal for Icebug to reduce the climate impact and the results of our climate calculations will influence many decisions.

Here's how we calculate our impact and what we do with the results.

Our method

We have evaluated different calculation methods and the reliability of the underlying data set for material impact and methods.

Together with TrusTrace, we have developed a simplified method to calculate climate impact that:

- × Is fairly reliable (there will always be uncertainties).
- × Is based on lifecycle-based material impact values, cradle to gate.
- × Gives climate data in the unit kg CO2 equivalents (CO2e) per functional unit.
- × Is simplified, based upon LCA ISO standard principles.
- × Is efficient and pragmatic (it does not provide further value to do in depth LCAs for all styles).
- × When specific data is missing, we choose conservative values from generic data (avoiding "greenwashing").
- × If possible, has automized calculation algorithms – ongoing work.
- × Is well documented – to show our customers, see the link on the website.
- × Is user friendly.

The calculation method is simplified in the sense that we only measure climate impact and that we use a footwear-based calculation formula with some predefined values from the footwear sector that can be repeated for several styles.

However, there are still high demands in the material data quality that should be based on reliable LCA data and should be as close as possible to the specific material we are using, preferably from Icebug's suppliers.

Icebug's tool combines supplier data with generic data from the Higg MSI database. If there is no supplier data, the generic data (conservative value) will be chosen, and there is a possibility to overrule the data choice manually.

The TrusTrace tool also enables an efficient flow of data from material sourcing to product sales presentations with ecological footprints.

Benchmarking methods

Icebug did an internal review of this method in relation to the ISO 14 040 Standard Environmental benchmarking – life cycle assessment – principles and framework and a benchmark of other carbon footprint methods on the market. There are many parties developing carbon footprint tools now, and as soon as we find a tool that meets our needs (precise enough with reliable data) and is third party verified, Icebug will use that rather than our method.

Many tool providers are now waiting for the EU PEF (product environmental footprint) regulation and are trying to align with the draft of the PEF methodology that is available so far. We hope this will finally simplify the process of calculating and showing footprints for brands and make it easier for customers to understand and trust the information.

Sustainability data quality

The quality of the sustainability data available from material suppliers varies a lot. Some have 3rd party verified LCA, and others are not familiar with impact calculations at all. Therefore, what impact values to use must be decided from case to case. For some materials, the generic (general) values are considered most reliable, and for some materials, the supplier can provide the more precise value. As there is presently a high demand for climate impact calculations, we believe that there will be a rapid improvement in the quality and availability of this data.

We found several material sustainability databases with generic data:

- With total or partly open-source access to impact data: Kering and Higg MSI.
- That we access via membership networks: SSEI Swedish shoe environmental initiative.
- Commercial: Simapro with Ecoinvent, GaBi, Higg MSI (Icebug API is connected to the TrusTrace platform giving full access).

Most of the material bases can present a climate impact value per material, often in the unit kg CO2 equivalents per kg material. Material values are often based upon life cycle assessments from "cradle to gate," meaning all the processes from the sourcing of raw material to the shoe assembly production unit. The state the material is in when delivered from the material supplier.

We acknowledge that data sets need significant additional improvement, but in the meantime, it's better to work with what is best available.

The most reliable emission data that we have is for the energy used in production. When burning fossil fuels, there is an exact correlation between the type of fuel and emissions caused.

Functional units

A challenge with reduction targets and impact calculations is how to reduce sustainability impact while growing as a company. As Scope 3 (products) is the majority of Icebug's total impact, the impact will necessarily grow with volume. It's a challenge to communicate the impact baseline and the sustainability improvements in a correct way.

In all Lifecycle Assessments, LCA, one must define a functional unit that frames the scope of the analysis and makes it possible to measure improvement at the product level. At Icebug, we use the functional unit "one pair of shoes, men's size 10" (our sample size, however, is a bit heavier than the average of shoes sold, thus representing a conservative approach) to measure the overall impacts including climate emissions.

Provided the Icebug customers only buy what they need, one Icebug shoe will replace a standard shoe on the shelf. In this case, each shoe that we sell has the potential to lower the climate impact by the **difference between Icebug's impact and the standard shoe impact.**

This way of thinking can only be applied if there is no overconsumption and as long as Icebug has a lower impact over replacement shoes. We hope other brands will catch up on reporting and on lowering emissions and challenge us on this.

Setting the baseline

With the footprints of 2021 styles, we estimated the average footprint for the baseline year 2015, when Icebug kick-started the sustainability work.

Both 2015 and 2021 had over 300 000 pairs in production.

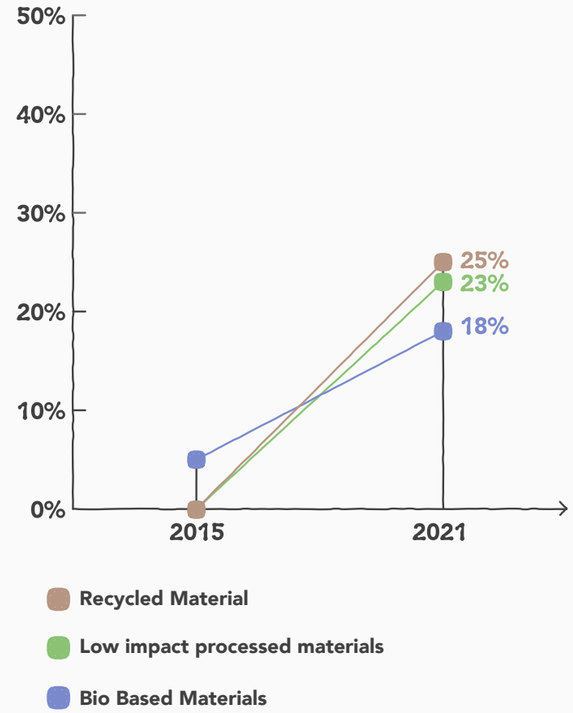
Key assumptions for setting the 2015 baseline:

- Estimated that all shoes in 2015 had only standard materials and built the footprint calculation with only standard materials.
- Many shoes in 2015 are still carry over styles in the collection today. For the rest, we matched the 2015 style with the most similar style of today.
- We adjusted energy and transport data for the 2015 situation, with part of production in Indonesia.

Then we calculated the footprint for each 2015 style as we do today.

The result is an estimated average footprint of 12.9 kg CO2e, disclosing a reduction of 15% carbon climate emissions from 2015 to 2021. For the other indicators:

- From 0 to 25% recycled materials (weight based).
- From 5 to 16% bio-based materials (weight based).
- From 0 to 23% low-impact processed materials (weight based).



Sustainability Key Indicators

The Sustainability Key Indicators show the direction we want to go in and measure the sustainability performance. When combining the indicators, we avoid sub-optimizing by using materials with a positive impact on one parameter but a negative impact on another.

The Icebug sustainability key indicators must be robust to cover all potential developments and remain the same for a long period (at least until 2030). Feedback is welcome, and brands are also free to adopt these indicators:

1. Global warming potential, carbon footprint: kg CO2 equivalents per pair of shoes.
2. Recycled material, weight -% of shoe
3. Bio based material, weight -% of shoe
4. Sustainably sourced materials, weight -% of shoe
5. Low impact processing of materials, weight -% of shoe

The % calculations are weight-based. Sometimes a material choice exposes conflicts between indicators – e.g., biobased plastic can cause more climate emissions than fossil-based ones. It is important to bring those conflicts to the surface so that we can make choices based on a holistic view of the sustainability consequences. If we do not cover the bigger picture, there is a big risk that we sub-optimize with too narrow of a focus.

Initially, we are only using three indicators in the marketing concept "Follow the Footprints" to make it easier to understand. Indicators 4-5 are used on the "backend" in Icebug's evaluation of the sustainable development of our company.

However, the sustainability indicators do not cover all sustainability aspects. For instance, hazardous chemicals are handled with restrictions lists (RSL) and regular test programs, in addition to sourcing low-impact materials (indicator 5). We've also phased out PFC, the "forever chemicals," in water repellency treatments over several years and have been working with W.L. Gore to ask for a full phase-out of the GORE-TEX® membrane. There is now a commitment to do so by fall 2024 when we will switch entirely to an EPE-based membrane.

Social aspects are only covered to some extent by certified sourcing like FSC® and LWG. Below is a description of each indicator:

1. Global Warming Potential, kg CO2 equivalents per pair of shoes

A given indicator that connects to Icebug's climate targets. Unit: kg CO2 equivalents per pair of shoes, size M10 – from carbon footprint analysis.

To calculate this indicator in a fairly accurate way, we depend on reliable data for the materials' climate impact from cradle (sourcing of raw material) to gate (the assembly of shoes). Sometimes from the specific supplier and sometimes from generic data.

2. Recycled material - weight-% of shoe

This indicator covers postconsumer recycled material and industrial waste recycling as well as ecosystem recovering recycling (Bloom algae from lakes and waterways where the water is cleaned, fish nets by sea). Today Icebug uses recycled polyester in many materials, recycled wool, recycled nylon (Milspeed reinforcement), and recycled rubber. We always ask for recycling source certificates like Global Recycling Standard (GRS) or similar to validate the sourcing.

3. Bio-based material - weight-% of shoe

Reflects Icebug's quest to reduce the use of fossil materials and replace them with renewable bio-based materials. Today we use the bio-based materials wool, leather, algae, hemp, and natural rubber. However, bio-based materials do not always lead to less climate impact. Sometimes it's even the opposite. A big part of the environmental impact of bio-based materials is in the sourcing of the material (growing fiber or breeding animals). As a result, bio-based materials demand more research on the specific value chain compared to fossil plastic, where there is much available generic data.

4. Sustainable sourcing certified materials, weight -% of shoe

Shows the weight-% of all materials that have one or several types of sustainability certifications for sustainable sourcing of raw materials. It is relevant with organic sourcing (cotton, hemp, other cultivation), Forest Stewardship Council (FSC®) for the tree, cellulose, and rubber, Responsible Wool Standard (RWS) or ZQ, and Bonsucro (cultivation of sugar cane for bioplastic). These labels will be increasingly important as we use more bio-based materials.

5. Low impact processing of materials, weight -% of shoe

Shows the weight-% of all materials that have one or several types of sustainability certifications for reduced environmental impact in manufacturing processes and/or reduced chemical use. This indicator also includes low-impact coloring methods like solution dye, digital print, or no coloring, even if those haven't any formal certification. Today, we use the Leather Working Group (LWG) Gold Standard, DriTan leather, and Bluesign textiles.

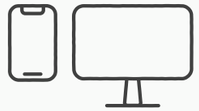
The 4th and 5th indicator weight-% are based upon the presence of one or more certificates for a specific material. Only one is counted in the %. GRS certificates are not included here, as they are confirming the recycling indicator. However, certificates that prove responsible sourcing of bio-based materials are included as they add sustainable value to the bio-based materials (that could be sourced with a high or low degree of sustainability). As the upper textiles are of relatively low weight, the weight percentage of the whole shoe may seem low if there are no certificates on sole materials.

Presenting our data

With Follow the Footprints™, starting in spring 2021, Icebug has shared the climate footprints and other sustainability indicators (% recycled materials and % bio-based materials) for all our products. We publish the key sustainability indicators for all footwear models and tell you where our shoes and materials have been made. To our best knowledge, this makes us the most transparent sports shoe company in the world. Through Follow the Footprints™, we make it possible to easily follow and check that we walk the talk. Just scan a QR code or click on a link and find out everything from the climate footprint to the factory for the shoes you are considering buying.

Scan the QR code

Detailed information



Eide Wool Biosole
DarkGrey / SS22

Product footprint

7,8 kg CO2 eqv. per pair

28 % recycled materials

37 % bio based materials

Product Journey

Chiefrays, Great Process (Viet Nam) Tinh Binh Duong	Vietnam
Bloom Treadwell Mississippi	United States
YI CHANG CO.,LTD Taichung City	Taiwan
Woolpower AB Östersund	Sweden
YUNG HSIN WOVEN BELT MFG CO., LTD. Taichung City	Taiwan
Millspeed Ltd England	United Kingdom

Key features

Eide has a mono-material upper, using felted wool from Woolpower. The design is clean and minimalistic with a sneaker appeal. The felted wool is made by up-cycling scrap from Woolpower's clothes production.

The wool upper only has one layer of material, minimizing the use of glue and different materials. Thanks to the excellent natural properties of wool Eide has natural anti-odour qualities as well as great thermo-regulating qualities – being cold when it is warm and warm when it is cold.

The soft and comfortable upper together with the cushioning BUGforce EVA midsole with BLOOM® foam makes this shoe super comfortable. The perfect lifestyle shoe, combining comfort with a strong sustainability focus.

- × Wool with superior comfort.
- × Natural thermo-regulating qualities.
- × Biosole™

Eide Wool Biosole

DarkGrey

09. Reporting on greenhouse gas

To know where our emissions come from is key to addressing the right issues first. In this chapter we will look in to how we collect and analyze data from production, shipping, transportation and more.

Analyze data from

× **production**

× **shipping**

× **transportation**

and more.

How it works

We have used the GHG Protocol Corporate Standard guideline to set up our GHG inventory (Greenhouse Gas Emissions). We have attempted to follow the standards when possible and taken extra consideration of when the term “shall” has been used.

We intend to continue this practice for coming sustainability reports and GHG inventories. The most complex part of our emissions is the production of our shoes. We have created a simplified LCA (Life Cycle Assessment) for each model produced and published the methodology. As explained in chapter 08. Calculating the footprints.

Accounting for all emissions generated by the business is a complex task, and we strive to continuously refine our methods and tools.

The GHG Protocol states that reporting shall be based on the following principles:

× **Relevance:** This can be obtained by making sure the GHG inventory appropriately reflects our emissions and can be used to make decisions.

× **Completeness:** Accounting and reporting on GHG emission sources are made on all activities within the communicated boundaries.

× **Consistency:** Chosen methodologies are consistent over time, allowing for year-to-year comparisons. Changes are documented.

× **Transparency:** Methods and data are clearly shown, and assumptions are disclosed.

× **Accuracy:** The calculations of emissions are done to the best of our knowledge; uncertainties are reduced as far as practicable.

Organizational boundary

Emissions calculations are made based on the financial control approach, as defined in the GHG Protocol. This means all emissions generated by the Icebug companies located in Sweden, Norway, Germany, and the United States are included.

Operational boundary

We have chosen to include all the emissions that we have identified in scopes 1-3. After making an analysis looking at the believed size of emissions, risk exposure, stakeholder interest, and key improvement areas, the production of our shoes was found to be the most important category. This is the main activity of the company and the largest emitter. In the attached figure, all the identified categories can be found. The below categories come from the GHG protocol.

Data collection

Activity data has been collected from invoices, suppliers, partners, and internal statistics. Data for commuting and business travel has been collected from employees through surveys. Purchased electricity was calculated using figures from supplier invoices. Other office related data was calculated on a spending basis (using the BEE tool from climateneutral.org). Transportation of products to warehouses (downstream transportation) was calculated using actual shipping information, and transportation from warehouse to consumers (upstream transportation) was calculated using average distances based on the customer base.

Factors and tools

We had no flights for the reporting period, but our methodology for prior periods consisted of using the online calculator from the UN specialized agency ICAO and an RFI (Radiative Forcing Index) of 1.9. Travel by car, office emissions, and waste has been calculated using the calculator from BEE/climateneutral.org. This tool is compliant with the GHG protocol. Travel by train was calculated using statistics from SJ (Statens Järnvägar). Transportation of goods was calculated using data from Adnavem and our 3PL partner Storex. Inbound transports were calculated with the tool from EcoTransIT (WtW figure), which follows ISO14067 and EN16258. Outbound transports to wholesale were calculated using factors from Flexport. Outbound transports to Webshop customers were calculated using the DHL Carbon Calculator (WtW figure). Emissions calculations from the production of our insoles (which account for 3% of sales) were made using the Higg Index Product module.

Carbon footprint calculation

Beginning in 2021 (SS21 + FW21), we have individual carbon footprint calculations for all models that we take to the market. Icebug publishes a methodology document showing details on how calculations have been made, which is accessible on here.

Deeper reading in **chapter 08**

Base year

We have chosen our fiscal year (March 2021 to February 2022) as our base for GHG climate calculation. We collect data continuously throughout the year but report once a year. The base year for reduction targets is set to 2015/2016 as Icebug started our structured, companywide sustainability work, together with Peak innovation in 2015. From that year on, we have regularly improved the materials and processes in our shoes to be more sustainable.

Emissions reduction target

A vast majority of our emissions come from materials and products. At Icebug, we have aligned our climate emission reduction targets with the science-based targets and the 1.5°C Business Playbook. Icebug is committed to reducing emissions from our value chain by at least 50% from the base year 2015. We are committed to halving them every 10 years to stay below a 1.5°C temperature increase. By 2022, Icebug aims to have a minimum of 50% renewable energy in our Tier 1 factories (Tier 1 means factories that assemble our footwear). Icebug is committed to decreasing the footprint of each pair of shoes by 7% per year, on a style-by-style basis, and to keeping Icebug's total footprint well below climate neutral (net zero emissions) by compensating 200% of the remaining emissions after reduction measures.

Limitations

Our GHG inventory is based on the best data available at the time of publication. We wish to be transparent about its limitations. We have not specified emissions per GHG separately yet, though we aim to do that in the future. Our calculation tools have built-in emission factors, and these have not been specified separately yet. We do not have separate data for biologically sequestered carbon.

10. Compensation and financial support

Icebug aims at being a positive force for people and planet. Sometimes we influence through our own actions, but sometimes we support other organizations' work through financial means.

1% for the planet

We have been members of 1% for the planet since January 2020. Our membership means that we commit to donating a minimum of 1% of our sales to environmental non-profits.
1% for the planet is a US organization, meaning all donations are recorded in USD (although our main reporting currency is SEK).

Our first certifying year ended on the last of February 2021. This meant a donation totaling 199 kUSD. The second full year of membership meant a donation of 241 kUSD. The process of choosing projects has mainly been handled by the core sustainability team, consisting of the CEO, Sustainability Manager, and CFO of Icebug.

Our largest donations for 2020/21 were: Climate advocacy through Protect our Winters (50 kUSD), protecting forests through Naturarvet (45 kUSD), and co-financing a pilot project to install solar rooftops to replace fossil-based electricity off the grid at factories in Vietnam through The Sustainable Trade Initiative (35 kUSD).

Donations for 2021/22 went to among others: Naturarvet (59 kUSD), Hej Främling (37 kUSD) and Build Up Nepal (20kUSD).

Our business page at 1% for the planet can be found at:

directories.onepercentfortheplanet.org

Search for Icebug.

Climate compensation

Climate compensation or offsetting is not a license to keep emitting. A company must measure and reduce all it can, at least aligning with the 1.5 degrees roadmap. A company cannot communicate compensation in a way that leads its customers to believe that consumption does not cause emissions. When those conditions are met, we still believe that compensating is an important piece of the puzzle for any company trying to take responsibility for its climate impact. Therefore, we continue our pledge to purchase climate compensation covering 200% of our emissions going forward.

The GHG protocol states that purchased compensations should be disclosed so that it is clear if they are verified/certified. We follow guidelines from climateneutral.org regarding which climate compensation projects we invest in (climateneutral.org/standards).

We purchase climate compensation from two different sources. As certified members of climateneutral.org, we commit to purchasing climate compensation covering 100% of our emissions through their procured climate compensation projects. From there, we have chosen projects that are nature-based and where the organizations behind the projects are members of 1% for the planet.

For 2020/21, that meant that our climate compensation was split into three projects: restoration of peat swamps in Katingan, Indonesia, securing rain forest in Feijo, Brazil, and conserving forest in Minnesota, USA.

These are all part of the Verified Carbon Standard, VCS offsetting system. See the link to our certification page at climateneutral.org, climateneutral.org/brand/icebug. This states that our footprint was 2,543 tCO2e – but since then, we have adjusted our calculations and got a total of 2,955 tCO2e (and also purchased additional climate compensation).

For 2021/22, the amount purchased was 4,268 from climateneutral.org. The final footprint was 3,992 tCO2e. The money for compensation went to 10 different projects, ranging from solar to forest conservation.

In addition, we purchase climate compensation covering another 100% of our emissions through the UN initiative, Climate Neutral Now. We have chosen to purchase climate compensation that is verified by both the UN (Clean Development Mechanisms, CDM) and WWF's Gold Standard. A project that has both the CDM rating and Gold Standard is thoroughly controlled/audited and delivers both the climate effect as well as co-benefits for society as a whole (varies from education to improved air quality, generally tied to the agenda 2030 SDGs defined by the UN). Climate compensation that is verified by the UN is called CER (Certified Emission Reductions). The climate compensation purchased for 2020/21 was for setting up solar power in Jaisalmer, India (project 7461).

For 2021/22, the money went to solar cookers for rural citizens in Henan, China (project 6125 and 6987).

The record of all compensation that we have purchased through the UN carbon offset platform can be found here:

offset.climateneutralnow.org/vchistory
by typing in ICEBUG in the "Name" field.

We made estimated calculations of our historical emissions before we started measuring properly and purchased climate compensation corresponding to 100% of that amount. The total purchased amount of greenhouse gas compensation is 58,411 (our calculated emissions are 42,513).

Other contributions

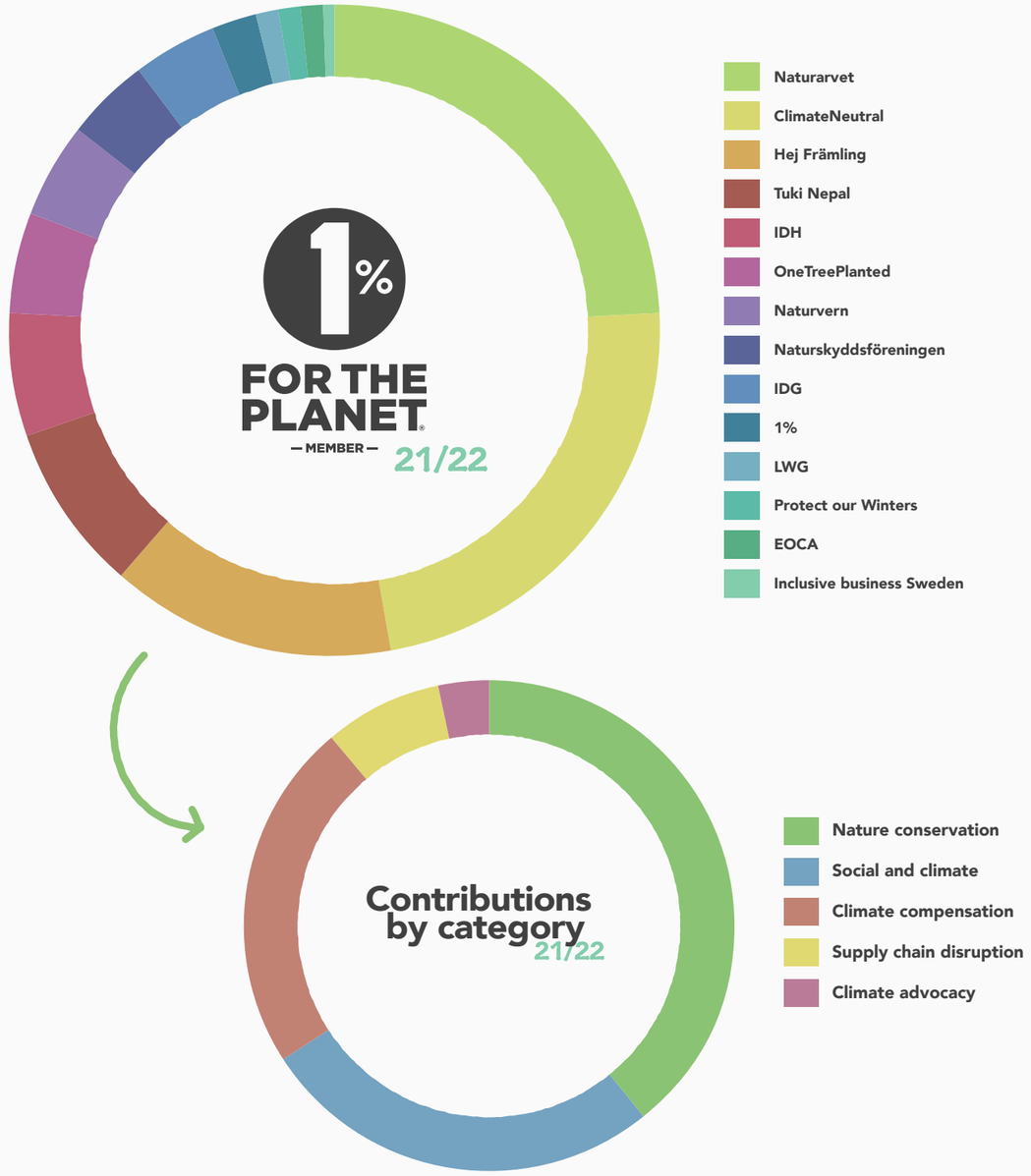
During Covid-19, our factories had to close for periods. We had intense dialogue with the factories and wanted to make sure workers were still paid during this period.

Factories offered employees two weeks of pay during the lockdown. We offered to cover our share of costs for this. GTP (who produces the largest share of our shoes) accepted our offer, and we sent them 85 kUSD.

Read more about our work with the factories and conditions in the section about Fair Wear.

242 588 USD
Contributed to 1% For the Planet 2021/22

99 938 USD
Other contributions 2021/22



11. Financial impact

Icebug is a profitable company and a company with numerous relations – to suppliers, employees, banks, and society, just to name a few.

We see the possibility to make the most of our financial impact and aim at benefiting society at large.

Money should do good

We are aware of the impact of finance in solving our global challenges and continuously try to develop in this area in different ways – ranging from how we invest pensions to lobbying banks to stop fossil investments. That said, we are aware of the limitations of different types of sustainability labels on investments and have spent time finding robust measures. We have made almost no progress in this area. The field remains a mystery to us. The EU Sustainable Finance Disclosure Regulation (SFDR) showed promise, and we initially thought a fund living up to article 9, meaning the financial product has sustainable investment as its objective, could be a good measure. After looking closer at which companies still qualify to be included in those funds, we understand that much more needs to be done. We continue to look for a way forward in this area.

Danske Bank has been our main bank for the last few years. We have had a constructive dialogue about their climate commitment for most of that time. We see encouraging things from them. For instance, they have entered into the Net Zero Banking Alliance. The commitment is to have net zero lending and investment portfolios by 2050 at the latest. But starting right now, refraining from investing in and lending to new fossil fuel projects (coal, peat, oil, and gas) and phasing out existing investments in fossil fuels.

As employers, we can encourage employees to invest their pension funds in responsible ways. We have partnered with Futur Pension in Sweden, where employees can choose from funds that are classified as at least article 8 in SFDR and have also signed PRI (Principles for Responsible Investments). This means that they have a low carbon footprint and a couple of exclusion criteria are in place. The standard fund offered to employees is Öhman Global Marknad, which is a global index fund with criteria such as the exclusion of fossil fuel companies. In the US, employees are offered retirement savings programs through Calvert Investments, which focuses on sustainable investing.

Taxes – fair share

We believe contributing to the common good is an integral part of taking corporate responsibility and that transparency regarding tax is essential to show that taxes are paid where business is done rather than where taxes are the lowest.

This is the first year that the below has been published – and the system support for accounting for this is still a work in progress – but to the best of our knowledge, the figures represent a true and fair view of our tax situation. Icebug AB is wholly owned by GtoG AB. Both of these companies are registered in Sweden and pay taxes here. The main activities take place in Sweden, and these companies are audited by PwC Sweden.

Icebug GmbH is registered in Germany, Icebug Norway Sales AS is registered in Norway, and Icebug Inc is registered in the US. These companies have accounting/taxes handled by external companies. All of these companies pay taxes in their respective countries based

on a transfer pricing agreement that allocates value creation per company in relation to group performance. This is agreed upon in a yearly process and has been constructed with support from the transfer pricing group from PwC in Gothenburg. Current profit levels are Icebug GmbH: 3%, Icebug Norway Sales AS: 1%, and Icebug Inc: 3%. Icebug Inc is incorporated in the transfer pricing agreement from the 1st of March 2021 – before that, they had results as a standalone company.

Icebug received government support for Covid support totalling 99 kSEK.

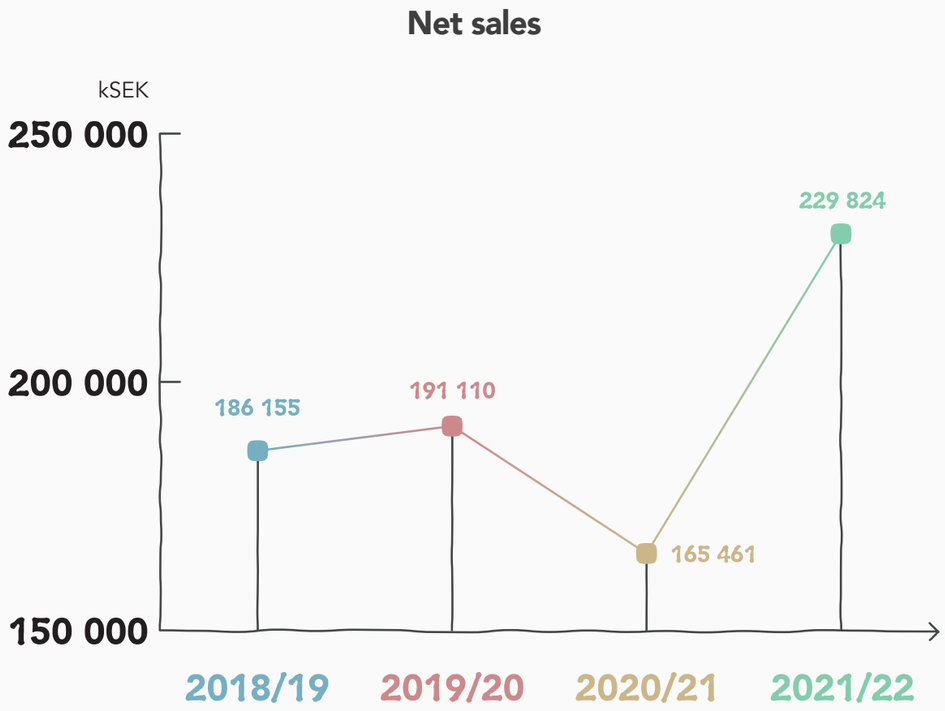
The total corporate tax for 2020/21 was 3 412 kSEK, of which 1 894 kSEK was paid during the year (lower sum because of weaker result the year before and corporate tax is paid later). Social fees for the year were 4 609 kSEK. Duty for the year was 4 882 kSEK. Total VAT/ sales tax paid (net) was 19 447 kSEK.

Total corporate tax for 2021/22 was 4 923 kSEK. 4 292 kSEK was paid during the year. Social fees were 6 435 kSEK. VAT for 2021/22 was 27 093 kSEK. Icebug is part of the OSS system and from 1st of July 2021 pays VAT for Webshop sales through OSS. Duty was 3 470 kSEK.

Icebug had a strong financial year 2021/22. Demand exceeded our available supply throughout the year, which created complications. Getting enough products in time continues to be a challenge, both with Covid-effects on production and logistics problems around the world. As we held fast to our promise not to fly products to the warehouse, several customer orders were not able to be fulfilled with the delays we had.

Prices for shipping products continued to be historically high and put pressure on the overall profitability of the company. It also forces us to take more risks with products, as lead times continue to grow and we have to rely on early forecasts. On the other hand, as we first and foremost solve a need, many of our products remain very similar year on year – so called carry over – which means that the value of our inventory is not affected by fashion trends.

Icebug had significant growth for the year, paired with enough profitability. We believe that no company can be truly sustainable without also being profitable, which helps to ensure that we can take a long-term view of the business, re-invest profits, and not fall into the hands of short-term profit-seeking investors. Growth is not something that is a goal in itself at Icebug, but if it happens, it is a by-product of fulfilling a need on the market.

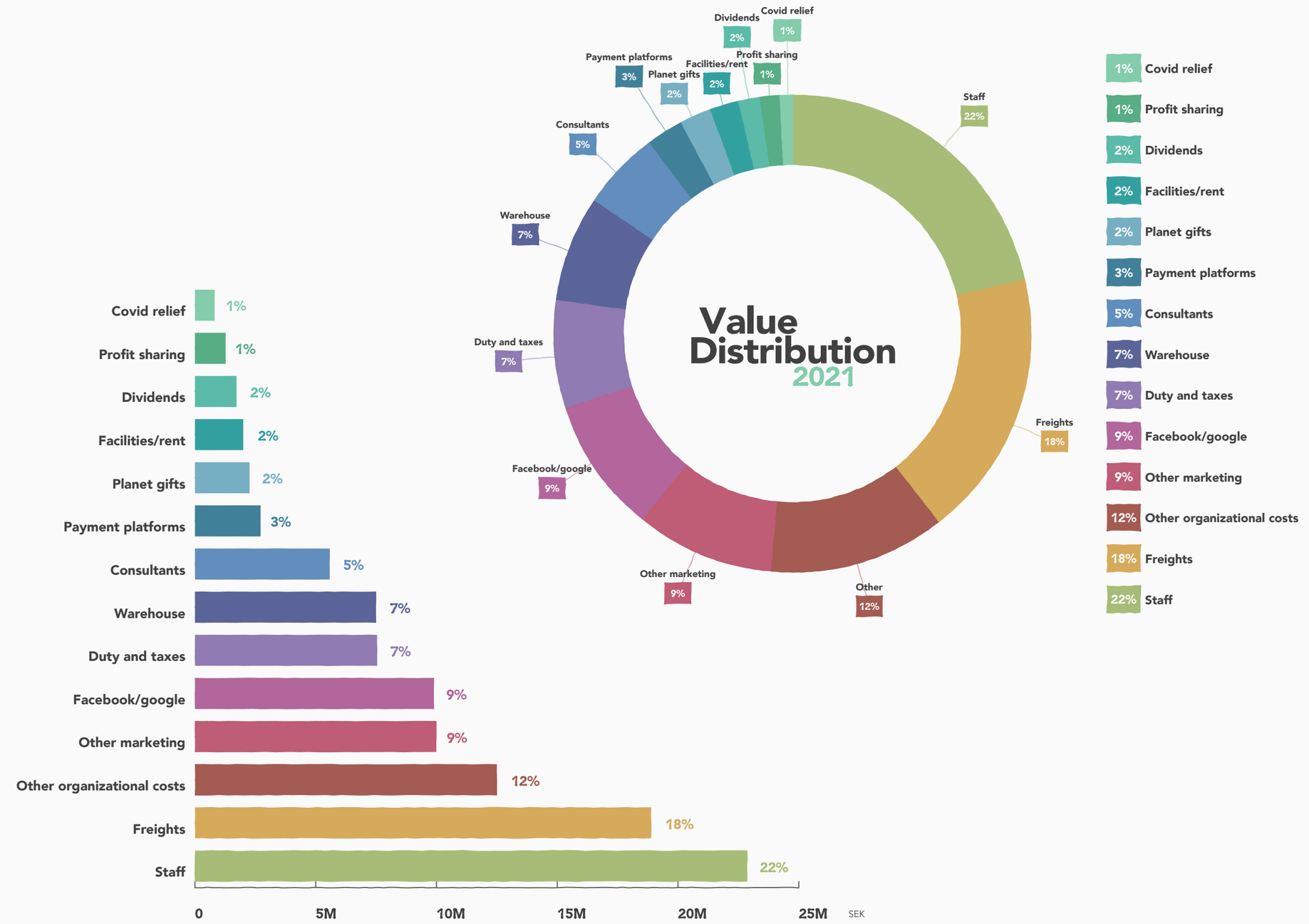


	2021/22	2020/21	2019/20	2018/19
Net Sales (kSEK)	229,824	165,461	191,110	186,155
Earnings (kSEK) before tax (EBT)	22,830	16,596	9,939	19,305
EBT %	9.9%	10.0%	5.2%	10.4%
Total Assets (kSEK)	158,683	96,579	88,341	68,318
Equity ratio	43%	52%	41%	56%

Value distribution

Something we have started to incorporate is a concept called value distribution. This means – instead of looking at your expenditure as costs – you view it as value distribution. You look at the total value you have produced (total income) as a pie, and then this pie gets distributed. The business aims to make the pie big enough to contribute positively to the identified stakeholders. Tax is such an example. If we choose not to view tax as a cost but instead support the local community (which is a stakeholder), it becomes natural to not have any aggressive tax schemes, pay proper taxes, and be fully transparent about it.

Several studies have shown that a broader view of who is affected by your business decisions and optimizing for more than one stakeholder leads to decisions that are successful in the long term. We are still learning about this, but this is our first overview of the value distribution, excluding the cost of goods sold (which otherwise would dwarf all other categories) at Icebug AB (not the total group due to reporting inconsistencies). Everything in kSEK.



12. Network and partners

Icebug has been fortunate to be able to work with many industry-leading partners when it comes to sustainability. It's also been great to see our value chain partners becoming active contributors to sustainability, creating possibilities for us and other partners to improve and develop better products and production conditions with a reduced impact on the environment and people.

Collaboration is crucial, and joint efforts have a much bigger effect than trying to solve the problems individually.

1% for the Planet

On January 1st 2020, Icebug became a member of 1% for the Planet. That means that we commit to donating 1% of our total sales, regardless if we're making a profit or not, to non-profit environmental organizations. Icebug was the first outdoor shoe company to join 1% for the Planet. We will steer our involvement in 1% for the Planet towards climate change mitigation – organizations that work towards decreasing greenhouse gas emissions and keeping regenerative ecosystems intact. The latter will also have a positive effect on biodiversity, which is another critical aspect of the planetary boundaries.

Build up Nepal

Icebug supports Build up Nepal via 1 % for the Planet. Build up Nepal was started in 2015 in response to the housing-poverty crises after the 2015 earthquake in Nepal. It was founded based on the realization that the only way to build safe, eco-friendly homes and create jobs on the scale required in poor villages is by empowering local people to build themselves. To date, the organization has trained 290 communities and enterprises to build 6000+ houses, creating 2900 jobs and saving 44,800 tons of CO2 emissions.

Clean Energy Investment Accelerator

CEIA and the Dutch-based IDH sustainable trade initiative (IDH) provides support in investment setup for factories in the purchase process of solar rooftop installation on our assembly factories in Vietnam.

ClimateNeutral.org

Climate Neutral is a USA-based independent non-profit organization working to accelerate the transition to a low-carbon world. Icebug was first certified in March 2020 and is one of 330 brands that have gone through the steps to become Climate Neutral Certified for 2021. The Climate Neutral Certified label empowers customers to choose brands that choose to pay for their carbon emissions. ClimateNeutral.org has a rigid structure and demands for measuring impacts as well as offsetting criteria.

Climate Neutral Now

Climate Neutral Now is an initiative launched by UN Climate Change in 2015 to encourage everyone in society to take action to help achieve a climate-neutral world by 2050, as outlined in the Paris Agreement. The UNFCCC secretariat (UN Climate Change) is the United Nations entity tasked with supporting the global response to the threat of climate change. The Climate Neutral Now pledge is a perfect foundation for climate commitment for brands, individuals, or organizations.

Exponential Roadmap Initiative / 1.5°C Business Playbook

The Playbook is a spinoff project of the Exponential Roadmap, highlighting the 36 solutions that can scale exponentially to halve greenhouse gas emissions worldwide by 2030. Based on the experience we now have, if we were to start gearing up our climate work today, we would start with this Playbook.

Fair Wear Foundation

The Fair Wear Foundation is a Netherlands-based international NGO that supports brands in improving the labor conditions in the supply chain. Fair Wear Foundation focuses on garment production and footwear, specifically sewing, cutting, and trimming processes – the most labor-intensive parts of the supply chain. They work with 140+ member brands, who are committed to finding a fairer way to make clothes, and Fair Wear Foundation engages directly with factories, trade unions, NGOs, and governments to find solutions to labor issues and social challenges.

Fossil Free Sweden

Fossil Free Sweden was initiated by the Swedish government ahead of the COP21 climate change conference in Paris in 2015 as the United Nations launched an Action Agenda to show how enterprises, cities, municipalities, and organisations contribute to climate efforts. Based on the decision by the parliament to make Sweden climate neutral by 2045, the Fossil Free Sweden initiative has encouraged business sectors to draw up their own roadmaps as to how they will be fossil free while also increasing their competitiveness.

Forest Stewardship Council

FSC® is an NGO that was established as forest certification more than 25 years ago. They promote the responsible management of the world's forests, bringing together experts from the environmental, economic, and social spheres. The true value of forests is recognized and fully incorporated into society worldwide. FSC® is a leading catalyst and defining force for improved forest management and market transformation, shifting the global forest trend toward sustainable use, conservation, restoration, and respect for all. FSC® has set standards for forest management that are used in the certification of suppliers, materials, and products.

Inclusive Business Sweden

Inclusive Business Sweden is a Gothenburg-based NGO specializing in businesses that meet development needs and end poverty. They are experts in identifying social risk factors and designing business models that benefit low-income groups. This would typically be the smallholder farmers in bio-based value chains. Inclusive Business Sweden supported the FSC® natural rubber sourcing project.

Naturarvet

Icebug allocates an important part of our 1 % for the Planet support to Naturarvet/Natural Heritage, where we have purchased an old Swedish forest. This was done to protect the old forests from deforestation or modern use and thereby protect the biodiversity that very old forests provide.

Naturskyddsföreningen

(Swedish Society for Nature Conservation)

SSNC is supported by Icebug through 1 % for the Planet. The Swedish Society for Nature Conservation (SSNC) is a non-profit environmental organization with the power to bring about change. They spread knowledge, chart environmental threats, propose solutions, and influence politicians and authorities, both nationally and internationally. One prioritized area that Icebug supports is protecting old-growth forests to increase biodiversity.

Norges Naturvernforbund

(Friends of the Earth Norway)

Founded in 1914, Norges Naturvernforbund/Naturvernforbundet (Friends of the Earth Norway) is Norway's oldest environmental and nature protection organization. Naturvernforbundet is membership-based, democratic, and consists of over 37,000 members across the country, working to solve environmental issues both locally and globally. Icebug supports a project to protect old forests with high biodiversity.

Protect our Winters

Protect our Winters (POW) was founded in 2007 by pro snowboarder Jeremy Jones who saw that more and more resorts he'd always counted on for good riding were closed due to lack of snow. POW is there to fill the gap between the impacts that climate change was already having on our great escapes and organized action to address it. POW quickly brought on other concerned pro athletes, individuals, resorts, brand partners, and passionate outdoor enthusiasts. Icebug supports POW through 1 % for the Planet.

RISE

Since 2016, Icebug has been a member of the Swedish Chemicals Group, which is managed by the research institute RISE. We joined the group to get support in minimizing the use of harmful chemicals and to ensure that our suppliers don't use any banned chemicals. We get regular updates about new regulations and the discovery of new harmful chemicals. The chemicals group supports the communication of relevant chemical requirements to subcontractors and regularly updates a Restricted Substances List (RSL), which is based upon the European REACH legislation, as well as other risk assessments of materials and chemicals.

There are about 140 member companies divided into two subgroups, the textile industry and the electronics industry. Icebug is a member of the "Chemicals Group Textiles," primarily including companies in the textile, fashion, footwear, furniture, and retail sectors. The Chemicals Group is linked to a network of experts such as universities, chemicals, and environmental protection agencies.

The Scandinavian Outdoor Group

The Scandinavian Outdoor Group (SOG) has a sustainability subgroup that meets a few times a year in an active network. The Group shares information on the latest updates and insights within sustainability. SOG has signed up to support the European Outdoor Group (EOG) Sustainability Charter. The charter sets out an understanding of good corporate citizenship and responsibility and articulates the stages and aspirations of a journey towards best practice. Icebug signed the Sustainability charter in early 2018.

The European Outdoor Group

The European Outdoor Group is an industry association that represents the outdoor sector across Europe. The collective vision is to do global, profitable business in a way that gives back more than we take – from nature and people.

Swedish Shoe Environmental Initiative

Since 2020, Icebug has been a member of the Swedish Shoe Environmental Initiative. SSEI is an initiative developed by major actors in the Swedish Shoe Industry, which started in June 2012. SSEI is a network currently consisting of companies/organizations from the Swedish Shoe Industry. The first objective of SSEI was to develop a tool/index that will help single companies to reduce the environmental and social impacts of the production of shoes. The second objective is to increase the knowledge about the environmental impacts from a life-cycle perspective for footwear at the participating companies/organizations.

SATRA

Since 2020, Icebug has been a member of SATRA - an independent research and testing organization that is considered a leading technical authority on footwear and leather. This membership gives us access to footwear expertise and standardized test methods. The key aspect of working with SATRA, from a sustainability point of view, is to develop reliable standards of significantly higher durability and ensure that Icebug products meet those standards.

TrusTrace

TrusTrace is product traceability and transparency platform. TrusTrace tools make complex value chain structures more transparent and easier to follow. It simultaneously simplifies the traceability of each product and its component origin. Supplier information, certifications, and audits are easily stored in one place.

Icebug believes that TrustRace adds value through the whole value chain by being supported in material sourcing, quality control, product footprint calculation, and finally, providing sustainability information to the end customers.

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