

# Icebug AB social report

Reporting period: Financial year March 2021-February 2022



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FAIR WEAR MEMBER SINCE DECEMBER 2021

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# Icebug AB social report

## Summary: 2021-22 goals & achievements

The past financial year March 2021 to February 2022 was Icebugs first year as a Fairwear member. It was also a year of heavy Covid 19 lockdowns of our factories in Vietnam with no possibilities to visit the factories. We recently (May 2022) got the message that travelling will be safe again. In the mean time we worked even more closely with our Asian team to secure that they could secure production, the quality, and to our best ability from a distance implementing the Fair Wear Code of Labour Practices along the supply chain.

Icebug made the first work plan for 2022-23, so we did not yet have a work plan to follow for the reporting year. However the aim was to get familiar with the Fairwear practices, materials and tools and to make a Fairwear audit of the assembly factory Great Process producing over half of Icebugs FOB volume and with highest leverage of 23 %. That audit was instead performed in April 2022.

*"Icebug's vision is to be a changemaker for a society where people can thrive on a planet in balance. This means that a base line is making sure not to exploit people, but it goes further, striving to be a positive factor in the lives of people who are involved with Icebug. Accordingly, improving labor conditions in our supply chain is a core part of our business strategy and practice." David Ekelund, co-CEO, ICEBUG.*

## Broader trends affecting the organisation's social sustainability strategy

During Covid 19 outbreaks in Vietnam the Vietnamese government applied a so called "3 on site motto" giving factories the choice of closing the production or apply "3 on site motto". The Motto means that workers should work, eat and sleep inside of the factory area in order to decrease the spread of Covid 19. However it's doubtful whether this really led to less virus spread and in some cases it caused local outbreaks in the factories instead. It also led to new problems such as bad sanitary conditions and possibly harassments in crowded living conditions where men and women were not separated. Nevertheless the Vietnamese government kept the motto for a long period of time, and some suppliers chose to close their factories instead of applying 3 onsite Motto. Icebugs suppliers applied it for periods of times and chose to close the factory for other periods.

## Key events during the reporting period related to social compliance

**Mapping living wages:** Icebug made a mapping of wages levels using figures from before Covid19 (interviews made by Icebugs sustainability manager at last visit in September 2019). At that point we did not yet have Fairwear audit reports, but access to other external social audits and Higg FSLM self assessment reports. We found that as per our knowledge all factories were paying living wages (referring to [www.wageindicator.org](http://www.wageindicator.org), sep-19).

The recent Fair Wear audit reports of all four assembly factories (oct 2021- July 2022) 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 <https://www.globallivingwage.org>. Three out of four factories are on/above the Anker reference living wage. Icebugs target is that ALL workers shall be able to live on the salary. We are following up closely on this issue, in cooperation with factories, Fairwear and other brands in same factories.

**Offering Covid 19 support:** In august 2021 Icebug reached out to all Vietnam factories to offer Covid support to workers that were suspended during lockdown periods, and made an effort to figure out how to support them in an efficient and practical way.

**Bluesign footwear pilot:** In January 2022 Icebug decided to join a Bluesign pilot project for the footwear industry, focusing on chemicals management in the supply chain and also covering other sustainability aspects. This project will circle in how to prevent use of hazardous chemicals and will also have effect on the working conditions regarding workers exposure to harmful chemicals.

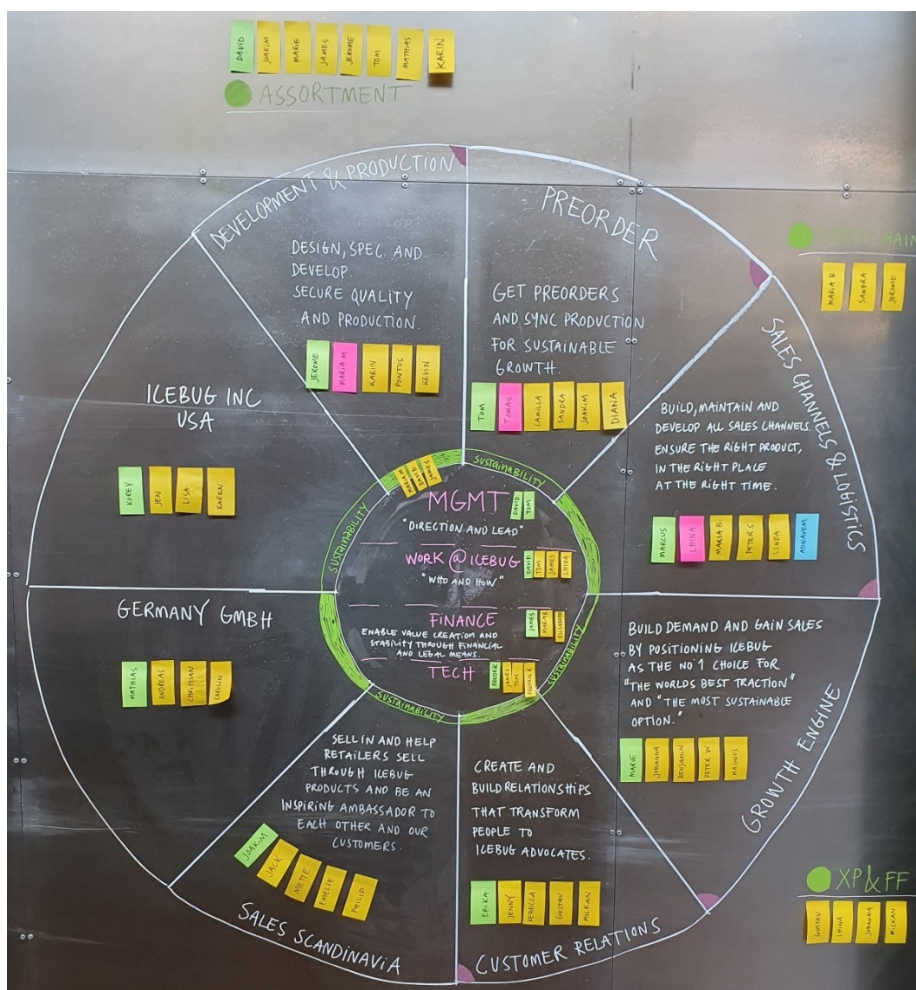
**Achievements:** One factory, Great Process accepted the wage support to suspended workers due to Covid lockdown, and Icebug paid a compensation of 86 500 USD for salaries already paid to workers by the factory and for other Covid related expenses.

**Areas of improvement:** Due to the Covid situation we failed to make the Fairwear audit of Great Process during the first member year as planned, and the audit was done in April 2022. One assembly factory had missed to put up the Fairwear poster visible to workers to inform about the Fairwear CoLP, this is now corrected. Icebug first reached out to Vanbestco about Covid wage support in July-August 2021, but it was difficult in the ongoing situation to get a overview of costs and also to find how to reach workers that went back to their home villages during lockdown periods.

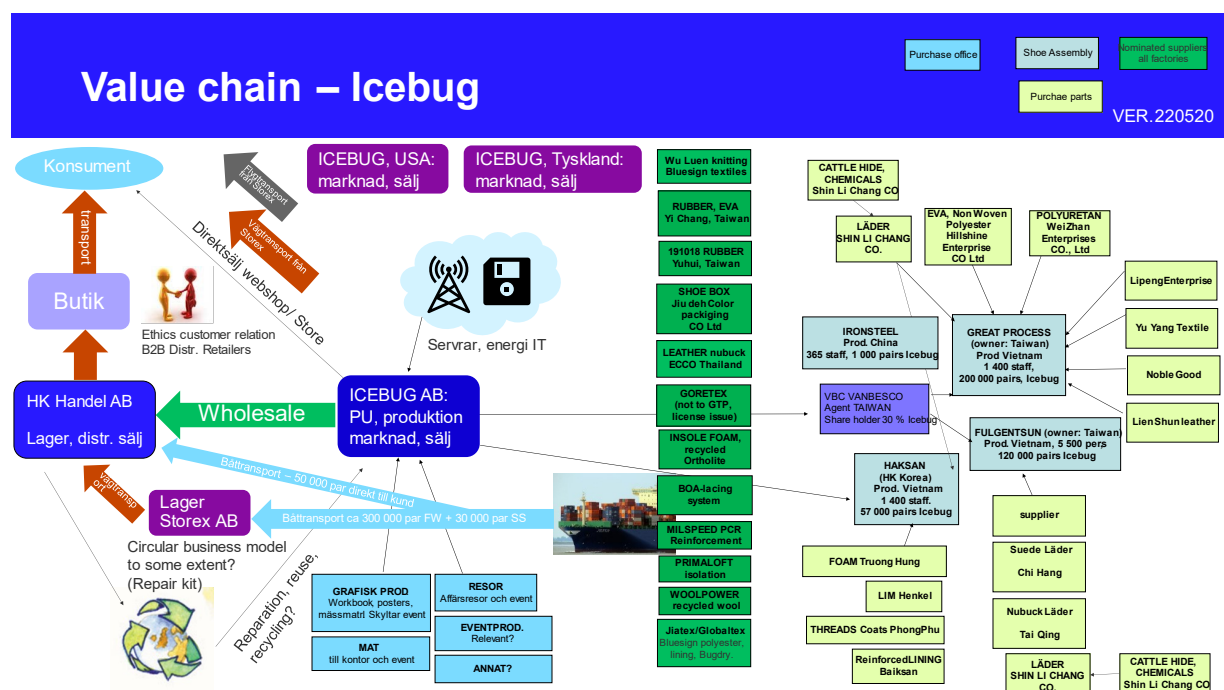
Therefor the Icebug support had limited direct effect for the workers in the ongoing situation. However we hope that the knowledge about Icebugs intention to support made the threshold lower for the factories to give wage support to the workers.

## Organisational chart

Icebug AB is a Sweden based outdoor footwear brand with HQ based in Jonsered, outside of Göteborg in south west of Sweden. Overall management, product development, sales, product logistics and customer service is done from the HQ. The value flow Teams follow the Collection work (Assortment, Development and production, Preorder, Sales channels& Logistics, Growth engine, Sales, Customer relations) and are also integrated in eachothers work by roundabouts where deliveries are made between the teams. In the center you see the Management, Work at Icebug, Finance, Tech and Sustainability that is integrated in all of Icebugs work. The organizational chart is on the wall, well visible in the everyday work.



Icebug also has sales offices in Germany and USA. The shoe assembly production is made in four assembly factories in Vietnam and China, the shoe mid- and outsoles are made by two main suppliers (Yi Chang and Michelin) and different materials are supplied from many materials suppliers. Icebug's sourcing partner and Co-owner Vanbestco, Taiwan, supports in the sourcing process as well as quality control including chemicals testing. Please see below value chain chart showing Icebug's value chain structure. The light green boxes are the material suppliers chosen by the assembly factories (light blue) or Vanbestco (lila). The dark green boxes are nominated suppliers that Icebug chooses to get more sustainable materials.



## Sourcing strategy & pricing

### SOURCING STRATEGY, PRICING AND ORGANISATION

Icebug buys the ready made shoes FOB from four assembly factories. The sourcing of materials, key parts as midsoles and outsoles and the quality control of ready products is made in close cooperation with Icebug's sourcing partner and co-owner Vanbestco, Taiwan, see value chain chart above.



The sourcing strategy is to have long term relationship with Icebugs suppliers to be able to develop sustainable business practice and a future proof value chain together. Since the start of the company 2001 Icebugs owners have searched for suppliers sharing the same values as Icebug and that are open to develop new ideas and processes. One factory, Great Process, has been Icebug supplier since the start in 2001 and the others we have worked with for 6-9 years now (For Fulgentsun we changed the factory from Fulgentsun Cambodia to Fulgentsun Vietnam in 2020 but with same top management). Since 2015 when Icebug started to work with sustainability in a more structured way, we have asked our suppliers to source more sustainable materials (recycled, biobased, low impact processes, climate smart etc). This field is fast developing and we see the need for more engagement from the Icebug development team to engage in this part of the sourcing. So for new materials and processes, the Icebug team often nominates suppliers of high sustainability standard (see dark green boxes in the supply chain chart).

The social conditions are integrated in the sourcing strategy. Icebugs Code of conduct, <https://icebug.com/sustainability/workersconditions> that we expect all suppliers to meet, has been sent to the assembly factories and the nominated material suppliers. In 2021 Icebug launched a concept "Follow the footprints" where we display the ecological footprint and show the product journeys supply chain for all shoe styles: <https://m.trustrace.com/product/Icebug/en/Eide-Wool-Biosole/product-journey> In this customer communication we aim to include more information about social conditions in the supply chain and start to do so with the assembly factories during 2022. The plan is to get and display social data from suppliers in Tier 1-3.

In the **Vanbestco sourcing team** 15 persons support Icebugs sourcing, and their leader is member in Icebugs Development & Production Team securing regular contact and feedback both ways.

**Icebugs Development & Production Team**, responsible for sourcing, has 9 members: 6 HQ team members of Designers, Product engineers and the Sustainability manager who is placed in this team to closely follow both ecological and social sustainability issues of the sourcing. The team has 3 Asian team members – the sourcing manager of Vanbestco, an Icebug employed sourcing expert and a quality controller. The development & Production Team leader together with the Preorder Team leader decide which manufacturers will get orders of different styles. The decisions are based on formal criteria such as technical capacity, margins, tooling investment, compliance with labour standards, sustainability and quality.

The pricing of Icebugs products is middle to high end, and we aim to sell at full price, avoiding campaigns. The price reflects the quality of the products and is also a strategy to be able to make durable, high quality shoes with high sustainability content (durable, low climate impact with high content of recycled and biobased materials that are manufactured in low impact processes from responsibly sourced raw materials). This naturally also includes social responsibility for workers in the supply chain, and to cover living wages for all workers.

## **PRODUCTION CYCLE**

The production cycle and planning has so far been based around two seasons per year, Spring-Summer and Fall-Winter where the development starts about 2 years before the season and the first orders to factories are put around 8 months to one year before season. From now on there will be less focus on seasons and more successive launching of products when the value offers are ready for market. Icebug sells increasingly more from own Webshop allowing launching of new styles to be more flexible. However the big majority of Icebugs production volumes are and will continue to be carry over products that are produced for many years. Icebug make efforts to make clear plans and involve the manufacturer as early as possible to support good manufacturing planning allowing reasonable hours of work and avoiding overtime peaks. The sourcing agent Vanbestco and our employee in Asia are in close contact with the assembly factories and have regular dialogue about production planning, so that the production plan will grow in a communication between the manufacturer and Icebugs Preorder and Development team. Typical lead times from order to expected delivery time is 4 months for Icebugs products.

## **FACTORY RELATIONS**

There has been no selection of new assembly factories last year, neither any terminated Icebug supplier relationship.

When selecting a new assembly factory or other key supplier for Icebug, Icebug look for partners and the following criteria apply:

- Long term strategy matching and aligned business vision
- Quality references and technology processes (membranes, other critical moments)
- Development capabilities



- Openness and organizational support
- Sustainability maturity level: basic sustainability in place or a long way to go? (available external social audit reports, certifications done (FSC, Ökotex, other)
- Location – evaluation of country risks and logistics.
- Price level

## **INTEGRATION OF MONITORING ACTIVITIES AND SOURCING DECISIONS**

As this was Icebugs first year as Fairwear member and also a year of travel restrictions due to Covid 19, there was no monitoring activities that could influence our sourcing strategy in the past year.

Evaluations of new material suppliers are regularly ongoing. The selection process is made with clear sustainability criteria regarding material properties and responsible raw material sourcing. Working conditions are often part of sustainable sourcing certifications such as Forest Stewardship council (FSC) for the natural rubber in outsoles and Bonsucro for sugar canes that Icebug evaluates for midsole foam. However there is need for more clear criteria of material suppliers social conditions, put in clearly in the material gates 1-3. Send out and follow up Code of Labour Practices ( CoLP), evaluation of risk countries etc.

## **Coherent system for monitoring and remediation**

In a 'coherent' monitoring system the different monitoring activities provides understanding of the risks and opportunities within the supply chain. During the first Fairwear membership year, with travel restrictions, Icebug has undertaken the following actions to monitor and remediate problems in Icebugs supply chain:

- Informed all assembly factories of Fair Wear requirements, questionnaires and filling in factory information in Fairforce, getting an overview of possible team ups with other brands.

- Prepared Great Process for Fairwear factory audit, later performed in April 2022.
- Working with other brands on existing audit reports, see Fulgentsun below.

During 2022, Fairwear audits are planned for all Icebugs assembly factories. While doing and following up the audits, we will put together a coherent monitoring programme, based upon information in the Fair Wear country studies on Vietnam and China and including: factory audits, the execution of corrective action plans, self-assessments by the suppliers (evaluate if restarting Higg FSLM or other format), identify need for training manufacturers and their employees about the Code of Labour Practices, a complaints procedure that involves workers in the monitoring of working conditions in the factory and factory visits by Icebugs representatives.

## **ASSEMBLY FACTORIES IN VIETNAM**

The first year of Icebugs Fairwear membership the monitoring activity was low mainly due to Covid travel restrictions and lockdowns in both Vietnam (with main production) and Sweden.

### **Great Process, GTP, Ho Chi Mihn area**

As GTP represents over 50 % of Icebugs FOB, this is the most prioritized factory, and also the only that is not supplying other Fairwear member brands. The estimated leverage in Fairforce is 23 %. A Fairwear audit was planned for 2021 but due to Covid the audit could not be performed. As Icebug also requested several other pilot projects from this key supplier (FSC certification, Solar energy assessment) we could not push in the Fairwear in the existing Covid 19 situation. A Fairwear audit was made in April 2022, and the report was available 1<sup>st</sup> of June. Icebug will handle the Corrective actions plan and strive to correct all points mentioned together with the factory.

Icebugs review of salary level (based on interview data from September 2019) showed that GTP was paying 180 % of the living wage (400 USD per month while living wage was 220 USD for a typical family according to [www.wageindicator.org](http://www.wageindicator.org), sep-19). However the Fairwear audit report in June 2022 indicates that the wages are in some cases lower than the living wage, and Icebug will follow up on this issue closely.

Icebug reached out in August 2021 to offer Covid support to cover wages for suspended workers during lockdown. Mid February 2022 we got an overview of Covid related costs 21/7 – 31/10 2021 and paid a Covid support of 86 500 USD to GTP in March 2022, covering 25% (Icebugs leverage is 23 %) of

the costs for “the suspended 3 on-site workers 14 days salary, rapid testing costs and 3 on sites venue setting”.

### **Haksan (Viina), Ho Chi Mihn area**

Icebug buys 13 % of our FOB from Haksan and have an estimated leverage of 4 %. Latest external social audit by another Fairwear member brand was made in August 2019 and a Fairwear audit is planned for 1st of July 2022.

Icebugs review of salary level (based on data from august-september 2019) shows that Haksan was paying the living wage for all workers (lowest salary was on living wage level). Average wage including paid lunch was 312 USD per month while living wage was 277 USD for a typical family according to Anker method in audit report).

Haksan did not accept Icebugs offer about Covid support, and Icebug is also a small customer in this factory. The legal minimum wage was paid during the Covid lockdown periods.

### **Fulgentsun, Hanoi region (rural area)**

Icebug buys 32 % of our FOB from Fulgentsun and have an estimated leverage of 4 %. Latest external audit by another Fairwear member brand was made in September 2021 and latest Fairwear audit in March 2019. The most important findings in the CAP from 2021 audit was that FWF complain procedure is not included in the worker training, too long probation period for some workers, excessive overtime and health checks did not cover all occupational related risks. Jack Wolfskin took lead in the follow up of the audit and we have exchanged information between brands sourcing at Fulgentsun.

Icebugs review of salary level (based on audit in september 2021) shows that Fulgentsun is paying above living wage for all workers. Lowest salary was 275 USD while living wage in rural area zone 4 is 200 USD for a typical family according to Anker method in audit report. Average wage including overtime is 305 USD per month.

Fulgentsun did not accept Icebugs offer of Covid support, and Icebug is also a small customer in this factory.

## **ASSEMBLY FACTORY IN CHINA**

### **Ironsteel / Dongguan Qiaomai Shoes, Guangdong region, China**

Ironsteel only produces safety work shoes for Icebug, that are safety certified according to EN ISO 20345 S3. Icebug buys less than 1 % of our FOB from Ironsteel and has a leverage of less than 1 %. Latest Fairwear audit was made in May 2022, currently under audit review. Icebug don't have any wage information from Ironsteel yet.

## **EXTERNAL PRODUCTION, INSOLES AND ACCESSORIES**

External production is finished goods which are bought by affiliate from other brands for resale in a retail or wholesale (web) shop owned by the affiliate. This is applicable for Icebugs insoles, overshoe, socks and icetubes (scarf), that were uploaded in Fairforce in end September 2022:

- Wei Sheng CO, Ben cat, Vietnam. Insoles (FOB: 2,300 000 SEK)
- Cansocks AB, West Sweden. Socks (FOB: 338 000 SEK)
- Yi Chang CO, Taichung area, Taiwan. Overshoe (FOB: 605 000 SEK)
- Qingdao Upall CO, Shandong, China. Ictubes (FOB: 12 000 SEK)

The total cost for purchased accessories is 3 250 000 SEK, representing less than 2% of total FOB.

## **Complaints handling**

There were no complaints received at Icebugs suppliers last year, that has come to our knowledge. However we need more presence to be able to catch complaints that may now be "in the minds".

To make sure workers at Icebug's suppliers are aware of the Fair Wear complaint mechanism, we have asked the factory to post information sheet about Fairwear well visible to the workers. There is a Fairwear contact phone number, encouraging to report any complaint and with promise to treat it confidentially: "Fair Wear will always treat your complaint confidentially".

Icebug does not yet have a system in place to post and monitor information regarding complaints, however that will be made as soon as we get the first complaint.

## Training and capacity building

### ACTIVITIES TO INFORM STAFF MEMBERS

The following activities were undertaken to inform and train the Icebug staff, in HQ Sweden and at sales offices in Germany and US, about Fair Wear membership:

- Presentations of Fairwear membership and planned activities at Sales kick off meetings for FW22 (Oct 2021), SS23 (May 2022)
- Fairwear and working conditions in supply chain are included in Icebugs sustainability base education, for all employees, latest course was held 220225.
- Presentation to “All of Icebug” of salary levels in Icebugs supply chain, March 2022
- Presentation of Fairwear and Icebugs membership in Workbooks (sell in Collection catalogue) for seasons SS22, FW22, SS23 and coming seasons.

### ACTIVITIES TO INFORM AGENTS

The following activities were undertaken to inform and train the sales agents of Icebug about Fairwear:

- Presentations of Fairwear membership and planned activities at Sales kick off meetings for FW22 (Oct 2021), SS23 (May 2022)
- Presentation of Fairwear and Icebugs membership in Workbooks (sell in Collection catalogue) for seasons SS22, FW22, SS23 and coming seasons.

### ACTIVITIES TO INFORM MANUFACTURERS AND WORKERS

The past year Icebug did not undertake activities to inform and train manufacturers and workers, except for displaying posters of Fairwear CoLP in the factories, as mentioned above.

## Information management

Icebug will keep track of progress on the implementation of the Code of Labour practices by following up on social indicators and report yearly progress about these in Icebug's sustainability impact report. Some will also be displayed in the [Product Journey in Follow the footprint, see example](#). Initially for assembly factories and then for material suppliers (Tier 2) and raw material suppliers (Tier 3). We still have a work to do to define those indicators, some early ideas are:

### **Supplier level, display some of them in Follow the footprint product journey:**

- Average wage, % of the relevant living wage for that area (above 100 % is acceptable).
- % of workers that get on or above living wage level (should be 100 %).
- % of woman workers
- % of workers that got training in Code of labour practices
- Complies to X of 8 CoLP practices (1-8), confirmed by Fairwear audit/external social audit.
- If not compliance, areas to improve: name relevant issue of 1-8 in CoLP.
- Latest Fairwear audit/external social audit of the factory: YYMMDD
- Has democratically elected worker representatives

We welcome feedback and ideas to social indicators.

## Transparency & communication

The past year Icebug did not undertake activities to inform the public in general and consumers in particular about Fair Wear membership and the progress made in the implementation of the Fair Wear Code of Labour Practices. However we shall step up this communication as we do more activities as audits and get better information that can be displayed and compared.

## Stakeholder engagement

During the reporting period, Icebug has increasingly started to address the views of stakeholders and what sustainability impact the company's activity has on different stakeholders, including nature as one stakeholder. Icebug will use "stakeholder capitalism" as a framework for the sustainability report.

List the stakeholder groups engaged by your company both in Europe and in production countries and the key topics/concerns that have been raised through stakeholder engagement: Icebug is member of FSC Sweden that has labor condition requirements in the standard, and will affect the labour conditions in the supply chain of FSC certified materials that we use.

We did use the Fair Wear stakeholder resources such as country studies and Covid webinars to get better knowledge on Vietnams situation.

## Corporate Social Responsibility

Icebug has put increased focus on inclusiveness in different ways.

**Inclusive business in the supply chain:** Icebug initiated a sourcing project with Inclusive business Sweden and FSC international, aiming at enabling small rubber farmer cooperatives in Thailand to connect their supply of FSC certified rubber with the demand side in the footwear industry. The FSC certification includes social working conditions and the project aims to enforce the farmers to stay independent compared to working for big rubber plantations.

**Inclusive design and marketing:** Icebug also focus more on inclusive design and marketing to target a more diverse group of customers in our marketing, feeling welcoming for all and make sure we are a driver towards no discrimination of any kind (gender, rase, age, sexuality, disability or other).