



Statutory Report on Corporate Governance for the financial year 2014/15,
cf. Section 107b of the Danish Financial Statements Act.



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This report forms part of Management's Review set out in the Annual Report 2014/15, covering the financial year ending **30 June 2015**.

Corporate Governance

IC Group's Board of Directors considers it its primary task to promote the long-term interests of the Group and its shareholders. To meet this responsibility, the Board of Directors holds six board meetings each year and ensures there is ongoing dialogue and interaction with the Executive Board.

In this Corporate Governance report, the Board of Directors has responded to the Group's responsibilities to its stakeholders, the environment, the duties of the Board of Directors and the Executive Board and the mutual collaboration between those two bodies.

The report describes the overall tasks and responsibilities of IC Group Management relating to the development of working procedures and principles in respect of:

- the Group's relationship with its stakeholders, including the general public and the press;
- the Group's external communication, including its Investor Relations Policy;
- the composition and the duties of the Board of Directors, including its rules of procedure;
- the duties of the Executive Board, including its rules of procedure;
- the relationship between the Board of Directors and the Executive Board; and
- the remuneration of and incentive programmes for Group Management and the employees.

The corporate governance reporting framework is intended to secure effective, adequate and responsible IC Group management and has been prepared within the scope of IC Group's Articles of Association, business concept, vision, mission and corporate values as well as the legislation in force and the rules for Danish listed companies.

Corporate Governance Recommendations

All Danish companies listed on NASDAQ OMX Copenhagen A/S ("Nasdaq Copenhagen") must disclose in their annual reports how they address the Corporate Governance Recommendations, using the "comply or explain" principle.

With two exceptions explained below, IC Group complies with all Recommendations on Corporate Governance of May 2013 (updated November 2014) issued by Nasdaq Copenhagen, which are based on the Recommendations of the Committee on Corporate Governance.

Recommendation 3.4.3: “The Committee recommends that the board of directors set up a formal audit committee composed such that the chairman of the board of directors is not chairman of the audit committee”.

Explanation: Since Chairman of the Board of Directors of IC Group A/S Henrik Heideby has many years of experience of the financial sector, it is deemed appropriate that he also undertakes the role of chairman of the Audit Committee.

Recommendation 3.4.6: “The Committee recommends that the board of directors establish a nomination committee.”

Explanation: In general, the chairmanship of the Board of Directors undertakes all preparatory work which - according to Recommendation 3.4.6 - should be assigned to the Audit Committee. Considering the size and structure of IC Group, setting up a formal Nomination Committee is not deemed appropriate.

The list of all recommendations of Nasdaq Copenhagen can be found at the end of this Corporate Governance Report.

Board of Directors

The composition of the Board of Directors is based on the Group’s requirement for solid experience of the fashion industry and general management skills. In addition, it is a requirement that all members of the Board of Directors have extensive and solid business experience and proven strategy and management skills, enabling the Board of Directors to fulfil their board duties in the best possible way. When appointing new candidates for directorships, the Group takes into consideration the need for renewal and diversity in terms of, among other things, international experience, gender and age.

IC Group employees have decided not to exercise the right to be represented on the Board of Directors, cf. the provisions of the Danish Companies Act.

Each year, based on defined criteria, the Board of Directors conducts a self-assessment with a view to systematically assessing the result of the joint efforts of the Board of Directors, the Chairman of the Board of Directors and the individual director.

Recommendations for more women on supervisory boards

IC Group has signed the document “Recommendations for more women on supervisory boards”, and in the years to come, it is our policy to make determined efforts to increase the number of female executives of the Group in general. In accordance with section 99b of the Danish Financial Statements Act, the Group’s gender diversity targets and the current gender distribution are set out below.

At 30 June 2015, the number of women on the Board of Directors of IC Group A/S constituted 17%, and, like in previous years, we work to regularly recruit and train new female executives. It is our specific goal to increase the percentage of women on the Board of Directors to 33% by 2019 at the latest through a continued focus on the basis for appointing candidates to the Board of Directors. In the annual report 2013/14, it appears that the target for women on the Board of Directors was set at 29% within a period of four years. We have still not achieved this target, since the basis for recruitment did not allow for this target to be achieved in the past financial year.



The percentage of women represented on the Global Management Team remains at 29%, and we also expect to increase this percentage in the years to come.

At other Group management levels, gender distribution is equal

Board members

- Henrik Heideby (Chairman)
- Anders Colding Friis (Deputy Chairman)
- Niels Martinsen (Deputy Chairman)
- Annette Brøndholt Sørensen
- Michael Hauge Sørensen
- Ole Wengel

For full CV's of the members of the Board of Directors, go to IC Group's website: icgroup.net/about/corporate-governance/board-directors/board-of-directors/

Board committees

Based on the recommendations of NASDAQ OMX Copenhagen, the Board of Directors of IC Group A/S has considered the need for setting up special, permanent board committees, including Audit, Remuneration and Nomination Committees. As a result of its considerations, the Board of Directors has resolved to set up an Audit Committee, a Remuneration Committee and an Operations Committee. In addition, the Board of Directors will regularly consider whether setting up specific ad hoc committees is required.

Audit Committee

It is the responsibility of the Audit Committee to monitor the financial reporting process and to assess whether the in-house control and risk management systems work effectively, including to monitor the statutory audit of the annual report and to recommend the appointment of an auditor to the Board of Directors. In addition, the Audit Committee must review and monitor the independence of the auditor, including, in particular, further services to be provided to IC Group A/S and its subsidiaries. At least three Audit Committee meetings are held each year.

Members: Henrik Heideby (Chairman), Niels Martinsen, Ole Wengel

Remuneration Committee

The responsibility of the Remuneration Committee is to recommend a remuneration policy, including overall guidelines for incentive remuneration of the Board of Directors and the Executive Board to be resolved by the Board of Directors, and to submit proposals to the Board of Directors on remuneration of the Board of Directors and the Executive Board, thus ensuring that such remuneration is in compliance with the Group's remuneration policy. In addition, it is the duty of the Remuneration Committee to verify that the information in the annual report on remuneration of the Board of Directors and the Executive Board is correct, true, accurate and adequate. At least two Remuneration Committee meetings are held each year.

Members: Henrik Heideby (Chairman), Anders Colding Friis, Niels Martinsen, Ole Wengel.

Operations Committee

The role of the Operations Committee is to discuss the potential for operations-related optimisation and efficiency enhancement across the value chain. The focus areas of the Committee will primarily reflect the priorities of the operating organisation which will be regularly reconciled against those of SVP, Operations. At least four Operations Committee meetings are held each year.

Members: Ole Wengel (Chairman), Annette Brøndholt Sørensen, Michael Hauge Sørensen.

The full terms of reference specifying the responsibilities and tasks of each of the committees are available on IC Group's website:

icgroup.net/about/corporate-governance/board-directors/board-committees/

Executive Board

According to applicable guidelines issued by the Board of Directors and under Danish law, the Group Executive Board is responsible for the day-to-day management of the Group's activities, including all management tasks to be undertaken by the Executive Board.

The Executive Board consists of:

- Mads Ryder (Group CEO)
- Rud Trabjerg Pedersen (Group CFO)

Financial reporting and internal controls

The Board of Directors and the Executive Board regularly assess significant risks and internal controls in connection with the Group's financial

reporting process.

The Board of Directors has set up an Audit Committee regularly monitoring the financial reporting process and the adequacy and effectiveness of the existing internal controls, including new accounting standards, the accounting policy and critical accounting estimates applied.

The Board of Directors monitors and controls the independence of the external auditors and the planning, execution and conclusion of the external audit.

The Board of Directors and the Executive Board define the guidelines of business procedures and internal controls to be complied with, including:

- Regular follow-up on targets and results achieved compared to approved budgets
- Guidelines for Senior Management
- Code of Conduct
- Financial policy
- Insurance policy
- IT security policy
- Investor relations policy
- Stakeholder policy
- Communications policy
- Leak prevention policy
- Policy governing management of takeover bids
- Internal rules on:
 - - Trade in IC Group shares and related financial instruments
 - - Trade in treasury shares
 - - Compliance with disclosure requirements
 - - Handling of inside information
- Remuneration policy and overall guidelines for incentive remuneration of the Executive Board
- Rules of Authority

The policies, manuals and procedures adopted are updated and communicated in-house on a regular basis.

Any material weaknesses or omissions identified in or non-compliance with any policies, business procedures and internal controls will be reported to the Board of Directors and the Audit Committee. IC Group has established a whistleblowing scheme with a view to enabling its em-



ployees to confidentially report a potential violation of law and/or non-compliance with IC Group policies and guidelines and any other failure to comply with regulations. The scheme has been approved by the Danish Data Protection Agency.

To ensure that all legislation in force and all stock exchange requirements are complied with, it is IC Group's policy that all information from the Group to its shareholders or investors must be provided in good time, be accurate, relevant and unambiguous and provide a true and fair view of the current situation of the Group. IC Group's Disclosure Committee has been set up for purposes of supporting the Board of Directors and the Executive Board in fulfilling their duties to monitor the accuracy and timeliness of the information provided by IC Group.

Recommendation	IC Group complies	IC Group does not comply	The explanation for not complying with the recommendation
1. Communication and interaction by the company with its investors and other stakeholders			
<i>1.1. Dialogue between company, shareholders and other stakeholders</i>			
1.1.1 The Committee recommends that the board of directors ensure ongoing dialogue between the company and its shareholders in order for the shareholders to gain relevant insight into the company’s potential and policies, and in order for the board of directors to be aware of the shareholders’ views, interests and opinions on the company.	✓		
1.1.2 The Committee recommends that the board of directors adopt policies on the company’s relationship with its stakeholders, including shareholders and other investors, and that the board ensures that the interests of the stakeholders are respected in accordance with company policies.	✓		
1.1.3 The Committee recommends that the company publish quarterly reports.	✓		
<i>1.2. General meeting</i>			
1.2.1. The Committee recommends that, when organising the company’s general meeting, the board of directors plans the meeting to support active ownership.	✓		
1.2.2. The Committee recommends that proxies granted for the general meeting allow shareholders to consider each individual item on the agenda.	✓		

Recommendation	IC Group complies	IC Group does not comply	The explanation for not complying with the recommendation
<i>1.3. Takeover bids</i>			
1.3.1. The Committee recommends that the company set up contingency procedures in the event of takeover bids from the time that the board of directors has reason to believe that a takeover bid will be made. According to such contingency procedures, the board of directors should not without the acceptance of the general meeting attempt to counter the takeover bid by making decisions which in reality prevent the shareholders from deciding on the takeover bid themselves.	✓		
2. Tasks and responsibilities of the board of directors			
<i>2.1. Overall tasks and responsibilities</i>			
2.1.1. The Committee recommends that at least once a year the board of directors take a position on the matters related to the board's performance of its responsibilities.	✓		
2.1.2. The Committee recommends that at least once a year the board of directors take a position on the overall strategy of the company with a view to ensuring value creation in the company.	✓		
2.1.3. The Committee recommends that the board of directors ensure that the company has a capital and share structure ensuring that the strategy and long-term value creation of the company are in the best interest of the shareholders and the company, and that the board of directors present this in the management commentary on the company's annual report and/or on the company's website.	✓		

Recommendation	IC Group complies	IC Group does not comply	The explanation for not complying with the recommendation
2.1.4. The Committee recommends that the board of directors annually review and approve guidelines for the executive board; this includes establishing requirements for the executive board on timely, accurate and adequate reporting to the board of directors.	✓		
2.1.5. The Committee recommends that at least once a year the board of directors discuss the composition of the executive board, as well as developments, risks and succession plans.	✓		
2.1.6. The Committee recommends that once a year the board of directors discuss the company's activities to ensure relevant diversity at management levels, including setting specific goals and accounting for its objectives and progress made in achieving the objectives in the management commentary on the company's annual report and/or on the website of the company.	✓		
<i>2.2. Corporate social responsibility</i>			
2.2.1. The Committee recommends that the board of directors adopt policies on corporate social responsibility.	✓		
<i>2.3. Chairman and vice-chairman of the board of directors</i>			
2.3.1. The Committee recommends appointing a vice-chairman of the board of directors who will assume the responsibilities of the chairman in the event of the chairman's absence, and who will also act as effective sparring partner for the chairman.	✓		

Recommendation	IC Group complies	IC Group does not comply	The explanation for not complying with the recommendation
<i>2.3. Chairman and vice-chairman of the board of directors</i>			
2.3.2. The Committee recommends ensuring that, if the board of directors, in exceptional cases, asks the chairman of the board of directors to perform special operating activities for the company, including briefly participating in the day-to-day management, a board resolution to that effect be passed to ensure that the board of directors maintains its independent, overall management and control function. Resolutions on the chairman’s participation in day-to-day management and the expected duration hereof should be published in a company announcement.	✓		
3. Composition and organisation of the board of directors			
<i>3.1. Composition</i>			
3.1.1. The Committee recommends that the board of directors annually accounts for <ul style="list-style-type: none"> • the skills it must have to best perform its tasks, • the composition of the board of directors, and • the special skills of each member. 	✓		
3.1.2. The Committee recommends that the selection and nomination of candidates for the board of directors be carried out through a thoroughly transparent process approved by the overall board of directors. When assessing its composition and nominating new candidates, the board of directors must take into consideration the need for integration of new talent and diversity in relation to age, international experience and gender.	✓		

Recommendation	IC Group complies	IC Group does not comply	The explanation for not complying with the recommendation
<p>3.1.3. The Committee recommends that the notice convening the general meeting when election of members to the board of directors is on the agenda be accompanied by a description of the nominated candidates' qualifications, including information about the candidates'</p> <ul style="list-style-type: none"> • other executive functions, among these memberships in executive boards, boards of directors, and supervisory boards, including board committees in foreign enterprises • demanding organisational tasks, and information about • whether candidates to the board of directors are considered independent. 	✓		
<p>3.1.4. The Committee recommends that the company's articles of association stipulate a retirement age for members of the board of directors.</p>	✓		
<p>3.1.5. The Committee recommends that members of the board of directors elected by the general meeting be up for election every year at the annual general meeting.</p>	✓		
<p><i>3.2. Independence of the board of directors</i></p>			
<p>3.2.1. The Committee recommends that at least half of the members of the board of directors elected by the general meeting be independent persons, in order for the board of directors to be able to act independently of special interests.</p> <p>To be considered independent, this person may not:</p> <ul style="list-style-type: none"> • be or within the past five years have been member of the executive board, or senior staff member in the company, a subsidiary undertaking or an associate, • within the past five years, have received larger emoluments from the company/group, a subsidiary undertaking or an associate in another capacity than as member of the board of directors, 	✓		

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<ul style="list-style-type: none"> • represent the interests of a controlling shareholder, • within the past year, have had significant business relations (e.g. personal or indirectly as partner or employee, shareholder, customer, supplier or member of the executive management in companies with corresponding connection) with the company, a subsidiary undertaking or an associate. • be or within the past three years have been employed or partner at the external auditor, • have been chief executive in a company holding cross-memberships with the company, • have been member of the board of directors for more than 12 years, or • have been close relatives with persons who are not considered independent. 			
<p><i>3.3. Members of the board of directors and the number of other executive functions</i></p>			
<p>3.3.1. The Committee recommends that each member of the board of directors assesses the expected time commitment for each function in order that the member does not take on more functions than he/she can manage satisfactorily for the company.</p>	✓		
<p>3.3.2. The Committee recommends that the management commentary, in addition to the provisions laid down by legislation, includes the following information about the members of the board of directors:</p> <ul style="list-style-type: none"> • the position of the relevant person, • the age and gender of the relevant person, • whether the member is considered independent, • the date of appointment to the board of directors of the member, • expiry of the current election period, • other executive functions, e.g. memberships in executive boards, boards of directors, and supervisory boards, including board committees in foreign 	✓		

Recommendation	IC Group complies	IC Group does not comply	The explanation for not complying with the recommendation
enterprises and <ul style="list-style-type: none"> • demanding organisational tasks, and • the number of shares, options, warrants and similar in the company, and other group companies of the company, owned by the member, as well as changes in the portfolio of the member of the securities mentioned which have occurred during the financial year. 			
<i>3.4. Board committees</i>			
3.4.1. The Committee recommends that the company publish the following on the company's website: <ul style="list-style-type: none"> • the terms of reference of the board committees, • the most important activities of the committees during the year, and the number of meetings held by each committee, and • the names of the members of each committee, including the chairmen of the committees, as well as information on which members are independent members and which members have special qualifications. 	✓		
3.4.2. The Committee recommends that a majority of the members of a board committee be independent.	✓		
3.4.3. The Committee recommends that the board of directors set up a formal <u>audit committee</u> composed such that <ul style="list-style-type: none"> • the chairman of the board of directors is not chairman of the audit committee, and • between them, the members should possess such expertise and experience as to provide an updated insight into and experience in the financial, accounting and audit aspects of companies whose shares are admitted to trading on a regulated market. 	✓		

Recommendation	IC Group complies	IC Group does not comply	The explanation for not complying with the recommendation
<p>3.4.4. The Committee recommends that, prior to the approval of the annual report and other financial reports, the audit committee monitors and reports to the board of directors about:</p> <ul style="list-style-type: none"> • significant accounting policies, • significant accounting estimates, • related party transactions, and • uncertainties and risks, including in relation to the outlook for the current year. 	✓		
<p>3.4.5. The Committee recommends that the audit committee:</p> <ul style="list-style-type: none"> • annually assesses the need for an internal audit, and in such case, makes recommendations on selecting, appointing and removing the head of the internal audit function and on the budget of the internal audit function, and • monitors the executive board’s follow-up on the conclusions and recommendations of the internal audit function. 	✓		
<p>3.4.6. The Committee recommends that the board of directors establish a <u>nomination committee</u> chaired by the chairman of the board of directors with at least the following preparatory tasks:</p> <ul style="list-style-type: none"> • describe the qualifications required by the board of directors and the executive board, and for a specific membership, state the time expected to be spent on having to carry out the membership, as well as assess the competences, knowledge and experience of the two governing bodies combined, • annually assess the structure, size, composition and results of the board of directors and the executive board, as well as recommend any changes to the board of directors, • annually assess the competences, knowledge and experience of the individual members of management, and report to the board of directors in this respect, 		✗	<p>In general, the Chairmanship of the Board of Directors undertakes the preparatory tasks which are recommended to be assigned to a nomination committee. Considering the size and structure of IC Group, setting up a nomination committee is not deemed expedient.</p>

Recommendation	IC Group complies	IC Group does not comply	The explanation for not complying with the recommendation
<ul style="list-style-type: none"> consider proposals from relevant persons, including shareholders and members of the board of directors and the executive board for candidates for the board of directors and the executive board, and propose an action plan to the board of directors on the future composition of the board of directors, including proposals for specific changes. 			
<p>3.4.7. The Committee recommends that the board of directors establish a <u>remuneration committee</u> with at least the following preparatory tasks:</p> <ul style="list-style-type: none"> to recommend the remuneration policy (including the general guidelines for incentive-based remuneration) to the board of directors and the executive board for approval by the board of directors prior to approval by the general meeting, make proposals to the board of directors on remuneration for members of the board of directors and the executive board, as well as ensure that the remuneration is in compliance with the company's remuneration policy and the assessment of the performance of the persons concerned. The committee should have information about the total amount of remuneration that members of the board of directors and the executive board receive from other companies in the group, and recommend a remuneration policy applicable for the company in general. 	✓		
<p>3.4.8. The Committee recommends that the remuneration committee do not consult with the same external advisers as the executive board of the company.</p>	✓		

Recommendation	IC Group complies	IC Group does not comply	The explanation for not complying with the recommendation
<i>3.5. Evaluation of the performance of the board of directors and the executive board</i>			
3.5.1. The Committee recommends that the board of directors establish an evaluation procedure where contributions and results of the board of directors and the individual members, as well as collaboration with the executive board are annually evaluated. Significant changes deriving from the evaluation should be included in the management commentary or on the company's website.	✓		
3.5.2. The Committee recommends that in connection with preparation of the general meeting, the board of directors consider whether the number of members is appropriate in relation to the requirements of the company. This should help ensure a constructive debate and an effective decision-making process in which all members are given the opportunity to participate actively.	✓		
3.5.3. The Committee recommends that at least once every year the board of directors evaluate the work and performance of the executive board in accordance with predefined clear criteria.	✓		
3.5.4. The Committee recommends that the executive board and the board of directors establish a procedure according to which their cooperation is evaluated annually through a formalised dialogue between the chairman of the board of directors and the chief executive officer and that the outcome of the evaluation be presented to the board of directors.	✓		

Recommendation	IC Group complies	IC Group does not comply	The explanation for not complying with the recommendation
4. Remuneration of management			
<i>4.1. Form and content of the remuneration policy</i>			
<p>4.1.1. The Committee recommends that the board of directors prepare a clear and transparent remuneration policy for the board of directors and the executive board, including</p> <ul style="list-style-type: none"> • a detailed description of the components of the remuneration for members of the board of directors and the executive board, • the reasons for choosing the individual components of the remuneration, and • a description of the criteria on which the balance between the individual components of the remuneration is based. <p>The remuneration policy should be approved by the general meeting and published on the company's website.</p>	✓		
<p>4.1.2. The Committee recommends that, if the remuneration policy includes variable components,</p> <ul style="list-style-type: none"> • limits be set on the variable components of the total remuneration package, • a reasonable and balanced linkage be ensured between remuneration for governing body members, expected risks and the value creation for shareholders in the short and long terms, • there be clarity about performance criteria and measurability for award of variable components, • there be criteria ensuring that qualifying periods for variable components in remuneration agreements are longer than one calendar year, and • an agreement is made which, in exceptional cases, entitles the company to reclaim in full or in part variable components of remuneration that were paid on the basis of data, which proved to be misstated. 	✓		

Recommendation	IC Group complies	IC Group does not comply	The explanation for not complying with the recommendation
4.1.3. The Committee recommends that remuneration of members of the board of directors does not include share options.	✓		
4.1.4. The Committee recommends that if share-based remuneration is provided, such programmes be established as roll-over programmes, i.e. the options are granted periodically and should have a maturity of at least three years from the date of allocation.	✓		
4.1.5. The Committee recommends that agreements on termination payments should not amount to more than two years' annual remuneration.	✓		
<i>4.2. Disclosure of the remuneration policy</i>			
4.2.1. The Committee recommends that the company's remuneration policy and compliance with this policy be explained and justified annually in the chairman's statement at the company's general meeting.	✓		
4.2.2. The Committee recommends that the proposed remuneration for the board of directors for the current financial year be approved by the shareholders at the general meeting.	✓		
4.2.3. The Committee recommends that the total remuneration granted to each member of the board of directors and the executive board by the company and other companies in the group, including information on the most important contents of retention and retirement/resignation schemes, be disclosed in the annual report and that the linkage with the remuneration policy be explained.	✓		

Recommendation	IC Group complies	IC Group does not comply	The explanation for not complying with the recommendation
5. Financial reporting, risk management and audits			
<i>5.1. Identification of risks and transparency about other relevant information</i>			
5.1.1. The Committee recommends that the board of directors in the management commentary review and account for the most important strategic and business-related risks, risks in connection with the financial reporting as well as for the company's risk management.	✓		
5.2.1. The Committee recommends that the board of directors decide whether to establish a whistleblower scheme for expedient and confidential notification of possible or suspected wrongdoing.	✓		
<i>5.3 Contact to auditor</i>			
5.3.1. The Committee recommends that the board of directors ensure regular dialogue and exchange of information between the auditor and the board of directors, including that the board of directors and the audit committee at least once a year meet with the auditor without the executive board present. This also applies to the internal auditor, if any.	✓		
5.3.2. The Committee recommends that the audit agreement and auditors' fee be agreed between the board of directors and the auditor on the basis of a recommendation from the audit committee.			