

# Filippa K

SUSTAINABILITY REPORT 2014

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# COMMENTS FROM CEO AND SUSTAINABILITY MANAGER

Sustainability has always been part of our DNA and values. To make clothes that can last for a long time in both quality and style has been our strategy from the very beginning. We offer garments that can be used season after season and that represent a style rather than a trend. That is one of our greatest contributions to sustainability.

We want to be part of the solution. Being part of the solution means having a business model that works in the long run. Filippa Knutsson herself once said, “I set up to build a brand with substance and truth, not dependent on the superficial trends of the fashion industry.”

But times are changing and we are becoming more and more aware of the challenges facing our planet. This means that we cannot do business as usual anymore if we want our future generations to thrive on Earth as we have done. Also, if we want to run a successful company in the coming thirty years and beyond, we need to work with sustainability from a different standpoint. The answer is fashion where sustainability is the guide to growth.

In 2009, a group of scientists proposed a framework of nine planetary boundaries that define the limits of sustainable development, for example freshwater availability, climate change and biodiversity. That framework inspired us to ask what fashion could be within planetary boundaries. Long lasting simplicity is our answer. It is our manifest, our journey to sustainability.

This journey is not only about making clothes that can last a long time, but also it is built on two concepts, the Curated Wardrobe and Circular Design. These two concepts will serve as our guidance from now on in our growth towards greater sustainability.

The Curated Wardrobe is based on the idea that a perfect wardrobe is simple rather than excessive. A carefully curated wardrobe is created to last and evolve over time. Together with our users, we select, maintain and cherish that wardrobe. An important part to succeed with this concept is to make clothes that can last for a long time and to offer new

ways to update the wardrobe, like second hand or the possibility to rent clothes. Another important part is to help our users to care more for their products.

Circular Design is a concept inspired by ecosystems. Circular Design is about changing our models from linear ones, where we take resources like for example cotton from one end and that ends up as waste in the other. Instead we need to change to circular models. Where no waste is created and all resources well taken care through out the life cycle. It means we constantly strive to minimize our negative environmental and social impact and that every garment is created to be long lasting in both quality and style. And every product is built to be worn, adjusted, mended, loved and recycled. Here we can learn from nature. Nature has been doing it for the last 4 billion years and had plenty of time to fine tune and adjust.



Amelie Söderberg  
CEO

Elin Larsson  
Sustainability Manager

# THIS IS US

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In 1993, Filippa Knutsson and her former husband Patrik Kihlberg founded Filippa K together with designer Karin Segerblom joining at an early stage. The first products were a small line of tight stretch jeans that immediately became very popular in Stockholm. This was the start of Filippa K's successful journey. The brand grew quickly and basic styles of knits and jersey were added to the fashion line. Today, more than 20 years later, the brand is still growing steadily.

We are a company with a passion for design. Our strategy has always been to make clothes that can last a long time both in style and quality. We offer a style rather than a trend, by creating timeless pieces and wardrobe favorites that can be used season after season.

Filippa K is a company based on strong values, and our products lie at the core of our business. Style, Simplicity and Quality are three values that characterize everything we do. These values serve as a guide in our everyday efforts to meet our own requirements and those of our stakeholders. At Filippa K, quality means more than just meeting our customers' expectations with regards to our products. Quality is part of everything we do, from how our products are designed, manufactured and sold, to how we care for our colleagues, customers and everyone else with whom we interact. We strive to be a brand that is worthy of trust.

There are many challenges in being part of the textile industry, an industry with a long and complex supply chain and one that leaves significant environmental and social footprints. We try to reduce our negative impacts through the choice of our materials, our practices in production, and our partners in the value chain. But perhaps most importantly, our aim is to not produce more than needed and to not contribute to overconsumption. For us, that means increasing our purchase precision, and offering long-lasting products of quality, style and simplicity, as well as enabling our products a second life, for example through our second hand store.

We strive to run a long-term sustainable business within our planetary boundaries. To ensure long-term sustainable success we must have a holistic view of our business, understand how all parts interact and make sure our value chains are long-term sustainable.

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Filippa Knutsson  
Founder of Filippa K

# FILIPPA K STAKEHOLDERS

## A 360° PERSPECTIVE



With regards to our stakeholders, we have developed a 360° perspective.

In essence, this means that for our:

- OWNERS: Filippa K will continue to create value for owners through responsible business actions.
- EMPLOYEES: Filippa K wants to be a responsible employer who encourages a balanced lifestyle and empowers its employees.
- SOCIETY: Devoted to slow-fashion, Filippa K will actively contribute to a more sustainable society by influencing and being responsive to positive change.
- CUSTOMERS: Filippa K will continue to offer customers more sustainable and high quality clothes that stand the test of time.
- PARTNERS: Through partnerships and dialogue, Filippa K is determined to strengthen our partners' sustainability efforts.
- NGO'S: Filippa K will appreciate the expertise that NGO's can provide and cherish their contribution to sustainable development.

#### STAKEHOLDER DIALOGUE 2014

In May 2014, we conducted a Future Search seminar to set a strategy for Filippa K on how to reach our commitments and goals within our supply chain, by involving the most important stakeholders in that process. During the two days' workshop and together with 30 representatives of fabric and other material suppliers, dyeing mills, agents, Filippa K personnel, retailers, freightforwarders and NGO's, we defined and shaped the sustainability priorities and actions for Filippa K. For us, our stakeholders' knowledge and opinions are highly valued, to make sure that all perspectives in the supply chain are represented. By involving our key stakeholders in the work process we can make more informed decisions, and create more realistic plans, as well as secure long-term commitment from everyone involved.

*Our stakeholders' opinions, requests and perspectives drive Filippa K's sustainability work and functions by guiding us in the choices we make.*

# OUR MANIFEST

## – LONG LASTING SIMPLICITY

IF WE WANT FASHION TO STAY  
RELEVANT AND AESTHETIC,  
INSIDE AND OUT.

WE NEED TO BE  
PERSONAL, SIMPLE  
AND LONG LASTING.

ECOSYSTEMS ARE OUR INSPIRATION.  
PLANETARY BOUNDARIES ARE KEY, NOT LIMITATION.  
SUSTAINABILITY IS OUR GUIDE TO GROWTH.

WE ARE DEDICATED TO  
A CAREFULLY CURATED WARDROBE  
BUILT ON PERSONAL STYLE AND CIRCULAR DESIGN  
WITH A HOLISTIC APPROACH TO BUSINESS.

HOW WE DO SOMETHING IS HOW WE DO EVERYTHING.  
WHAT WE DO IS LONG LASTING.

CIRCULAR DESIGN  
OUR DEVOTION TO FOUR R's

AS PART OF OUR CIRCULAR DESIGN CONCEPT, WE ARE DEVOTED TO FOUR R's:

REDUCE, REPAIR, REUSE AND RECYCLING.

IN PRACTICE, THIS MEANS THAT:

- We aim to create products with minimal negative impact on people and the environment, which we refer to as our Front Runners of long lasting simplicity.
- We help our customers take better care for their garments so as to make them last for as long as possible and to minimize any negative environmental impact in the user phase.
- We encourage people to give their used garments a second life by passing them on to others or by returning them to one of our stores so that we can help pass them on.
- We want to encourage our customers to take their old worn-out clothes back to a Filippa K store, so that we can recycle them wherever there is infrastructure available to do so.

## REDUCE

We are determined to create products with minimal negative impact, i.e. products that can be part of a circular mindset. Each season, we select a few styles to become Front Runners of long lasting simplicity.

We focus all our efforts on making these selected styles as sustainable as possible before moving on to the next set of products. By examining every aspect – from the choice of materials to how our customers use and care for their garments until they finally reach their end of life – we learn how to do things right already at the drawing table. The design practices, production techniques and material choices etc. that we adopt will be used for our main collections in the future. By year 2030, our ambition is to have all our products made according to the key criteria for our Front Runners as listed to the right:

## OUR FRONT RUNNER CRITERIA:

- Sustainable materials
- Recyclable
- Transparent supply chain
- Minimal use of resources
- Minimal waste
- Less chemicals
- Minimal emissions
- Respect for people
- Respect for animal welfare
- Long lasting in design and quality
- Perfect fit and comfort
- Financially sound

## REPAIR

We take pride in educating and helping our customers take good care of their Filippa K garments so that they can become truly the long-lasting wardrobe favourites they are designed to be. By making our customers aware of how to care for their garments, we not only prolong their clothes' lifetime, but also help minimize any environmental footprints during the user phase.

In 2014, we introduced Filippa K Fabric Wash and Filippa K Fabric Care – an ecological detergent and a fabric softener developed together with Tagent GC. The products combine efficient and gentle care to help make our products last as long as possible.

Sometimes unexpected things happen – a button might fall off, a zipper might break or a seam rip open. When customers come back with a damaged product, we always try to repair it. If this is not possible, we pass it on to a charity organisation to make sure nothing goes to waste.

## REUSE

We want our used garments to have a second (or higher) life by being passed on to a dear friend or sold second hand. Already in 2008, a Filippa K second-hand store opened in Stockholm. This store is one way of taking responsibility for the entire lifecycle of our products and providing an alternative to the practice of shopping and disposal. As an extra bonus, we get a chance to prove that our clothes really do stand the test of time, in both quality and style.

We are dedicated to the curated wardrobe that is simple rather than excessive, and we want to encourage new ways of sustainable fashion consumption. This is why we are testing a model where people can lease clothes through Filippa K Lease, instead of buying them. The Filippa K Lease concept will be tested in selected stores on all markets during 2015. We believe that leasing can be a great option when you want to make sure that something found in our stores will become a long lasting wardrobe piece for you, or if you only need a product for a short time or a special occasion. By leasing clothes instead of buying, you can help reduce the environmental impacts of the fashion industry.



## RECYCLE

Filippa K clothes are made to last, but sadly they will also eventually be worn out. However, they may still hold value as second hand garments or as textile material for industrial purposes. We therefore encourage our customers to bring their old worn-out clothes back to our stores, so that we can recycle them in the most suitable way. This is the reason we are now starting a garment collecting system for Filippa K clothes in all our stores during 2015. Customers will here receive a 15% discount voucher when they hand in old and clean Filippa K clothes.

# OUR COMMITMENTS 2030

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#### 1. CONSCIOUS DESIGN FOR A BETTER FUTURE

- Only sustainable materials (FK class 1-2)
  - Only recyclable styles

#### 2. SUSTAINABLE SOURCING & MANUFACTURING

- Full transparency in our supply chain
- Only sustainable production processes (according to Filippa K's definition)

#### 3. RESOURCE EFFICIENT BUSINESS

- Accurate purchase precision in number of pieces produced
  - Minimal footprint throughout our business

#### 4. PEOPLE IN OUR VALUE CHAIN ARE RESPECTED

- Total compliance with Filippa K's Code of Conduct based on Filippa K's values

#### 5. LONG-TERM SUSTAINABLE SUCCESS

- Professional long-term partnerships
- Sustain a profit level of more than 10% EBT
  - Sustain a growth in comparable units

# CONSCIOUS DESIGN FOR A BETTER FUTURE

## SUSTAINABLE MATERIALS

The choice of materials, whether it is the main fabric or the thread holding it together, has a big impact on a product's overall sustainability performance.

## OVERALL ACHIEVEMENTS IN 2014

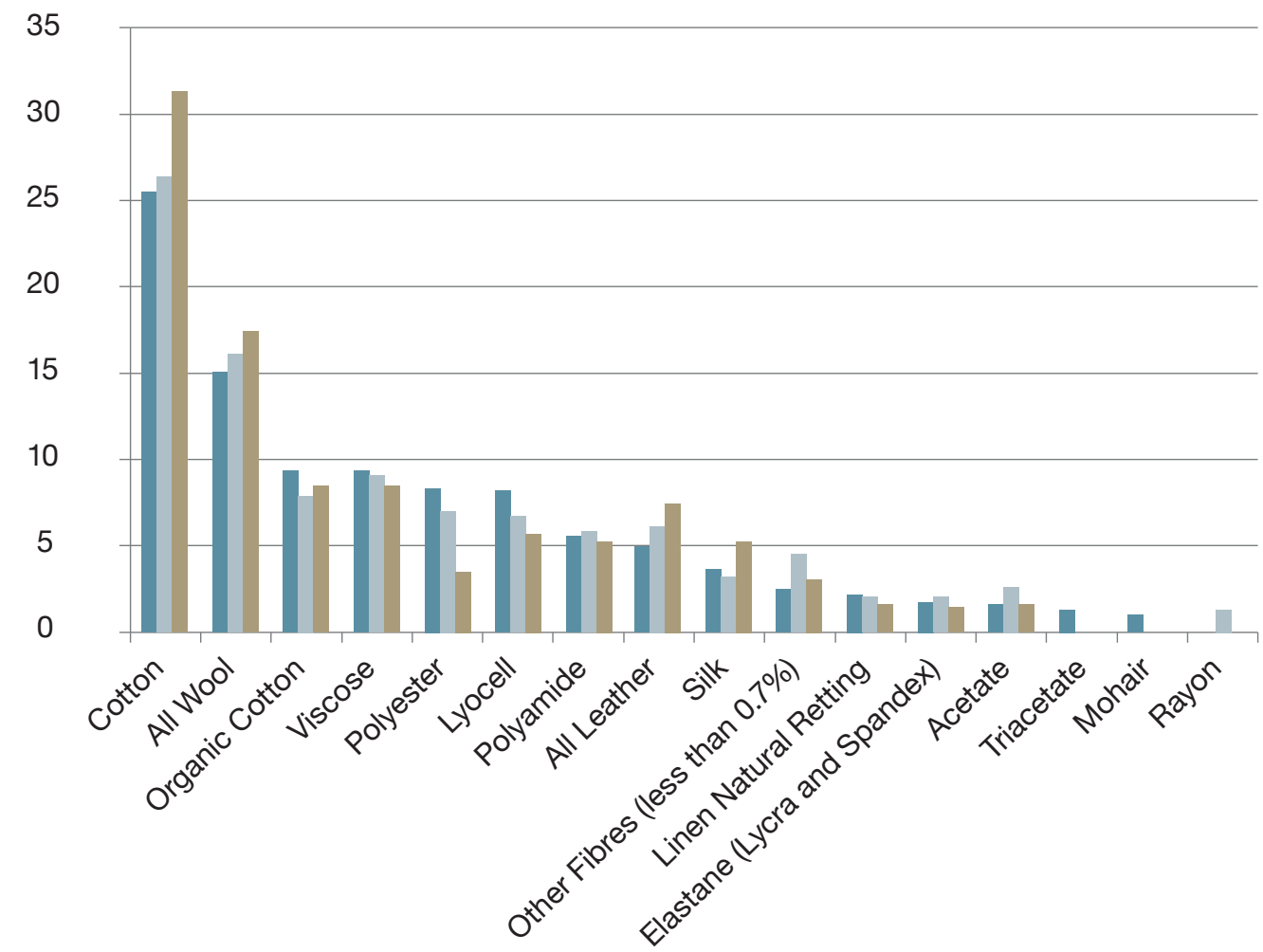
2014 was the first year with the FK Fibre tool fully implemented. We managed to increase the use of class 1 and 2 fibres to 44% of our total fibre use, which means that we surpassed last year's level with 7%. (The goal for 2013 was 42% of total fibre use.) However, we did not decrease our share of class 4 fibres as much as we had expected to. It ended up at 46% of our total fibre use, which is only 1% less than 2013. (The goal for 2013 was 37%.)

Good news is that our use of conventional cotton is still declining, and is gradually being replaced by organic cotton, lyocell and linen. The latter two fibres are not always equivalent replacements to cotton, so the search for new materials will continue.

The figures in the table on next page were accessible approximately one year after our collections were completed at the design department. Therefore, in order to give a compass for the designers during the design phase, we also measured the number of styles that contained more than 50% of a class 1 or 2 fibre. This year, we are proud to say that more than half of our total apparel collection contains a more sustainable fibre as the majority fibre.

For 2014 we also set a target to offer at least one product in every product group in a more sustainable material. This was a goal that we achieved for all groups except for our denim products. On the market, there are denim products available in both organic and recycled cotton, but unfortunately the minimum quantities for purchasing organic cotton are very high. Even though we considered buying fabric for several seasons it was not possible from a logistic and a financial point of view.

| FIBRE                         | 2014   | 2013   | 2012   |
|-------------------------------|--------|--------|--------|
| Cotton                        | 25,4 % | 26,3 % | 31,3 % |
| All Wool                      | 25,4 % | 16,1 % | 17,4 % |
| Organic Cotton                | 9,3 %  | 7,9 %  | 8,4 %  |
| Viscose                       | 9,3 %  | 9 %    | 8,4 %  |
| Polyester                     | 8,3 %  | 6,9 %  | 3,5 %  |
| Lyocell                       | 8,2 %  | 6,7 %  | 5,6 %  |
| Polyamide                     | 5,5 %  | 5,8 %  | 5,2 %  |
| All Leather                   | 5 %    | 6,1 %  | 7,4 %  |
| Silk                          | 3,7 %  | 3,2 %  | 5,2 %  |
| Other Fibres (less than 0.7%) | 2,5 %  | 4,4 %  | 3,1 %  |
| Linen Natural Retting         | 2,1 %  | 2 %    | 1,6 %  |
| Elastane (Lycra and Spandex)  | 1,7 %  | 2 %    | 1,4 %  |
| Acetate                       | 1,5 %  | 2,7 %  | 1,5 %  |
| Triacetate                    | 1,3 %  |        |        |
| Mohair                        | 1 %    |        |        |
| Rayon                         |        |        |        |



## EVALUATION OF TRIACETATE

As part of our annual update of the Filippa K Fibre Tool, we have also visited the producer of the fibre Triacetate, a unique experience.

In the production processes of textiles, high amounts of energy, chemicals, various raw materials, and water are used. Also, large amounts of waste are generated, resulting in significant risks for harmful impacts on the environment and human health. Two of the most serious environmental impacts of textile production are the discharge of polluted water into nearby rivers, lakes and coastal waters as well as the consumption of energy (raw oil) and the emission of greenhouse gases.

The aim of the trip was to investigate the applicability of different sustainable production measures in the triacetate manufacturing and dyeing industry in Japan. Triacetate fibre and material are produced solely by Mitsubishi in Japan. From the production of fibre and yarn to fabric and dyeing, the production system is quite fragmented and complicated.

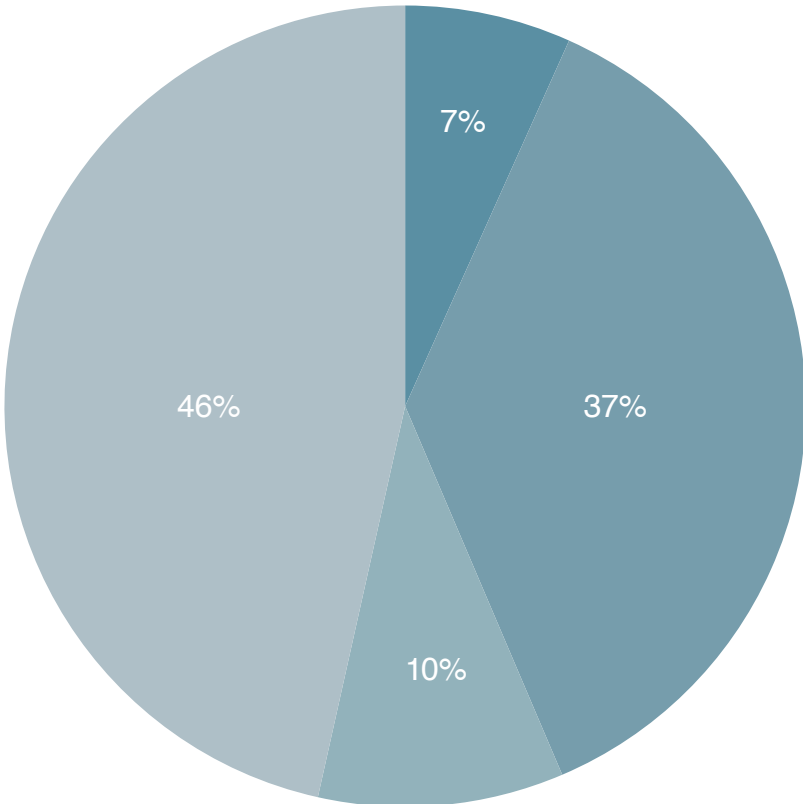
The triacetate fibre and yarn are produced by a chemical plant in Toyama. The fibre consists partly of biomass, which originates from specially selected trees. The fibre is subsequently blended with acetic acid through a chemical process. The mixture becomes flakes, which are melted and pushed through a spinnerette (a small metal sieve with micro holes). The process is carried out in a dry and small closed loop container where hot air is acting as a dryer for the fibre (so called dry spinning), which requires huge amounts of energy. Excess heat from the drying process is then recovered and used in the melting process of the flakes.

The dry spinning process generates gases, which are extracted to 99.7% using liquid adsorption tanks. The evaporated gases are then processed into a solvent using coal carbon and water, whereby they can be recycled into the production system. The fibre and spinning plant are OEKOTEX 100 certified and will receive a ISO 14000 certificate within the year 2015.

The dye houses are operated under the Japanese legislation “The Water Pollution Prevention Act”, and the Company Standard is based on regulations in the prefect area of Fukui. Significant energy demand is required in the process. Yet, almost 80% of the energy need is supplied using renewable energy extracted from a pulp burner. The pulp originates from waste produced by the Japanese forest industry. To prevent the existence of harmful chemicals in the products and in the effluent system, all chemicals used in the processes are evaluated before entering into the dyeing processes. Steam generated from the fabric drying process is recovered and re-used for heating the water. To minimize the usage of water, the water applied in the rinsing process is recovered and reused in the dyeing process. Regular checks on leaking taps, and other water saving activities, are daily routines among the employees. The effluents from the dye houses go into a water treatment plant, where they are treated with a separator, activated sludge, and a clarification technique so as to ensure that clean water is returned to the water basins.

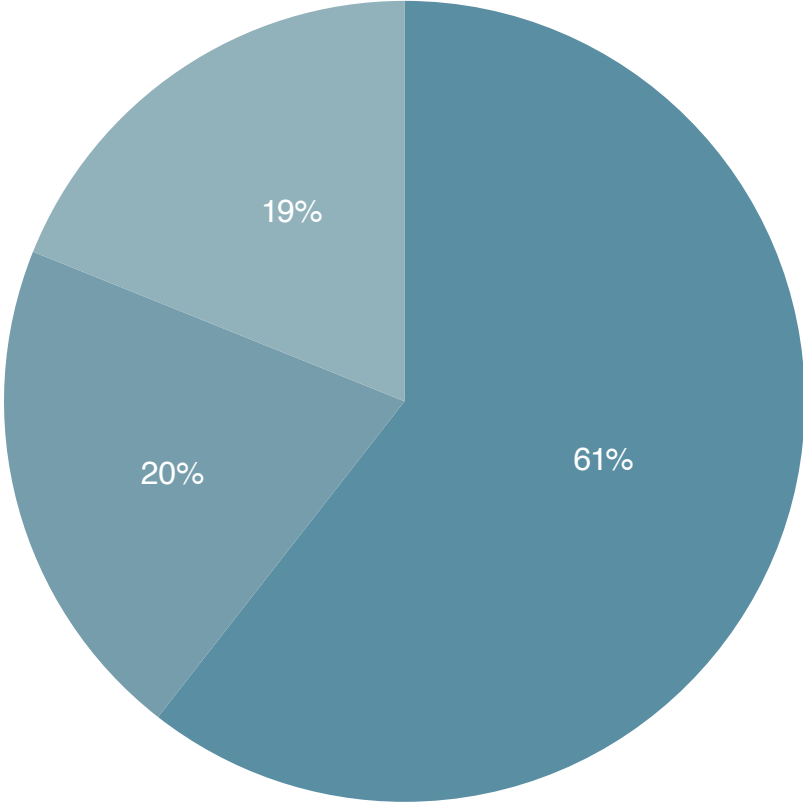
To conclude, Mitsubishi is actively working to improve their environmental performance by addressing energy, chemical and water stewardship. As a result, Filippa K is confident to classify triacetate as a Fibre Class 2 and will continue to use triacetate in our collection.

DISTRIBUTION OF TEXTILE FIBRES IN FK CLASSES.



- CLASS 1 – 7%
- CLASS 2 – 37%
- CLASS 3 – 10%
- CLASS 4 – 46%

DISTRIBUTION OF FIBRE ORIGIN. LEATHER NOT INCLUDED.



- NATURAL
- REGENERATED
- SYNTHETIC



## RECYCLABLE STYLES

Today, mixing natural and synthetic fibres such as cotton and elastane makes separation at the end of a product's life difficult. There is a lot of research and development going on within this area, so we will most likely see solutions for successful recycling of mixed fabrics in the nearby future. We cooperate with others, such as Naturvårdsverket (Swedish Environmental Protection Agency) in order to support the development of more infrastructure and better recycling methods.

One criterion for our Front Runner products is recyclability. We are proud of our jersey Front Runners, which are made of 100% Tencel, a fully renewable cellulose-based material derived from wood fibres. Thanks to the company Re:newcell, which has developed a unique technology for converting old cotton, Tencel, and other cellulosic textiles into a viscose yarn, we will be able to recycle our Front Runners into new cellulosic (viscose) fibres at their end-of-life. A tag inside these garments says: "Our clothes are made to last. To let it last even longer, pass it on to others if you don't wish to wear it anymore. If worn out, we welcome you to return it to our Filippa K stores for recycling."

*We are proud of  
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# SUSTAINABLE SOURCING AND MANUFACTURING

## TRANSPARENCY IN OUR SUPPLY CHAIN

We believe in cooperation through an open and honest dialogue. Transparency in the supply chain is essential if we are to achieve more sustainable fashion. Also, we need to know that our partners work in accordance with our social, environmental and ethical standards.

This is why we have traced every component of our Front Runners across their entire value chain, i.e. from fibre production to finished garment. We know now who makes the main fabric, the lining, the buttons, the neck label, the hang-tag, and even the string for the hang-tag. For our Front Runners, the following suppliers and factories are used:

TENCEL FIBRE: Lenzing – Austria

SPINNERY: Mercomahla – Portugal

DYE MILL: Tintex – Portugal

CUT AND SEW: Caetano and Reistex – Portugal

COROZO BUTTONS: Nut from Ecuador, Bettussoni – Italy

TENCEL INTERLINING: Wendler – Germany

TENCEL THREAD: Realfio – Portugal

FREIGHT FORWARDER: Garland – Portugal/First Cargo – Sweden

WAREHOUSE: DHL Texport – Sweden

## SUSTAINABLE PRODUCTION PROCESSES

As a medium-sized company, Filippa K values and supports industry initiatives that can drive development towards better social and environmental standards for all stakeholders affected. Besides the possibility to influence and improve our industry praxis, Filippa K collaborates with various NGO's, through different initiatives, to deepen our knowledge and to develop new innovative work practices. As one of our sustainability priorities has always been to stay updated and ahead, Filippa K continually seeks more knowledge in the field of sustainability. That is why the FK Live Lab is important to us. The FK Live Lab is about building cross-functional collaborations. We therefore invite students, researchers, other industries and government agencies to the Lab to practice their theories in reality. In this way, we get an opportunity to stay updated on the latest research and studies.

### SWEDEN TEXTILE WATER INITIATIVE (STWI)

Since 2010, we play an active part in the water initiative called Sweden Textile Water Initiative (STWI). STWI is a joint project between a number of textile and leather retail companies in Sweden, who work together to ensure a more sustainable water consumption within the textile industry. For us, this initiative has deepened our knowledge regarding how Filippa K can work to minimize water consumption in our products' supply chains. Water consumption is an issue of great importance for the fashion industry, since large amounts of water are used in both textile and leather production. We are now also part of a STWI project in which four of our Chinese subcontractors for dyeing and finishing participate. The objective of Sweden Textile Water Initiative projects (from 2014 to 2017) is to improve the environmental performance of suppliers and sub-suppliers to Swedish brands in terms of more sustainable water use in both textile and leather manufacturing.

#### THE SWEDISH SHOE ENVIRONMENTAL INITIATIVE (SSEI)

Filippa K is also a member of the Swedish Shoe Environmental Initiative (SSEI). The SSEI is a network of companies and organisations within the Swedish shoe business that supports the creation of more common sustainability guidelines. SSEI's aim is to develop business praxis that goes beyond legislation, through the development of new guidelines and tools for design, product development, and purchase. Filippa K strongly believes in cooperation such as this, as it is a way to learn from each other and to create change – together we are stronger.

#### CHEMICAL GROUP – SWEREA

The Chemical Group exists to keep member companies updated on the latest chemical and environmental issues. The network provides support and develops tools for handling legal requirements and other activities in the area of chemicals. The network consists of over 80 member companies. These companies represent the textile industry and the electronics industry and have access to a database of chemicals relevant to their products.

## BRANSCHDIALOGEN (INDUSTRY DIALOGUE)

In 2012, the Swedish government agency Kemikalieinspektionen initiated a dialogue with textile companies in Sweden regarding chemical use and how to reach the government's objective of a non-toxic living environment. The objectives for the dialogue as defined in 2012 were:

- Companies should restrict and replace hazardous substances.
- Information activities should be targeted to businesses, professionals or consumers.
- Knowledge exchange should be undertaken between companies and authorities.

As a company, we strive to replace hazardous substances in our consumer goods and products without waiting for detailed legislation. By meeting and addressing sector-specific issues, Kemikalieinspektionen and concerned parties, such as trade associations, retailers and distributors, may jointly identify measures to reach a non-toxic living environment.



GOOD EXAMPLE:  
ZETABI – A DENIM SUPPLIER

We have a long history together with our Italian supplier, Zetabi, for our denim products. Zetabi has invested significantly in optimizing its resource efficiency. For example, they have installed a large number of solar panels, which makes them self-reliant on energy during the summer. In these months, they produce more energy than they need and are therefore able to sell surplus energy to others. The washing process for denim is very water intensive, but Zetabi manages to recycle 85% of its water use; the remaining waste water goes through their own water purification plant before going back to the river. Each month, a public inspector comes to check the quality of the effluent water.

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GOOD EXAMPLE:

TWINTEX – SUPPLIER FOR WOVEN GARMENTS

One of our suppliers in Portugal is Twintex. Twintex is working very actively with issues of sustainability. For them, Eco Fashion is a concept that embraces the actual philosophy of sustainability. Their aim is to develop a production system that can be supported indefinitely in terms of environmental protection and social responsibility. Twintex is working with so called “Eco-Conscious methods of Product Development and Production” through the use of environmentally friendly energy and materials, and socially responsible methods of production. The concept is based on four mainlines, such as: Environment; Social Values; Transparency; and Preservation of Traditional handicraft techniques. For example, they have installed solar panels, a thermo-effective roof, mirror treated windows to keep the heat out, and optimized water processes etc. In 2015, they received a SMETA Certification. The SMETA is a common audit methodology and report format compiling best practices in ethical trade audit techniques. It proves that ethical trading is taking place. The scope of a SMETA audit incorporates both the ETI Base Code and other key ethically related requirements.

*For (Twintex),  
Eco Fashion is  
a concept that  
embraces the  
actual philosophy  
of sustainability*

GOOD EXAMPLE:  
HIGH FASHION – SUPPLIER FOR SILK GARMENTS

One of our suppliers in China, who produce our silk products, is a vertically integrated business. This means that they do everything from spinning to weaving, dyeing and sewing. They run a large company and produce a lot of garments each day. For these purposes, they use 4 500 tonnes of water per day collected from the nearby river. Of this water, 1 500 tonnes is recycled. The remaining untreated water goes through their own water purification plant, before being released into the provincial water system. The quality of the purified water is better than the standards set by the government. They have also invested in new machinery in order to save both water and energy and also to decrease the amount of chemicals used. Their objective is to reach a 100% recycling rate of water. They also have their own solar panels, which are able to supply 40% of their energy usage.

*They use 4 500  
tonnes of water per  
day collected from  
the nearby river.  
Of this water, 1 500  
tonnes is recycled.*

GOOD EXAMPLE:  
WE ARE THE FIRST FASHION BRAND TO USE ORGANOCLICK'S  
ECO-FRIENDLY WATER REPELLENT TECHNOLOGY

Durable water-repellent (DWR) treatments for garments almost always involve the use of environmentally harmful fluorocarbons. These chemical compounds do not degrade in nature and are hormone disturbing. Swedish cleantech company OrganoClick has developed an alternative water repellent technology that is free from fluorocarbons, non-toxic, and readily biodegradable. "By using biodegradable and non-harmful chemicals in our products, we can be sure that they are not causing any of the negative effects on the environment that the long-chained fluorocarbons do", says Robin Grankvist, Business area manager for Performance textiles & nonwoven at OrganoClick.

The new eco-friendly technology has been developed by OrganoClick's researchers and was implemented in the Taiwanese textile manufacturer Chang-Ho Fibre's mills in January 2014. Since then, approximately 100 different fabrics have been developed using the new eco-friendly technology. Filippa K is the first fashion brand globally to put a fashion garment on the market using OrganoClick's technology. The products are two women's jackets made from recycled polyester and nylon.

*OrganoClick  
has developed  
an alternative  
water repellent  
technology that  
is free from  
fluorocarbons,  
non-toxic,  
and readily  
biodegradable*

# RESOURCE EFFICIENT BUSINESS

## TRANSPORTATION

Since our transports are handled by a third party, we have limited opportunities to affect our air emissions. Still, we try to do as much as possible in the area of sustainable transportation. This means that we constantly strive to optimize the transportation of our products, in terms of both service level and efficiency, in order to decrease the company's CO<sup>2</sup> emissions as well as costs. For our Asian shipments we always plan for boat shipments. Moreover, we only use airfreight when something goes wrong and the production is delayed. For our CO<sup>2</sup> emissions, we measure our performance level in terms of the amount of CO<sup>2</sup> released per distance travelled (in tonnes per kilometre). For the year 2014, less than 3% of our shipments were sent by air, 86% were sent by boat, and the remaining transports by truck (compared as percentage of total carbon emissions, measured in tonne per km) (see Table below). Yet, even though the airfreight was less than 3% in tonnes per km, this stands for 25% of our total carbon emissions in absolute amounts and the trucks for as much as 29%.

For optimal logistics, it is crucial to make sure that we have the right range of products and the right stock levels in our stores in order to attain high efficiency. To help us achieve these goals, we refill our stores automatically to keep the stock levels as optimal as possible. In that way, the returns of unsold products from stores by the end of each season can be reduced.

## CARBON STATISTICS

|                          | Air freight      | Sea freight         | Truck freight      |
|--------------------------|------------------|---------------------|--------------------|
| Tonnes per km            | 506 743<br>2,72% | 16 274 810<br>87,5% | 1 818 184<br>9,78% |
| Tonnes CO <sub>2</sub> e | 296<br>25,21%    | 537<br>45,81%       | 340<br>28,98%      |

## ENERGY USAGE

Filippa K offices and stores in Sweden, Denmark, Netherlands and Belgium operate on green (renewable) energy. The figures in the table to the right show annual energy use by Filippa K in Sweden (i.e. in the head office and our own stores) for four consecutive years. During 2014, we were able to lower our energy consumption in stores thanks to new lighting solutions, such as changing to LED lights and introducing new energy practices in stores. The increased energy usage at the head office is most likely due to an increased number of people working at the office. During 2014 we had a lot of consultants present in the office building, due to a change of the ERP system. For various reasons, people also worked longer hours per day. We have also had some problems with the heating system in our office building, which might have contributed to increased energy consumption for our head office that year.

In 2014, the total CO<sup>2</sup> emission level for Filippa K Sweden was 52 tonnes CO<sup>2</sup> (of which 11 tonnes were recorded for the head office and 41 tonnes for the eleven stores). The figure of 2011 for energy usage in Filippa K stores is exceptionally low due to the fact that we were missing information from several of our stores.

## ENERGY STATISTICS

|            | 2014    | 2013    | 2012    | 2011    |
|------------|---------|---------|---------|---------|
| Office KWh | 114 313 | 106 493 | 109 443 | 113 030 |
| Stores KWh | 410 494 | 455 767 | 463 605 | 28 453  |

# PEOPLE IN OUR VALUE CHAIN ARE RESPECTED



#### EMPLOYEES: PROUD, PASSIONATE AND DEDICATED

We believe that passion, engagement and a great leadership are key factors for success. Focus areas for 2014 have been organizational development, raising awareness regarding diversity and to create a culture based on our values where every employee is expected to take responsibility and initiatives, in order to increase customer satisfaction and a sustainable profit.

In December 2014, Filippa K had 425 employees in total across all seven markets.

## FILIPPA K AS AN EMPLOYER

At Filippa K, we strive to be a fair and reliable employer by having leaders that are role models and carriers of our values. We continually work to ensure equal opportunities for all employees.

In 2014, Filippa K was nominated and received the award “Karriärföretag 2015”. Every year, thousands of companies are reviewed and evaluated for the award, and the top 100 employers in Sweden are nominated and awarded. For more information, see: [www.karriarforetagen.se](http://www.karriarforetagen.se).

In order to be a transparent employer and strengthen our internal communication, Filippa K decided to implement Filippa K Community (Filippa K intranet).

## ORGANIZATION

In 2014, we started a process with the purpose of creating a business-oriented organization with the ability to handle the increasing demand for effectiveness and sustainable profit. Also, we have recently initiated an ongoing project to implement our new business system (ERP), which aims to enhance flexibility and facilitate change within our internal processes.

## DIVERSITY

Diversity is central to our way of doing business. Diversity in expertise, experience/age, gender, and cultural background is viewed as a corporate advantage and an asset at all levels of the organization. Since the end of 2013 we participate in the Axelerate project initiated by the Axel Johnson group, with the purpose of increasing diversity in leading positions within the Axel Johnson group. As part of this project, we have set up a number of goals and activities to ensure good level of diversity within our organisation. The project and targets have been communicated to all employees within our organization.

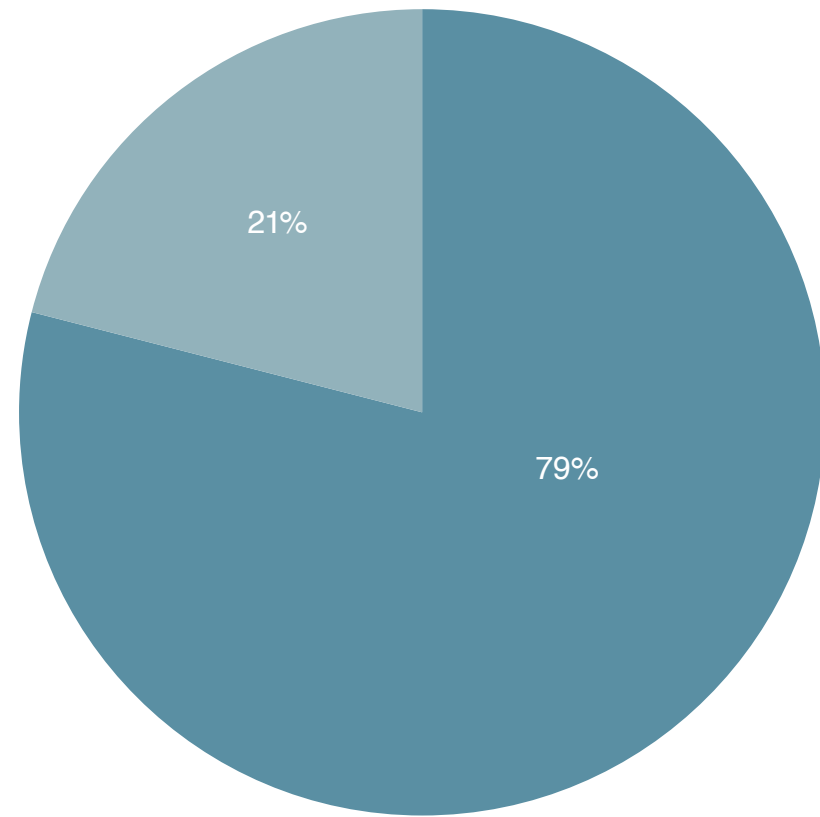
## GENDER

It is our belief that the gender diversity among our leaders should reflect the gender diversity among our employees in the company.

By the end of 2014, our senior management group consisted of 75% women, and our board of 40% women.

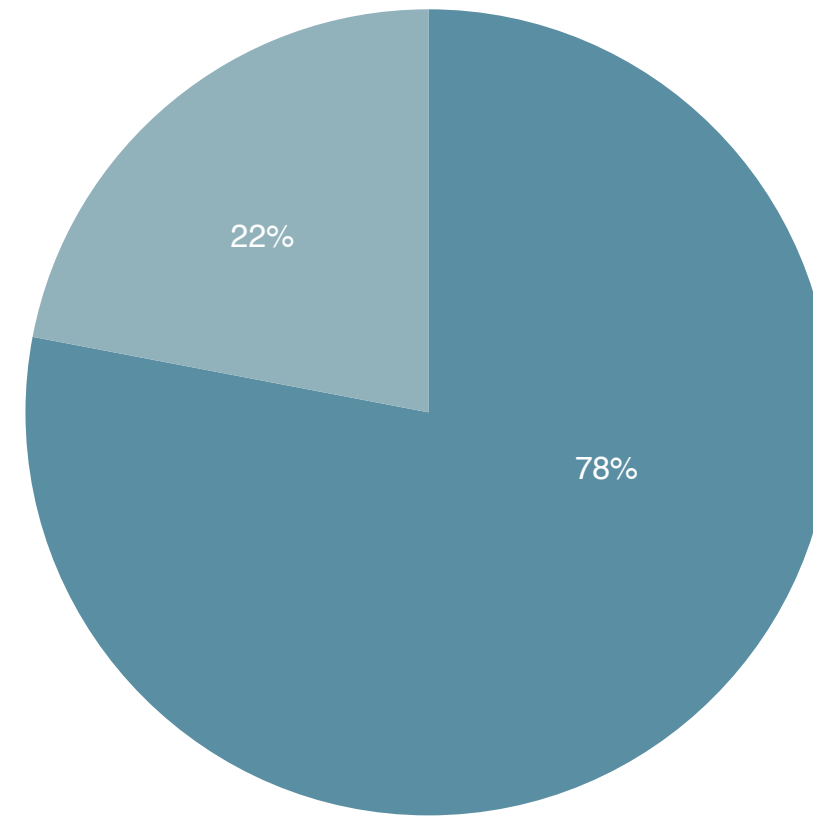
As part of our gender equality plan, salary mappings are regularly conducted. The 2014 mapping showed no unreasonable salary differences between women and men. The salary mapping includes all our markets in the survey.

MEN/WOMEN IN LEADING POSITIONS AT FILIPPA K  
Target 2020: 35% / 65%



■ WOMEN  
■ MEN

MEN/WOMEN EMPLOYED AT FILIPPA K  
Target 2020: 35% / 65%



■ WOMEN  
■ MEN

## WORK-LIFE BALANCE

We believe in a good “work-life balance”. This belief drives us to be a responsible and trustworthy employer, who offers its employees possibilities for a balanced life style.

We believe that work should be performed during regular working hours and that overtime shall be applied in exceptional cases and be regulated with corresponding compensation.

## PERSONAL DEVELOPMENT/SUCCESSION

It is important to attract, recruit, retain and develop committed employees, who are also given the opportunity to grow within the company. Succession planning is an important yearly process where we secure regrowth in the company. To ensure succession and growth we hold Performance development Reviews (PDR) on a yearly basis with all employees.

The Succession process starts with the Performance Development Reviews and ends with a mapping called Management Reviews.

## TRAINING

Part of being an attractive employer is to retain our employees. We believe that one reason for staying with an employer is the possibility to continuously develop as an employee, either within the current area of work or other business areas within the company. As newly employed, all staff members undertake an internal introduction program. Filippa K works with the “train-the-trainer” principle, meaning that we believe in training our employees using the competence we already have internally. All training conducted locally should be reported to HR central Support. During 2016 we plan on launching an internal e-learning system to broaden our existing training programs.

On a yearly basis, we send selected employees to sustainability training at the Sustainable fashion Academy’s Learning and Innovation forum in Stockholm. Internally, we also conduct educational workshops specifically tailored to meet our needs. Training and communication are of central importance to us and a success factor for our company, by enabling us to pass on our values and our way of taking responsibility to all our employees.

## HEALTH AND SAFETY

At the company level, Filippa K works proactively to minimize any health-related problem, both physical and psychological. When needed, we cooperate with health care centres on each market to enable an early action/rehabilitation plan in order to help the employee back to work as soon as possible.

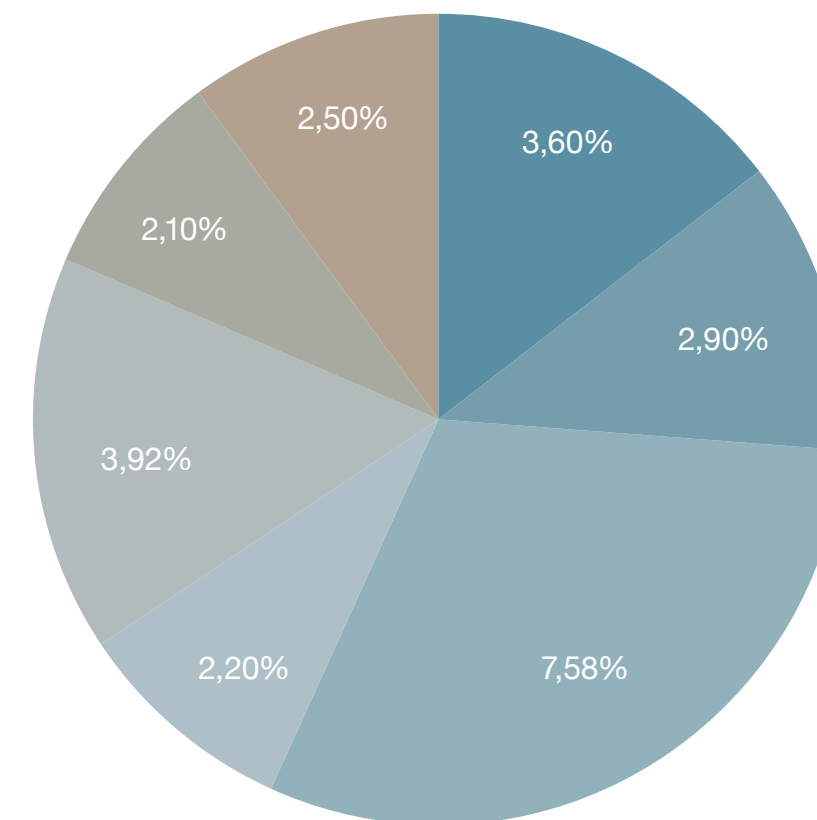
During 2014, one work-related accident was reported and measures were taken accordingly.

Responsibility for the work environment has been delegated to respective market, and relevant guidelines are published at FK Community.

Each quarter, Filippa K follows up on the level of absence due to illness, as measured based on the previous 12 months' period. This follow-up aims to ensure that we keep working proactively with our sick leave absence. The Netherlands had three employees in long term sick leave (not work-related) during 2014. They have been rehabilitated and all of them are back in work.

## ABSENCE DUE TO ILLNESS 2014

Target < 3%



## HARASSMENTS

In our health and safety guidelines we have clear rules and statements regarding harassments of any kind. If there is any case of improper action, it will immediately be dealt with according to the action plans provided by our health and safety guidelines. No incidents were reported in 2014.

## CORRUPTION

All employees are expected to decline any gifts from suppliers, partners, customers etc that might be perceived as bribery. By principle, we accord to each country's laws and regulations for tax-free gifts.

## EMPLOYEE SATISFACTION

At Filippa K, employee satisfaction is measured on a regular basis.

The Employee Satisfaction Index (ESI) is an important measurement that supports us in continuing to be a responsible and trustful employer. The next ESI will be undertaken in September 2015.

## UNIONS

As a part of being a reliable employer, Filippa K upholds a constructive dialogue with unions and other employee organizations that our employees voluntarily choose to be members of.



## ETHICAL MARKETING

We are part of the fashion industry, an industry with a well-known impact on young people and their beauty ideals. We are looking for models with a size small/36 as our samples come in that size. At the same time, we have close collaboration with our modelling agency and are very thorough in our casting processes, to make sure that we find the right models to represent our brand and values in a good way. During autumn 2015 we will develop a policy and guidelines for our casting processes.

## SUPPLIERS

Filippa K strives to be a fair and reliable business partner. We aim for long-term and rewarding relationships, based on mutual trust. We do our very best to be a brand that our customers and other key stakeholders can trust. Our suppliers, agents, vendors and other business partners play an important part in realizing this aspiration. Therefore, we expect our partners to adhere to human rights, labour, environment and anti-corruption principles and standards similar to those of Filippa K's. To this end, we have drawn up a code of conduct, which every supplier undertakes to adopt. Our code of conduct is based on the FWF Code of Labour Practices. Willingness to work in accordance with our social, environmental and other standards, as well as compliance with our code of conduct, is a crucial factor when evaluating and selecting suppliers for Filippa K.

We have a long history with most of our suppliers, and many of them have been working with us for more than 10 years. We aim to develop long-term relationships and when we are introducing new suppliers we take gradual steps to establish long-lasting business relations. Hereby, we can secure the delivery of high quality products and reduce risks. Deep and long-term relationships are also a key factor when working towards a more sustainable development. Our supply chain is long and complex and we need to work together to make faster progress.

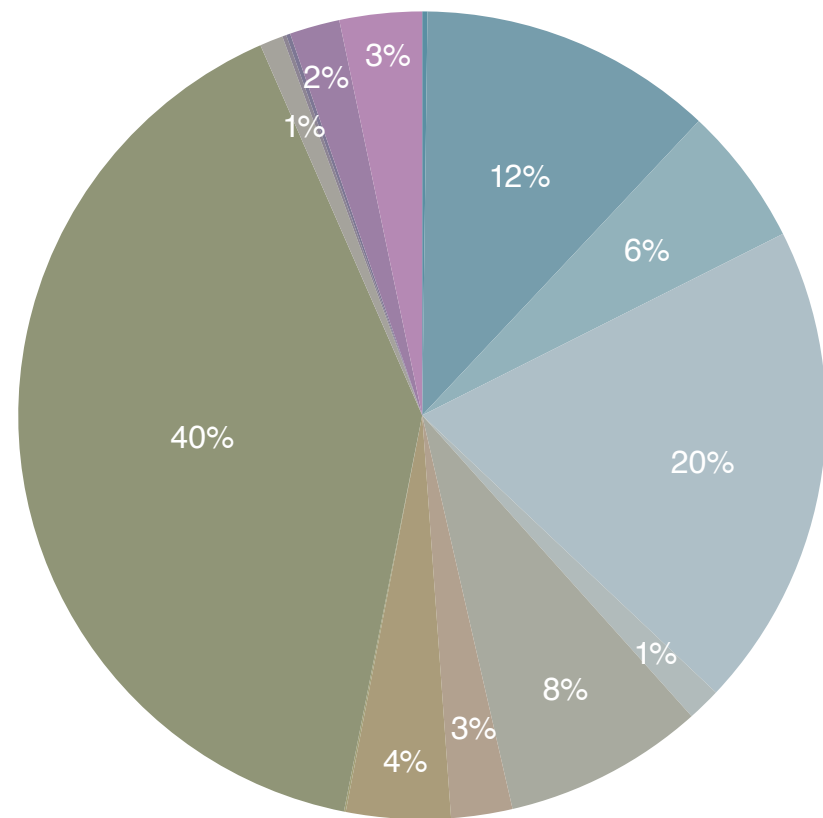
We should never underestimate the power of engagement and cooperation throughout the supply chain in order to create real change. Each actor within the supply chain holds its own unique expertise, which together with the rest of the chain creates a complex web of partners. Today, the supply chain is quite segmented. Our aim is therefore to promote increased understanding and collaboration between the different actors within the supply chain, so as to rebuild and redesign many of the processes and structures involved. Hereby, we can help create a more sustainable value chain.

We have been working with Fair Wear Foundation since 2008 to secure good labour standards in our supply chain, as well as better compliance with our Code of Conduct. Fair Wear Foundation is a multi-stakeholder Initiative that supports us in our strive to secure good labour standards at the factories. We often use the FWF to perform factory audits, and also utilise their expertise when carrying out reports and action plans if needed. Also, we use FWF representatives to perform the audits, to ensure that these are professionally executed and to have the supplier understand that we take the auditing seriously. The audits help us and our suppliers to develop and improve their social compliance standards.

#### PRODUCTION DURING 2014

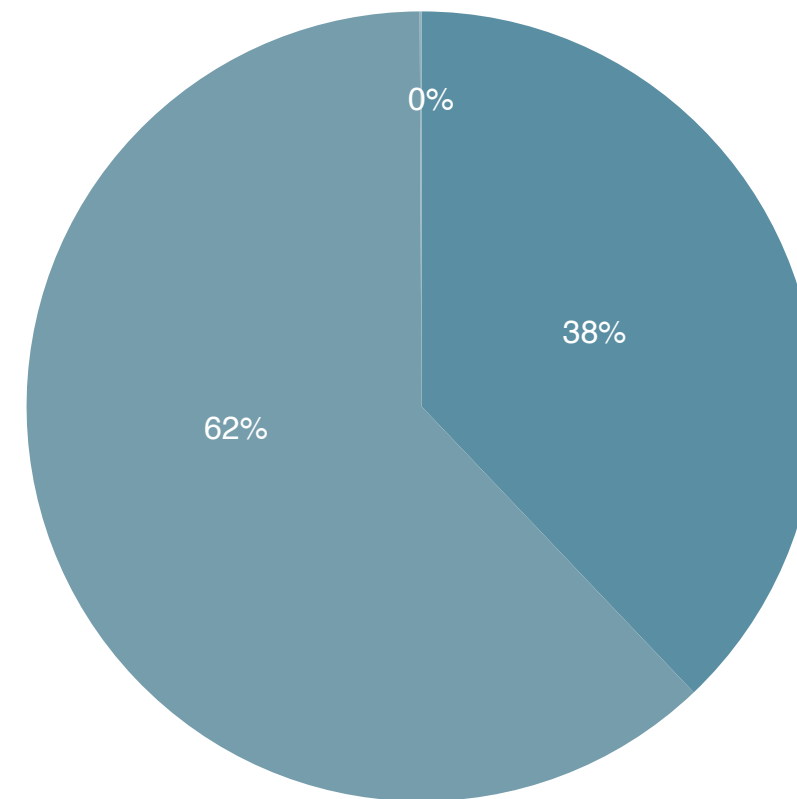
In 2014, 62% of our production was placed in Europe and 55% in countries classified by FWF as low risk countries. Through our Fair Wear Foundation membership, we monitor the development of suppliers in different countries and conduct a risk assessment to determine where our social auditing should be focused. As a member, we have set the target to monitor at least 90% of our suppliers, a level which we have now reached. For 2014, 98% of our suppliers were monitored.

PRODUCTION PER COUNTRY



- BULGARIA
- CHINA
- ESTONIA
- HONG KONG
- INDIA
- ITALY
- JERSEY
- LITHUANIA
- PERU
- PORTUGAL
- SLOVAK REPUBLIC
- SPAIN
- SWEDEN
- TURKEY
- VIETNAM

PRODUCTION PER CONTINENT



- ASIA
- EUROPE
- SOUTH AMERICA

AUDITS DONE DURING 2014:  
TWO KNITTING FACTORIES IN CHINA

In 2014, we conducted audits at two knitting factories in China with which we cooperate. One of them had a new sub-contractor, which is why we did the audit. The audit showed that not all roles within the factory reached living-wage level; yet, there was an ongoing discussion about this. However, all roles at the factory received better payment than minimum wage. There was also a discussion about the fact that workers, whose salaries are based on “piece rate”, were not paid during leave. Also, overtime was not paid correctly. After the audit, these issues have now been solved internally. We also found other over-time issues that need to be discussed with the management team. Another finding was that the factory uses a sub-contractor whom we were not aware of. This sub-contractor was not informed about the FWF Code of Labour practice, which they should have been. We expect that our suppliers inform us about any sub-contractors that they might use. Preferably, we do not want them to use any sub-contractors at all, but sometimes they need to place certain orders within another factory in order to spread out production during peak periods. Yet, we wish to have control of our supply chain as full transparency is one of our key goals for 2030. Using sub-contractors makes that work a lot more difficult.

The other knitting factory that we audited in China has been our supplier for many years. They knit our cashmere products. We found the same problems here, i.e. that not all roles reached living wage level, although everyone is paid a salary above minimum wage. They did not post the Code of Labour Practice on the wall in the factory as they were supposed to. This has now been solved.

For our high fashion collections at the factory, a tiny portion of the workforce did not in fact receive the minimum wage. This has not been remediated yet, which will be mentioned in the performance check. (We believe it is important to be honest with all our auditing results, including such results as underperformance regarding wage levels.).

At both knitting factories, workers were not properly informed about the FWF Code of Labour practice. Also there was no independent union or workers’ committee present. (A workers’ committee is run by the workers without management involvement.) Both of these findings should be taken care of within a short time frame. Education has an important role to play when dealing with all of these issues.

AUDITS DONE DURING 2014:  
TWO SEWING FACTORIES IN CHINA

Together with another Swedish brand, we did a re-audit at one of our sewing factories in China. This factory produces more delicate products for Filippa K. One of our buyers was also attending the audit. Re-audits are done to make sure that past findings are corrected and improvements have been made. In this case, various improvements had been made, such as the introduction of several health and safety measures. Also, they had set up a WeChat communication platform through which workers can contact the owner directly with suggestions, complaints or similar. The factory guarantees all workers one day off every seventh day. Unfortunately, the re-audit also resulted in some negative findings; for example, work with repairing defects was not properly compensated, and the Code of Labour practice was not posted on the factory wall. Moreover, overtime records were not recorded properly although the workers indicated that overtime hours at the factory have decreased since the last audit.

We also did an audit at a new factory. This factory had also missed to post the FWF Code of Labour practice on the wall. Another issue at the factory was that the management team was not completely transparent regarding their working records. The records did not include the overtime hours correctly and they had a lot of overtime hours. Yet, the factory has set up a time and action calendar in order to prevent congestion in production, and they intend to work on a new type of order allocation for each month to improve the production planning. Positive findings were that the factory provides various benefits to the workers in the form of donations, gatherings and celebrations through support of the trade union. The factory also covers social insurance benefits for all workers, which is quite exceptional.

Shortly after the audit, we received a complaint from one of the workers regarding the excessive overtime. With the support from FWF, we acted upon the complaint and the factory is now working to reduced overtime working hours as mentioned above. At the end of May (2015), we visited both factories to follow up on the audit and to go through the Corrective Action Plan.

AUDITS DONE DURING 2014:  
FACTORIES IN INDIA

Since 2009, we have been using a special supplier in India with two factory sites for the production of gloves. We have visited both factory sites several times and last year we did a full audit together with FWF. One of our buyers was attending the three-day audit at the two sites. The two factories are run by the same family, and therefore the working methodology is almost the same for the two sites. The auditors found that both factories had temporary workers who were not registered properly. Also, there were apprehensions that the workers were not paid minimum wages and also lacked social securities. At both factories, independent workers' committees had recently been formed but the workers were unaware of these. A positive finding was that the management team provides free transport to all workers who come from neighbouring villages. Moreover, Annual Day is celebrated, and loyal workers with regular working hours get a bonus. One of the factories has been a training partner of SELF (Skills for Employment in Leather Fabrication), which is supported by the Ministry of Rural Development in India.

TRAINING DURING 2014:  
FACTORIES IN CHINA

Three of the factories that we have been working with for a long time conducted a Workplace Educational Programme training in 2014, i.e. Tonghui, Mulum Knitting and Nice Garment. The training programs are held to improve communication and dialogue between workers and the management team.

The two-day workshop that we launched in Berlin can also be considered as a training exercise for our various stakeholders, with the aim to reach awareness on a more general level.

Since 2014, we also participate in a project called Forward Learning, which is supported and funded by the Swedish government body Vinnova. The objective of this project is to create an e-learning tool for dye-houses, suppliers, and companies regarding chemical use.

Water is a crucial resource for the textile industry, and one on which we unfortunately leave too big footprints. In our attempt to reduce that impact we are active members of the Sweden Textile Water Initiative. In 2014, we decided to also take part in STWI projects. Brands, together with Stockholm Water Initiative and Sida, are working together to create a global shift towards more sustainable production processes throughout the supply chain, by reducing the industry's water, energy and chemical use.

*The more companies that come together, the bigger the impact. We would love to see all Swedish textile- and leather brands join in and implement the STWI guidelines and help us to develop these further.*

Elin Larsson  
Sustainability Manager at Filippa K



THE MOST COMMON FINDINGS AT AUDITS:  
HOW WE TRY TO HANDLE OVERTIME ISSUES

Overtime is one of the biggest problems facing workers in our supply chain; it is found in more than half of the audited factories. To help address this problem, we set up our production plans together with our suppliers so that the lead times can be discussed and the requested delivery times achieved. The lead times differ between different suppliers and also depend on the amount of orders placed over a certain period. We try to place orders in advance, based on estimated sales figures, to secure our planning. This careful planning process means that we can avoid peaks in production and minimize overtime. It also results in very good delivery performance. At the Chinese factories where this type of problem is most common, we are often just a small customer among many larger clients. Being a small company makes it challenging to improve the situation, but we keep trying. One solution might be to have a close dialogue with other clients at the same factory, so that we can join forces and work together to reach improvements. This is something that we hope to initiate in the nearby future.

THE MOST COMMON FINDINGS AT AUDITS:  
HOW WE TRY TO HANDLE PAYMENT OF A LIVING WAGE

Living wage is a very difficult and complex issue with no easy answers or fixes. Our Code of Conduct states that living wages should be paid, and it is also something that we discuss continuously with our suppliers. It is important to keep an ongoing dialogue to accentuate the importance of this issue. We strive to work towards transparent prices so that we know how much of the final price is reflecting material versus production costs. Our ambition is to set a plan during 2015 on how we can intensify our work to secure living wages for all workers in our supply chain.

FWF also gives support to Filippa K's internal work and development, by performing annual performance check-ups to analyse our own working processes and practices with regards to various social issues. FWF offers us good support in how to handle complex social issues, and we highly value their recommendations and demands, since it challenges us to constantly improve our work.

## TRANSPARENCY AND COMMUNICATION

In order to spread awareness among our external stakeholders, we communicate about our work and our Fair Wear Foundation membership on our website and in our sustainability report. We constantly work to improve our internal processes in order to ensure that we have implemented the FWF Code of Labour Practices for our internal routines as well as our external.

# LONG-TERM SUSTAINABLE SUCCESS

#### SUSTAIN A PROFIT LEVEL OF MORE THAN 10% EBT

Filippa K Group delivered a profit level of 10% Earnings Before Tax (EBT) for 2014. We have subsidiaries in seven countries (i.e. Sweden, Norway, Finland, Denmark, The Netherlands, Belgium and Germany) and we comply with tax legislation in all of these countries. As the company is profitable, we pay tax and contribute to the society in which we operate. During the last five years we have accounted for the following tax expenses (in 2014 we reached a turnover of 662 500 000 SEK):

|                           | 2014  | 2013  | 2012  | 2011  | 2010  |
|---------------------------|-------|-------|-------|-------|-------|
| Turnover                  | 662,5 | 635,2 | 572,9 | 524,0 | 425,4 |
| Earnings Before Tax (EBT) | 70,8  | 79,0  | 49,9  | 74,0  | 41,9  |
| Tax Expense               | 16,0  | 18,2  | 11,9  | 21,8  | 10,0  |
| Tax % of EBT              | 23%   | 23%   | 24%   | 29%   | 24%   |

## PROFESSIONAL LONG-TERM PARTNERSHIPS

We know that one of our key factors for success is long-term partnerships. 66% of our supplier volume is bought from factories for which we have substantial leverage (at least 10% of the factory production capacity). Our objective is to further deepen our collaboration with selected key suppliers over the years to come, in order drive change together in the area of sustainability. Our supplier base is stable and does not change regularly; 74% of our purchase volume comes from factories with whom we have worked for more than five years.

The same goes for many of our wholesale partners. We have a long history together with the majority of them. For example, our external warehouse, DHL Texport, has been our partner since 2007 and First Cargo, our freight forwarder for Portugal, has been with us for more than 15 years. By having these long-term relationships we are able to build smooth and efficient processes with a high level of quality.

# INITIATIVES AND CO-OPERATIONS

## INITIATIVES

We try to challenge ourselves and the fashion industry in different ways by participating in various projects and networks, as well as attending seminars and conferences. At these events, we try to raise questions about the way things work today, and also talk about our ongoing activities and possible future scenarios, as well as spread awareness in the field. For example, each summer, we participate in discussions and seminars during the political week in Almedalen, Sweden.



IVA – THE ROYAL SWEDISH ACADEMY OF  
ENGINEERING SCIENCES

We are today part of a project run by IVA, named Resource Efficient business models 2050. The global population growth and a growing middle class in developing regions are increasing the pressure to manage the planet's finite resources. The business sector has a key role to play in this process of change. By developing resource efficient and profitable business models we can contribute to a long term and sustainable development. The objective is to stimulate the emergence of innovative business models and to identify instruments that encourage the development of these new business models. The project will present proposals for measures and policy directives for both the industry and the government in Sweden, so that Sweden can become a global showcase for a clean and more resource-efficient society.

## MISTRA FUTURE FASHION

Filippa K has been part of the research program “MISTRA Future Fashion” since its first phase, and we are now participating in its second phase. The purpose of the MISTRA Future Fashion program is to deliver knowledge and solutions that the Swedish fashion industry and its stakeholders can use in order to significantly improve the fashion sector’s environmental performance and to strengthen its global competitiveness.

### SUSTAINABLE FASHION ACADEMY (SFA)

Filippa K is also part of Sustainable Fashion Academy's Learning & Innovation Forum. This is a member-based forum that provides seminars and workshops (etc.) to educate and inspire designers, buyers and other key personnel from the apparel industry in the field of fashion, sustainability and innovation. Most of the larger fashion brands, outdoor companies and retailers in Sweden are members of the Forum, including H&M, Fjällräven, Lindex, Boomerang, Björn Borg and Åhléns. Through the Sustainable Fashion Academy's Learning & Innovation Forum, Filippa K has so far educated designers, buyers, marketing people and the sustainability team within the company in the area of sustainability. Also, the Forum is a great place to share experience and findings with other companies in the field.

## RECYCLING INITIATIVES

First and foremost we aim to give clothes new life through second hand stores. When this is no longer possible, we want our garments to be recycled as material for new products. However, closing material loops in order to minimize the amount of textiles that ends up in landfills or gets incinerated is a big challenge, which requires new infrastructural solutions. We cannot do it on our own, so we cooperate with other actors to improve the possibilities for recycling textile fibres in the future. Some examples of actors with which we cooperate are Re:newcell, the Swedish government bodies Kemi and Naturvårdsverket (Swedish Environmental Protection Agency), and the Nordic Waste Group, Swerea, and Mistra Future Fashion.

## CO-OPERATIONS

We strive to have a positive impact on local societies in which we operate, even though our main focus is to ensure that we leave as little negative environmental and social footprints as possible within our supply chains. Our biggest positive impact on local societies is that we create work opportunities, contribute to improving working conditions, and pay fair taxes in countries where we run business. We also support charity organisations, for example the Red Cross, Oxfam and Stadsmissionen, by donating clothes in the form of claims and left overs. We also invest money and time in the Hunger Project.

## SUPPORTING OF COLLABORATIVE CONSUMPTION

Filippa K also cooperates with organisations that serve as clothing libraries, such as Lånegarderoben (The Closet Library) and Sabina & Friends in Sweden, and Lena, a Fashion Library in Holland. The idea is that any person can renew his/her wardrobe temporarily without contributing to an increased virgin production and consumption in society – and without emptying our pockets!

## THE HUNGER PROJECT

The values of the Hunger Project correspond well with our own values and beliefs in creating sustainable relationships. They also do great work with their Vision Commitment Action (VCA) model. VCA is a model that anyone can adopt as part of his/her lifestyle. We are proud to be partners of the Hunger Project and part of a solution for ending hunger and poverty. We are all in this world together. If you want to know more about the Hunger Project, please visit [www.thp.org](http://www.thp.org)

### VISIT TO ETHIOPIA WITH THE HUNGER PROJECT IN DECEMBER 2014

When Åsa Stenerhag and Elin Larsson visited Malawi in 2013 they met a lot of inspiring women and men who had changed their lives to the better thanks to The Hunger Project (THP). Several of these persons had been successful in starting up their own businesses, most often by selling crops or ready-made food. One way to develop and refine an existing business practice may be to sell more complicated products and/or services. Additional education is here often needed. At one epicentre in Malawi, they had started a training program for carpentry and sewing in order to achieve just that, i.e. more refined products. That was the moment for us when the idea was born to help people in the epicentres of Malawi to get their businesses going on a bigger scale. Subsequently, we started to investigate the possibility to start up business relationships with various local businesses. This was also the reason why we ended up in Ethiopia, one year later (in December 2014).



### MESKAN EPICENTRE IN ETHIOPIA

During our trip to Ethiopia, we decided to visit the Meskan epicentre, which is a developed epicenter with about 10 000 members. They are fully food secure and are even able to sell corn to others. Over the last couple of years, they have seen a decrease in loans and an increase in savings among its members – a sign of sustainable development. They have their own bank, run a nutrition program, and have their own high school, elementary school, and kindergarten. Also, they have a full training program for members, at which they can learn how to create baskets, pottery and carpets etc., which they can sell on the local market. Since Meskan is a legal entity, they have legal rights to do business and exports.

## LOCAL ENTREPRENEUR IN ADDIS ABABA

On the last day of our trip in Ethiopia, we got a chance to meet with Yeti, a local entrepreneur who is running a store for home accessories and furniture, called Chic Living. When Yeti started her business a little more than a year ago, her mission was not only to do good business for herself, but also she had the ambition to export locally produced goods and to contribute to a more sustainable development in Ethiopia at large. Some of her products are now hand-made in Addis by a cooperative that she has founded. She arranged so that craftsmen working on the streets could organize themselves through this cooperative, and she even got the government to provide work locations for free, so that these craftsmen could leave the roadside and move into factory rooms instead. Yeti also educates the craftsmen, and introduces them to the market, in order for them to develop and grow their own businesses. All members of the cooperative are self-employed and can have several customers besides Chic Living. Yeti's long-term plan is to get women into the cooperative to work with weaving. Traditionally in Ethiopia it is only men who weave, while women do simpler tasks like spinning. She wants to provide looms for women and to give them the opportunity to start working within the national textile industry. This would be a good opportunity for women to become self-reliant economically, which in the end would mean a more sustainable growth for the Ethiopian society and economy as a whole.

We left Addis overwhelmed with impressions and thoughts on how to proceed on the journey that we started. Our initial idea had already planted a seed within the Hunger Project, and they have now started looking at new initiatives for business partnerships with investors but also locally. We connected Afro Art with the local entrepreneur Chic Living, and Afro Art has already placed their first orders from them. The Hunger project's epicentres will help produce the products.

These are the words of Neguest Mekonnen, the country manager of the Hunger Project in Ethiopia: "We appreciate your visit and interest in assisting women farmers in Ethiopia, who have such wonderful talents in handicraft but whose skills are not commercialized to give them enough income. We are trying to set up women craft work in Meskan and Wurib epicentres to provide to Chic Living the export items."

THANK YOU FOR READING OUR 2014 SUSTAINABILITY REPORT

2014 WAS AN EXCITING YEAR FOR US.  
WE SEE IT AS THE STARTING POINT OF OUR NEW JOURNEY WHERE WE WANT TO CREATE  
TRANSFORMATIVE SYSTEM CHANGES WITHIN OUR INDUSTRY.  
WE HAVE TAKEN THE FIRST STEPS IN THAT DIRECTION AND HAVE A LONG WAY TO GO,  
BUT WE ARE HIGHLY MOTIVATED AND DETERMINED TO SUCCEED.