

# Filippa K Social Report

Reporting period (Financial year: January 2022 – December 2022)

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FAIR WEAR MEMBER SINCE 2008

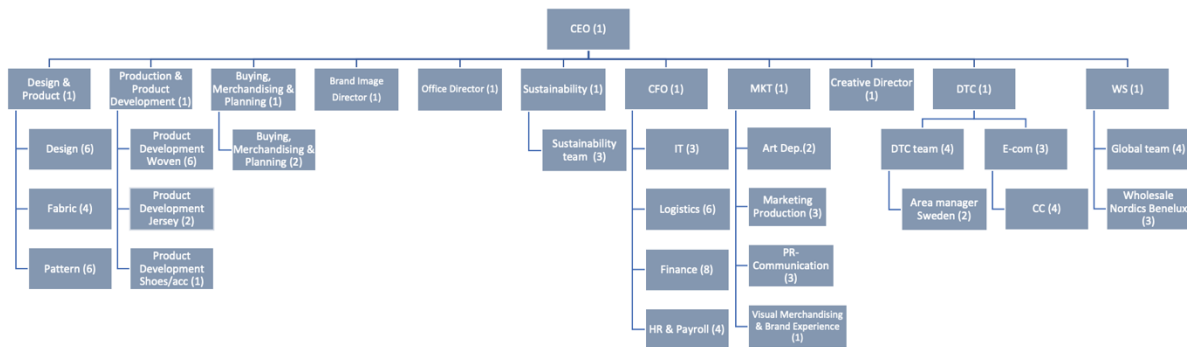
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# Filippa K Social Report

## Organisational chart



## Summary: 2022 goals & achievements

Filippa K is embarking on a very exciting journey to increase global distribution and reposition the brand within accessible luxury. Filippa K's vision is to create fashion where sustainable development forms the basis and prerequisite for growth. Our strategy is to make clothes that can last a long time, both in terms of style and quality. Liisa Kessler joined Filippa K as Creative Director in January 2022 as the first successor to Filippa Knutsson, and her first collection was launched in November 2022.

However, 2022 has also been a very challenging year with many geopolitical crises such as Ukraine war, covid-19, increased energy prices and increased inflation that have affected our business. We unfortunately had to decrease the order quantity for SS23 due to decreased customer demand. We reached out to affected factories to ensure that this would not lead to decreased working hours or wages for the workers.

To succeed with the vision for our brand, it is necessary that we have all our stakeholders on the journey with us. Therefore, Filippa K strives to have long-term relationships with our partners and suppliers, and ensure they are able to grow together with us and our business. To enable a good

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collaboration with all our suppliers and ensure positive business growth for them in the current financial climate, we've chosen to consolidate our supplier base. Unfortunately, we've had to terminate business with some suppliers during this year to meet our new needs. When ending a relationship with a supplier, it's very important for us to do so responsibly and make sure the factory can continue their business in a profitable way. Therefore, we've developed our "Responsible Exit Strategy" this year and had individual video meetings with each supplier to discuss and explain the reasons for ending our business relationship, and how we can support them in best way in this change. For example, we've given them our approval to share social audits completed by us with possible new customers and offered to act as their reference. We've had an elastic approach towards this and extended the exit period for suppliers where we have the leverage. We have not ended any relationships with suppliers due to negative social impacts.

In 2022 Filippa K started to cooperate with 10 new factories in total. Before we started a collaboration, the following documents were sent and evaluated: FWF questionnaire, Filippa K's code of conduct, worker information sheet and review of available audit.

It's important that human rights are incorporated in all roles at Filippa K and that everyone, especially the product development and production team are proficient in responsible buying practices. To take the lead in this work, we've had our Compliance Manager for many years who retired in June this year. During Q3 2023 we've had a consultant to support us in our human rights work and to support onboarding our new Responsibility Manager who started at the end of November and will take over this area.

This year we have created an internal tool to assess negative social impacts in all our production countries according to the human right's due diligence process. We have looked at several gross risks, which gives us information on where our production is at risk of human rights violations. For next year, we plan to assess our factories accordingly and maintain and update both records. Next year we will also update and finalise our responsible business conduct policy. We plan to update supplier agreements, as well, to foster more responsibility with social and environmental initiatives.

During 2022, we've worked with 60 factories where 28 are in countries classified as high-risk for potential negative social impact. During this year, we have audited 14% of them on our own behalf and 3% have been audited by others using the same supplier. During these audits, 9 findings of potential negative social impact of very high concern were detected. We work closely with all

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factories to make sure that negative social impacts are addressed and improved with support from us. All our tier 1 suppliers have signed our code of conduct.

## Sourcing strategy

### **HUMAN RIGHTS DUE DILIGENCE**

Due to the incoming European human rights due diligence legislation (HRDD), we've started to look over all our policies and processes regarding human rights, to make sure they're aligned and cover all necessary aspects. This is a long-term plan that will continue and consistently be evaluated and updated.

This year we've created a country risk assessment, where human rights risks regarding code of labour practices are assessed in all sourcing countries. We've used a lot of different stakeholder resources for this assessment such as guidance documents and country studies from Fair Wear, the OECD Due Diligence Guidance, and information from ILO, Human Rights Watch and Swedwatch. This assessment will be a helpful guide when we assess each individual factory during 2023.

Next year, we will evaluate and update our documentations such as our partner agreement, code of conduct and certain policies to make sure they're aligning with HRDD.

We have, alongside the rest of the industry, been mainly focusing on our tier 1 (manufacturers) for human and labour rights, but plan to also start this assessment for our tier 2 (material suppliers), prioritising suppliers located in classified high-risk countries. To fulfil HRDD, traceability is key and is therefore one of Filippa K's three sustainability pillars. We've mapped 100% of our tier 1 and 2 suppliers and have a goal to map our tier 3 and 4 suppliers in the coming years.

### **SOURCING STRATEGY & PRICING**

Our objective is to maintain product quality level to serve our customers. We want to improve our collaboration with suppliers by placing more continuous core orders and thus decrease the seasonal high and low periods. Closer collaboration with our suppliers will lead to more flexibility and awareness of production capacity internally. We want to increase transparency and traceability, in our supply chain by working with transparent costing.

## **PRODUCTION CYCLE**

The process of product development starts 11 months in advance of each season and orders are issued between 4-6 months ahead of delivery. A production planning for each collection is developed to support our production department to issue projection of material and quantities, order date, and the required delivery date which enable the suppliers to book material in advance and plan the production to make sure they meet reasonable hours of work.

## **FACTORY RELATIONS**

Filippa K strives to have long-term relationships with our suppliers; we've worked with 12 factories for over 10 years and for some for as long as 26 years.

In 2022 Filippa K started to cooperate with 9 new factories in total. We started a collaboration with 2 new factories in Italy, 2 factories in Portugal, 2 factories in Turkey, 1 factory in India and 1 factory in Vietnam. Before we start a production with a vendor, there is a 6 to 12 months trial period in which we develop samples to evaluate quality and a due diligence of social compliance is performed. Before we start a production, the following documents are sent and evaluated; FWF questionnaire, Filippa K's code of conduct, worker information sheet and review of available audit.

In 2022 Filippa K ended collaboration with 6 factories in total: 3 factories in China, 1 factory in Turkey, 1 factory in Lithuania and 1 factory in Italy. The main reason for ending the collaborations has been changes in our assortment, which is because of the new vision of the brand and seeking suppliers that can cover more product groups and be more flexible. Due to the financial situation in the world, it's important for us to keep our supplier base smart and relatively tight.

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

Filippa K always aims for a long-term relationship and most of our manufacturer/sewing factories have been with us for a long time.

Evaluation of manufacturer/sewing factories are based on 6 different criteria, of which sustainability is one. The sustainability criteria consists of social compliance, traceability, certification, sustainability initiative and financial strength. Consequently, all our partners in the supply chain must comply to our code of conduct and must ensure implementation is done correctly.

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Filippa K has a 360-degree evaluation system involving all relevant departments, including product development, logistics, sustainability, and production. This system ensures that we reach our objectives of social compliance, price, and quality.

## Coherent system for monitoring and remediation

Our Compliance/Responsibility Manager works closely with the Product development/Production department to implement systemic work for social governance in supply chain.

Potential manufacturer/sewing factories are evaluated with the following process:

- Product team visit supplier if possible
- Code of Conduct acceptance by signing
- Questionnaire filled in by manufacturer/sewing factories and evaluated by Compliance/Responsibility Manager
- Posting of Workers Information Sheet
- Signing Fair Wear Transparency Document
- Audit evaluation by Compliance/Responsibility Manager by using Fair Wear audit assessment tool

Our monitoring system for suppliers consists of audits and visits. Our remediation system includes discussions of improvements after findings in audits and visits. We will support suppliers in receiving training if needed from external partners.

When our Product team visits regular manufacturer/ sewing factories, they:

- Check that the Workers Information Sheet is still posted
- Check the factory according to internal list covering physical environment
- Take photos of the factory and share internally if needed

Audits:

- We prioritise suppliers audits, especially new ones in high-risk countries. All manufacturer/sewing factories in risk countries should be audited every 3 years. We also prioritise verification audits that look at a specific labour rights issues found in the monitoring



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audit to verify that improvements have been made after discussions between us and the factory.

- The findings and Corrective Action Plan are discussed with the product developers as well with the manufacturer/sewing factories.
- When Product team visits, the remaining issues of the CAP will be discussed.

Visit schedule:

- We aim to visit each manufacturer/sewing factory every other or every third year. Unfortunately we have had to reduce this due to the pandemic, but we aim to increase our visiting rates moving forward.

## **China**

China represents 10,77 % of our FoB Value. Filippa K collaborates with 6 manufacturers/sewing factories in China. No visit was conducted in 2022 due to the pandemic. The product department stays in close contact through digital meetings, and we aim to visit our Chinese factories as soon as possible. Major risks are low wages, excessive overtime, and lack of social insurance. Freedom of association remains restricted by law; no independent unions are allowed and there is no right to collective bargaining or strike.

A project about wages in 2021 showed that all workers employed in the factories are the paid legal minimum wage and above. Analyses of the wages in our sewing factories highlighted the wide gap between the simple task work, with up to 80% lower than the NGO recommended living wage. Due to lack of internal resources, we've unfortunately not been able to follow up this project during 2022 but aim to do so next year.

Audit V:2571 Fair Wear verification audit in 2019 showed that living wages are an unresolved issue. A verification audit was planned for this unit by 2021 but had to be postponed to 2022. Filippa K conducted a Covid-19 assessment in which status of workers and payment of their wages was assessed and verified together with Fair Wear. 200 workers were laid off due to lack of orders during 2020, and they were re-employed during 2021 when production resumed. Workers were compensated with legal minimum wage during lock down. Analysis of legal minimum wage shows that workers are paid above the requirement.

Verification audits done this year showed that salaries are still under living wages and that there is an

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issue with excessive overtime working. We discussed with the supplier how we can support a mitigation of this by better production planning and prices.

Our last audit showed that management does not cover all eligible workers under the social security scheme. This has now been resolved, and as per the social security payment receipt of March 2022, all eligible workers were provided with social security benefits (pension, medical, injury, maternity, and unemployment).

Audit V:13870 This factory was initially audited in 2020. During 2021 the factory, together with Filippa K, has been cooperating closely to resolve the issues found such as verifying legal minimum wage. A work education program onsite was conducted with good results. The factory also participated in a Fair Price webinar with the objective of assessing the labour costs for each product produced. This verification audit showed that there are still areas that needs improvement regarding wages, working hours and freedom of association for example, and we will continue our social dialogue with the supplier during next year to reach and monitor improvements.

### **India**

India represents 0,02 % of our FoB value. Filippa K collaborates with 1 manufacturer/sewing factory. Major risks are low wages, excessive overtime, and lack of social insurance. Sexual harassment is common and there is a significant gender wage gap.

Filippa K started a collaboration with an Indian vendor and manufacturer during 2022. Before we started our collaboration, all documentation required was signed (questionnaire, code of conduct, transparency pledge, photo of workers information sheet). We received an SA 8000 audit for the factory that was done during this year with minor findings for the physical environment and that factory shall raise worker's awareness regarding labour rights. Unfortunately, we were not able to visit the factory, but management visited our head office to discuss our collaboration.

### **Italy**

Italy represents 4,25 % of our FoB value. Filippa K collaborates with 8 manufacturers/sewing factories. Since 2020 Italy has been classified as risk country due illegal migrant working. Major risks are forced labour and excessive working hours for migrant workers. Monitoring includes visits, health & safety checks and worker information sheet posting. No visit was conducted in 2022. The product department stays in close contact through digital meetings.

### **Lithuania**

Lithuania represents 0,86 % of our FoB value. Filippa K collaborates with 3 manufactures/sewing

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factories. Lithuania is classified as a low-risk country; however, we've identified discrimination (mostly due to gender) and limitations for the workers right to bargain as a high risk. External reports from 2022 have shown that trade union density and collective bargaining coverage remain low, and company-level collective agreements are an exception rather than the rule. Trade unions do not effectively represent and defend the interests of employees. Monitoring includes visits, health & safety checks and worker information sheet posting. No visit was conducted in 2022. The product department stays in close contact through digital meetings.

### **Morocco**

Morocco represents 0,17 % of our FoB value. Major risks are lack of freedom of association and the right of collective bargaining. The usage of sub-contractors is common. Filippa K collaborates with one factory for shirt production through a vendor in Portugal. We received an external audit from them in 2021 with overall good result and only minor findings. No visit was conducted in 2022. Monitoring includes visits, health & safety checks, and worker information sheet posting.

### **Portugal**

Portugal represents 26,65 % of our FoB value and is an important manufacturing country. We have a long presence in Portugal which spans from 1993 when the company was founded. Filippa K collaborates with 27 manufacturers/sewing factories. Portugal is classified as a low-risk country although we still have the commitment to monitor each vendor. We've identified that there are medium risks of forced labour for migrant workers, however this is more common in other industries such as agriculture, construction, and domestic service. We've also identified a medium risk for corruption, discrimination and salaries below living wages.

Monitoring includes visits, health & safety checks, country risk assessment and worker information sheet posting. During 2022, our production team visited 3 of our factories in Portugal. The product department stays in close contact through digital meetings. No audit was conducted.

### **Romania**

Romania represents 8,96 % of our FoB value. Filippa K collaborates with 4 manufacturers/sewing factories. Romania is classified as a high-risk country and major risks are corruption and low wages.

This year, the product team visited 3 of our factories. Monitoring includes visits, evaluation of questionnaires and worker information sheet posting.

## **Spain**

Spain represents 2,89 % of our FoB value. Spain is classified as a low-risk country.

We have worked with a factory for leather garments in Spain since 2019. No visit was conducted in 2022 and no audit was conducted. Monitoring includes evaluation of questionnaires and worker information sheet posting.

## **Turkey**

Turkey represents 25 % of our FoB value. Filippa K collaborates with 5 manufacturers/sewing factories. Filippa K started to work with Turkey as a production country in 2019 when samples were developed and evaluated. Major risks are lack of freedom of association and the right of collective bargaining. The usage of sub-contractors is common, where there is a risk for unregistered employment and lack of labour rights, especially for migrant workers. No visit was conducted during 2022. The product department stays in close contact through digital meetings.

Audit V- 33421: This is a factory with many issues and which required an organised and thorough remediation. Issues found were the need of training for workers representatives, improving communication between workers and management, personal development program for the workers, better records for wages and working hours, improved ergonomic program for workers, etc. We plan to arrange a training in Q1 2023 to raise awareness among workers and management. We will have a close collaboration with the factory during next year and support them in their improvements of the findings.

## **Vietnam**

Vietnam represents 20,42 % of our FoB production value. Filippa K collaborates with 4 manufacturers/sewing factories through 1 vendor. Major risks are high employee turnover, gender discrimination, excessive overtime, and low wages. No visit was conducted in 2022. The product department stays in close contact through digital meetings.

Audit V: 5649 Audit showed that the factory has a good management system to monitor the improvement of working conditions. However, it was founded that workers awareness of labour rights and function of unions needed to be improved. The factory also needs to check all firefighting equipment more regularly. Our vendor was informed of the audit result and shared the result with the factory. Filippa K discontinued the relationship during 2022 due to consolidation of the supplier base.

## **EXTERNAL PRODUCTION**

N/A.

## **Complaints handling**

During 2022, Filippa K shared the Workers Information Sheet with workers with the purpose of informing about Code of Conduct and the availability of the complaint mechanism. Filippa K was notified of 3 complaints through the Fair Wear complaint mechanism during 2022 from workers, relating to same factory in Romania regarding late payments of wages. Filippa K also followed up 2 complaints regarding the same factory in China that were received in 2021. Please see below for details.

### Complaint 1224

This complaint is related to one of our Romanian factories, where the complainant stated was that the workers did not know when they would receive their wages since the period for paying wages was seldom respected. The complainant claimed there was a delay in wages as they were paid anytime by the end of the following month or even later. The complainant stated that on 15 April 2022, workers received pay slips for March, promising they would be paid before 24 April, but the wages were not as promised. The complainant also claimed the factory deducted their paid leave payment (workers received in December) from January and February wages. The complainant also communicated his/her concern that they would have to do 12-hours shifts because workers have been asked whether they would accept to work 12 hours a day, regularly.

### Complaint 1256

This complaint regards the same Romanian factory as complaint 1224 and concern of late payment of wages. They stated that though the official period of the payment of wages is between 24-29 of the following months, they have not received the wages for May till 30 June 2022. Another claim was that the workers did not feel well because the air conditioning was not used unless the factory had official visits. According to them, if workers approached the management with this issue, they were threatened with being fired.

### Complaint 1257

This complaint regards the same Romanian factory as complaint 1224 and 1256 and concern of late payment of wages. According to the complainant, the salary for the month of May 2022 was not paid until the 3<sup>rd</sup> of July.

Filippa K contacted the factory to investigate the matter. In December, Fair Wear followed up the issue. The interviewed workers, the factory management, and the brand confirmed that wages were paid on time in the past four months. The late payment of wages was a systemic issue for this factory due to cash flow issues, but there was proof that wages were paid with priority. Both interviewed workers and the factory management confirmed no air-conditioning problems.

#### Complaint 1178

A sewing worker submitted a written resignation application to the factory on the 29 November 2021 and according to law, he can resign from the factory with settlement of all due wages and benefits by end of December 2021. His application was approved by both his group leader and workshop supervisor. However, a manager rejected his resignation application and requested him to work an additional 2 months before resignation. The complainant urgently requested to resign from the factory with all due wages and benefits settled by the factory.

Filippa K contacted the supplier to investigate if this is correct and the supplier informed that there was a misunderstanding from the worker. The workers left his/her position already and the dues wages/benefits were paid accordingly. The final wage slip was verified by Fair Wear.

#### Complaint 1180

2 workers from one of our Chinese factories complained their wages for November 2021 had not been paid, with a delay of 10 or more days. The complainants claim that the excessive overtime hours compensation by November was too small and expected to receive the higher amount of wages when comparing their piece rate wage with their due hourly wage.

Filippa K contacted the supplier who informed that some workers received 5 days delayed payment due to complicated orders by end of 2021 and the final calculation of piece-rate wages was finalised by the end of December. The suppliers verified this by submitting payment records for the end of December and 5<sup>th</sup> of January 2022, samples of workers' pay slips, samples of workers' working attendance etc. All these records were submitted to Fair Wear. The supplier ensured that this will not happen again, and Filippa K have the intention to follow this up by verifying future wage slips.

## **Training and capacity building**

### **ACTIVITIES TO INFORM STAFF MEMBERS**

Meetings with the product department occur monthly. The product department is always informed of & participates in audits and CAP activities. Filippa K's plan is to intensify education and workshops regarding human rights and labour rights next year when the Responsibility Manager has onboarded. We also plan to build an e-learning platform to make sure new employees receive information as well.

### **ACTIVITIES TO INFORM AGENTS**

Our Turkish agent participated in a video meeting with one of the Turkish factories we're working with to discuss the CAP from their audit and process going forward.

For next year, our plan is to evaluate and set a training plan for all agents we're working with in countries classified as high-risk.

### **ACTIVITIES TO INFORM MANUFACTURERS AND WORKERS**

The Filippa K Compliance/Responsibility Manager is responsible for the leadership of social governance in the supply chain.

- To communicate about Fair Wear
- To inform about our social governance objectives and targets
- To schedule audits, to review and resolve CAP issues
- To organise WEP in supply chains
- To manage Fair Wear systems
- To meet quarterly to update the product team

Product department:

- To communicate about the audit and noncompliance issues
- To ensure that the product department follows up during visits, monitoring and registering the visit
- To ensure that the product department follows the requirements of due diligence in cases of new suppliers.

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During this year 2 units in Turkey were provided training through another member that Filippa K collaborated with. One factory was offered WEP Basic module training and another WEP Dialogue training; we will follow up the results of this training during next year.

## Information management

Meetings with the product department and VP of Sustainability occur once a month.

Filippa K works with PLM & ERP to manage the product development and product order, thus information about suppliers is available in the system. Orders are issued through the system and no orders can be issued manually. Through signed questionnaires, suppliers are obligated to share name and addresses of subcontractors being used for our production.

Sustainability reports are published on [www.filippa-k.com](http://www.filippa-k.com)

Business Performance Check are published on [www.filippa-k.com](http://www.filippa-k.com)

## Transparency & communication

By the sustainability report and social report at [www.filippa-k.com](http://www.filippa-k.com)

## Stakeholder engagement

At Filippa K, we realise we can't change the industry alone – we need to engage with non-profit organisations, researchers and academics, other brands, our suppliers, and with start-ups and innovators who are working in new ways. We see partnerships as an enabler to our sustainability work. Please see our sustainable report at [www.filippa-k.com](http://www.filippa-k.com) for list of some of the key collaborations and partnerships during 2022.

In our work with labour and human rights, we've used many of the Fair Wear stakeholder resources such as different guidance documents and the country studies. In our country risk assessment, we've used several different sources, for example OECD Due Diligence Guidance, ILO, Human Rights watch and Swedwatch.

## Corporate Social Responsibility

Please see our sustainability report at [www.filippa-k.com](http://www.filippa-k.com)