

# Filippa K

SUSTAINABILITY REPORT 2015

THIS REPORT IS OPTIMIZED TO BE VIEWED ON YOUR LAPTOP SCREEN.  
PLEASE DO NOT PRINT IT.  
IT'S BEST ENJOYED VIEWED IN FULL SCREEN MODE.

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# Comments from CEO and Sustainability Director

During 2014 we decided on a new vision for Filippa K, we want to create fashion where sustainability is the guide to growth. Both because we think it's the right thing to do but also because we want to run a successful company also in the future. To succeed with that we need to understand the planetary boundaries, the planets limits. That is a natural evolvement of the strategy we always had, to make clothes that can live for a long time in both quality and design. But we also need a bigger transformation. We need to rethink everything from the materials we work with, to production processes and business models.

Together with our owners, partners and the rest of the industry we want to challenge the conventional fashion industry and show the way to a more sustainable, more profitable and more innovative fashion. A fashion built on circular models.

We are discovering new grounds, grounds without any maps because it is all so new. Our journey is built on conviction, collaboration and creativity, but also courage, tenacity and hard work. And that is something everyone at Filippa K and our owners have shown.

We are looking forward to expand the limits of what we thought was possible together with our partners, the rest of the industry and our customers.

Our industry needs to change. Either you choose to ignore that or you become part of the transformation and the latter is what we have chosen.



Amelie Söderberg  
CEO

Elin Larsson  
Sustainability Director

“Our planet faces massive economic, social and environmental challenges. To combat these, the Sustainable Development Goals (SDGs) define global priorities and aspirations for 2030. They represent an unprecedented opportunity to eliminate extreme poverty and put the world on a sustainable path.”

In this year's report we have started to relate our commitments and actions to the Sustainable Development Goals that were decided on by governments worldwide in 2016. It is a first step towards our ambition of integrating them into our business and make a proper reporting in the future.

Read more about them: <http://sdgcompass.org/>

This is us

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 favourites 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.

Inspired by my own needs, I set out to build a brand that had substance and truth, not dependent on the superficial trends of the fashion industry.

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 2015

In February 2015 we had a creative brainstorming workshop in Filippa K Live Lab where 20 selected people among Filippa K employees and external stakeholders were invited. The aim was to challenge the conventional way of doing business and find new inspiring ways to interact with users to make them part of our journey.

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,  
CIRCULAR DESIGN  
AND A HOLISTIC APPROACH TO BUSINESS.  
HOW WE DO SOMETHING IS  
HOW WE DO EVERYTHING.  
WHAT WE DO IS LONG LASTING.

# Curated Wardrobe

## CURATED WARDROBE

A sustainable wardrobe is all about a curated wardrobe. The Curated Wardrobe is the idea that a perfect wardrobe is simple rather than excessive. With a piece for every moment and a purpose for every piece, a carefully curated wardrobe is created to last and evolve over time. Together with our users we select, maintain and cherish that wardrobe based on personal style.



# Circular fashion

## Our devotion to four R's

## CIRCULAR FASHION

As part of our circular fashion 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 fashion.
- 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. About every second year, 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 Tangent 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 that can be updated in new ways, such as through rental, swapping and sharing. This is why our collections are available for rent. A great option for keeping your wardrobe curated and updated, enabling you to temporarily own additional pieces instead of stacking up for the sake of it. The Filippa K Lease concept is available in selected stores since February 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 why we have a garment collecting system for Filippa K clothes in all our stores. Customers will here receive a 15% discount voucher when they hand in old and clean Filippa K clothes.

# Our commitments 2030

#### 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 2015

We increased the use of class 1 and 2 fibres to 47% of our total fibre use, which means that we surpassed last year’s level with 3%. And, we decreased our share of class 4 fibres as much as 10%, it ended up at 36% of our total fibre use.

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

We are we also measuring the number of styles that contain more than 50% of a class 1 or 2 fibre. For 2015 we had 42% of the collection containing more sustainable fibres. That is a decrease from last year with 8% and we did not reach our goal of 53%. Since we replaced the fabric for more sustainable ones on high volume products we managed to increase the total purchase of sustainable fibres though. For instance we had a goal to use sustainable fibres on volume products that stay the same for several seasons and we managed to change our big seller shirts from conventional cotton to organic cotton.

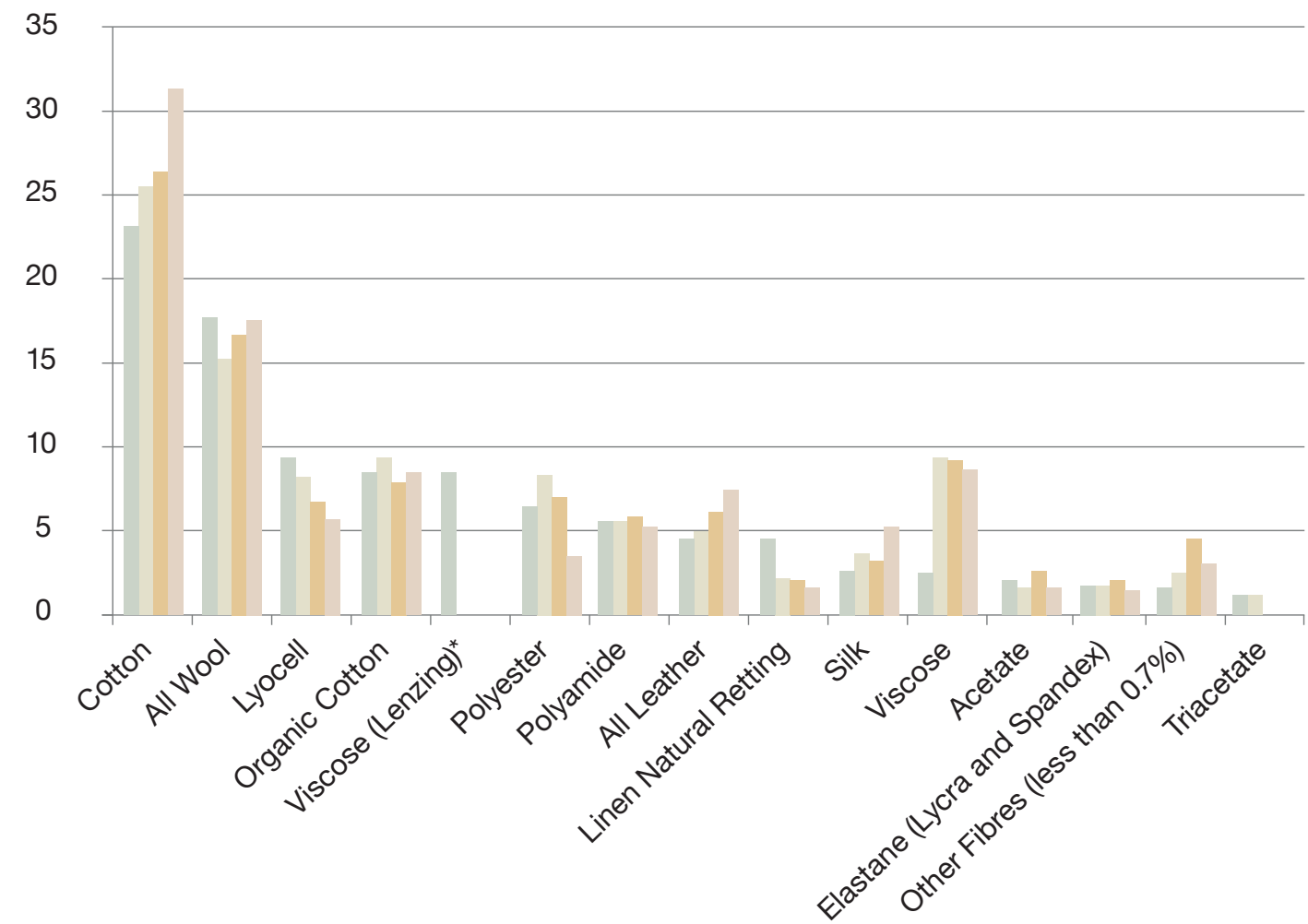
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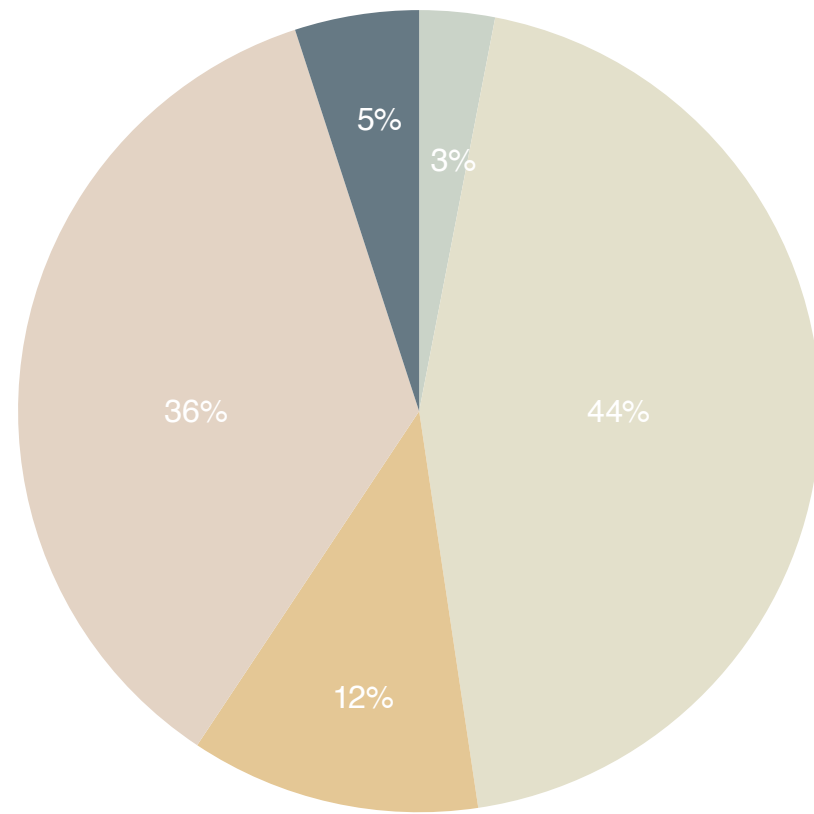


FIBRE	2015	2014	2013	2012
Cotton	23,2%	25,4 %	26,3 %	31,3 %
All Wool	17,7%	15,1 %	16,1 %	17,4 %
Lyocell	9,4%	8,2 %	6,7 %	5,6 %
Organic Cotton	8,7%	9,3 %	7,9 %	8,4 %
Viscose (Lenzing)*	8,3%	-	-	-
Polyester	6,4%	8,3 %	6,9 %	3,5 %
Polyamide	5,6%	5,5 %	5,8 %	5,2 %
All Leather	4,5%	5 %	6,1 %	7,4 %
Linen Natural Retting	4,5%	2,1 %	2 %	1,6 %
Silk	2,7%	3,7 %	3,2 %	5,2 %
Viscose	2,2%	9,3 %	9 %	8,4 %
Acetate	2,2%	1,5 %	2,7 %	1,5 %
Elastane (Lycra and Spandex)	1,9%	1,7 %	2 %	1,4 %
Other Fibres (less than 0.7%)	1,5%	2,5 %	4,4 %	3,1 %
Triacetate	1,2%	1,3 %		

\*Before year 2015's report the Viscose from Lenzing was included under Viscose.

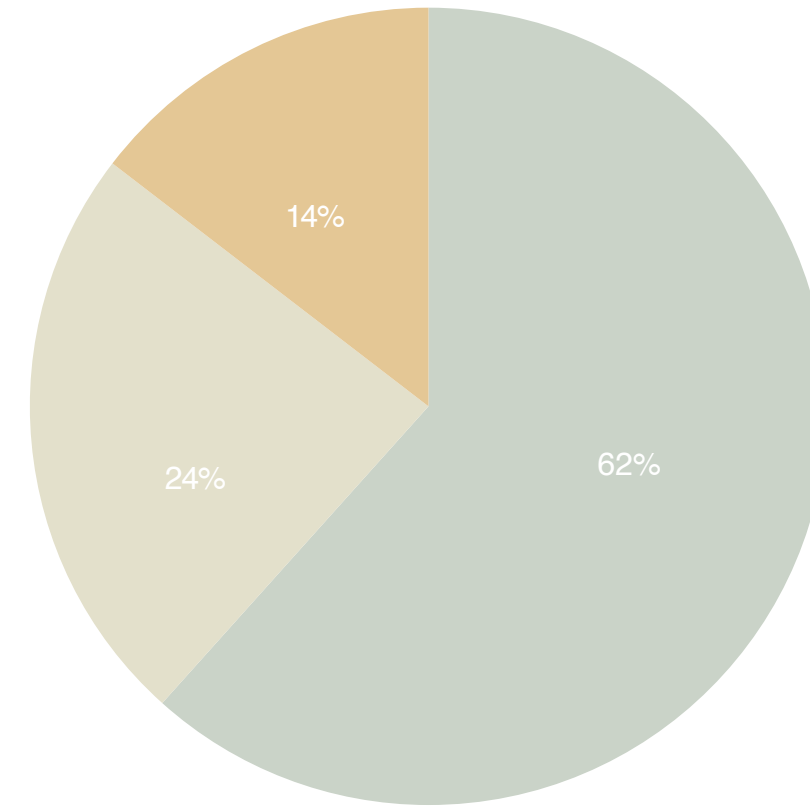


DISTRIBUTION OF TEXTILE FIBRES IN FK CLASSES.  
TOTAL PERCENT OF PIECES PER FIBRE CLASS



- CLASS 1 – 3%
- CLASS 2 – 44%
- CLASS 3 – 12%
- CLASS 4 – 36%
- UNCLASSIFIED – 5%

DISTRIBUTION OF FIBRE ORIGIN.  
TOTAL PERCENT OF PIECES PER FIBRE TYPE



- NATURAL
- REGENERATED
- SYNTHETIC

## EVALUATION OF WOOL

Wool is our second biggest fibre, and it's a bit of a miracle fabric when it comes to performance. It's durable, usable and breathable. It resists soiling, wrinkles and moisture and retains its shape regardless. Not a lot of water-wasting washes needed here.

Yet, when looking at the fibre alone, wool isn't a very sustainable fibre. It requires a lot of land, food, water and chemicals to produce—and then there's the animal welfare to consider (which is often, unfortunately, below international standards). Wool is in other words associated with high natural capital dependency.

So, is wool bad?

Taking into account not only the fibre sourcing phase but also the use phase and the disposal at end-of-use, things are looking up. Despite the longevity characteristics mentioned above, wool is biodegradable, renewable, recyclable and compostable.

There's no one correct answer to the question of whether wool is sustainable. The truth is, it's complicated, and the classification of wool has to be diversified as wool production differs a lot depending on things like farming methods and countries of origin.

Complicated questions are easily ignored, but as one of our most used textile fibres, wool's opportunities and challenges have to be addressed.

Despite the  
longevity  
characteristics  
mentioned  
... , wool is  
biodegradable,  
renewable,  
recyclable and  
compostable.

## 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.

We have a tag inside all of our garments saying: "Since our clothes are made to last, please pass it on to someone else if no longer in use, or return it to us for reuse or recycling."

One criterion for our Front Runner products is recyclability. We are proud of our Front Runners, products where we can guarantee recycling already today.

Since 2015 a number of our suppliers are sending their cutting waste from wool fabric to our warehouse DHL, who gathers the waste and then ship it to a fabric manufacturer in Italy for reuse and recycling to become part of the Re.Verso™ cycle. Re.Verso™ sort the incoming cutting waste by color, which means we do not have to dye or finish the fabrics. This means we use 96% less CO<sub>2</sub>, 89% less water and 76% less energy than in a regular dyeing process, as per LCA study conducted with Prima Q.

We are proud  
of our Front  
Runners,  
products where  
we can guarantee  
recycling already  
today.

# Sustainable sourcing and manufacturing

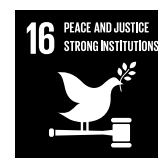
## TRANSPARENCY IN OUR SUPPLY CHAIN

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 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 that we are working on right now and will be launch autumn 2016, the following suppliers and factories are used:

Main fabric: Re.Verso™

- GREEN LINE is a leading company in the selection, collection and waste management of scraps of pre-consumer textile materials from all over Europe.
- NUOVA FRATELLI BORETTI is a unique company, always aiming to produce the highest quality products through excellence. They pay great attention to manually selecting in excellence and transforming pre-consumer textile left overs, especially high-quality wools, making them ready for spinning.
- A.STELLONI COLLECTION BY MAPEL is a renowned textile company with a vast experience in the production of fabrics of the highest quality, engaged since its foundation in converting recuperated materials into high-quality textiles for the fashion industry.
- FILPUCCI. Tuscan spinner, world leader in the production of high level fancy yarns for flat bed knitting, is known for its unique and innovative production and its technical expertise. The company research in both the study of high quality new materials and reliable production method is reinforced by its new collaboration agreement with Re.Verso™. A company whose mission is to find new ways to practice innovation by reducing exploitation of natural resources. It has an unquestionable industrial expertise that goes hand in hand with the ongoing efforts to always choose virtuous technologies and methodologies, always paying the greatest attention to low impact, environmentally sensitive processes.
- Since 1962, FILATURA C4 is known for yarn smart innovation in the contract and furnishing and is achieving specialization in the recuperation of technical and natural fibers. The company offers a wide range of styles and typologies for the Technical, Natural and Classic category. The philosophy is the customized collaboration with the clients, personalizing innovations to create ad hoc applications. From the concept to the final product optimizing processes, dyeing and test to achieve the best results.



- Corozo buttons: Nut from Ecuador, Bottonificio Padano – Italy
- Biodegradable and bio-plastic buttons: Esse Emme – Italy
- 100% Recycled polyester lining: TMR Cedena – Portugal
- 60% Recycled polyester interlining: Vlieseline – Germany
- 50% Recycled padding: Thermore – Italy
- Recycled viscose shoulder pads: Helsa – Spain
- Recycled polyester thread: Coats – Turkey
- Recycled zipper: YKK – Taiwan
- Cut and sew: Twintex – Portugal
- Recycled Polyester Logo label, size label, carelabel – China
- Recycled Paper Hang Tag – China
- Organic cotton string for Hang Tag

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 (Sedex Members Ethical Trade Audit) Certification. 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.

Freight forwarder: Garland – Portugal/First Cargo – Sweden

Warehouse: DHL Texport – Sweden

Please feel free to contact us for more information.

## 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 NGOs, 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, energy and chemical 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 four participating dyeing units have an annual production range about 4,4-18,8 million kg. Due to their large production volumes the savings are really big. The numbers and tables below show that even though they are already quite sufficient, improvements can still be done.

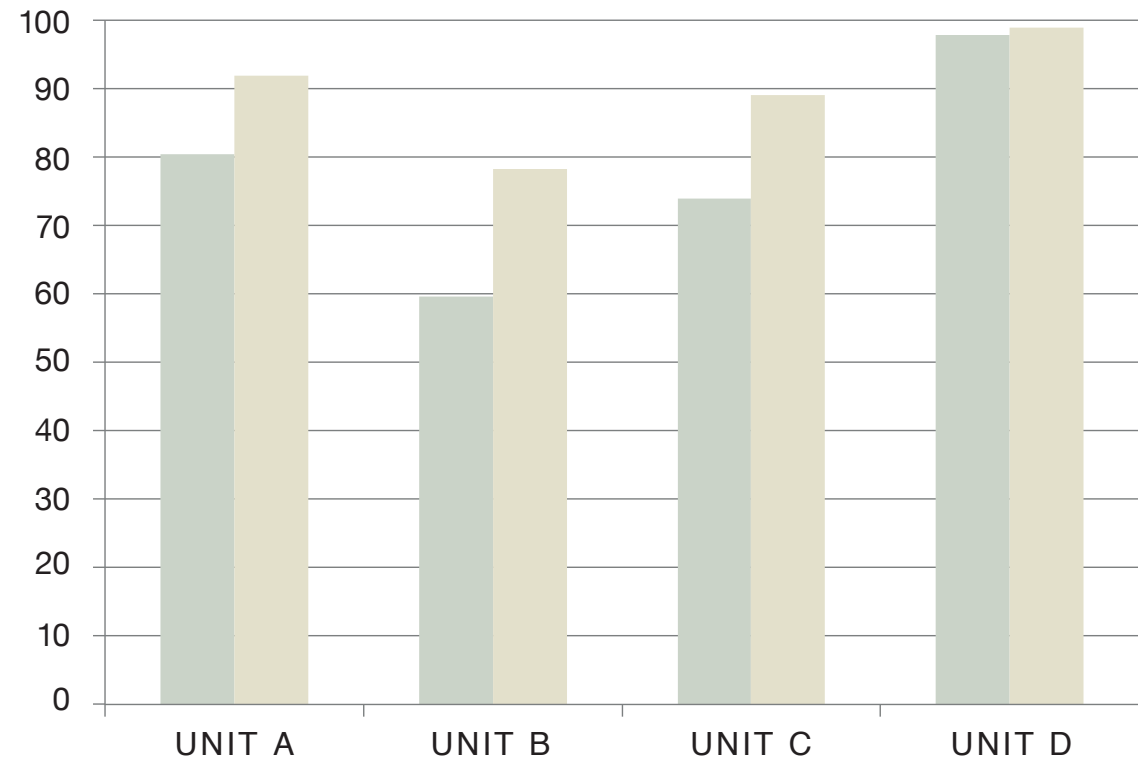
### RESOURCE SAVING SUMMARY

Water: 70.071 tonnes

Electricity: 2.329.373 kWh

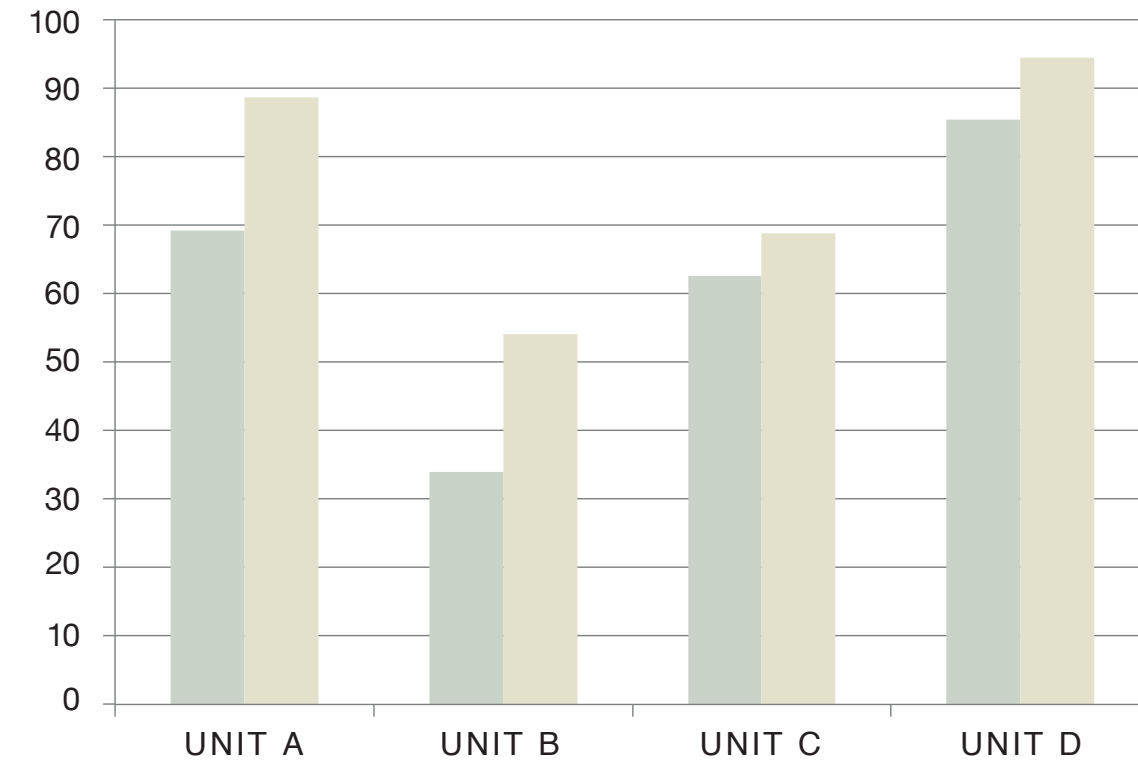
Natural gas: 235.603 m<sup>3</sup>

BEST MANAGEMENT PRACTICE SCORE COMPARISON  
(JUNE VS. NOVEMBER)



JUNE  
NOVEMBER

STWI ASSESSMENT PERFORMANCE SCORE COMPARISON  
(JUNE VS. NOVEMBER)



JUNE  
NOVEMBER

#### 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. Knowledge exchange should be undertaken between companies and authorities. During 2015 we and selected other Swedish fashion brands had a dialogue meeting with our former Environmental minister, Åsa Romson to discuss how the government can further support stronger limitations of hazardous chemicals, what role EU could play, if there are any specific substances we already phased out or that need to be phased out. This resulted in a letter to the EU-commission stating a call for action to promote measures on hazardous substances in textiles.

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 and speed up the process.

# Resource efficient business

## TRANSPORTATION

We constantly strive to optimize the transportation of our products, in terms of both service level and efficiency. The aim is to decrease the company's CO<sub>2</sub> emissions as well as costs while maintaining a high service level to our customers and stores.

Our transports are handled by a third party and we always ask for a sustainability strategy and actions when making a procurement. We always choose professional and serious partners and prioritize those who have a developed sustainability work and can offer transport alternatives that are more environmentally friendly.

For our Asian shipments we always strive towards using boat shipments. We only use airfreight when the production is delayed or the demand from the markets request a very tight schedule for the supply of goods. For our European goods we are using road transportation but are evaluating other solutions when possible.

For our CO<sub>2</sub> emissions, we measure our performance level in terms of the amount of CO<sub>2</sub> released per distance travelled (in tonnes per kilometre). For year 2015 we increased the number of airborne deliveries due to delays and demand for earlier deliveries to stores in the beginning of the year.

## CARBON STATISTICS

	Air freight		Sea freight		Truck freight	
	2014	2015	2014	2015	2014	2015
Tonnes per km	506.743	558.061	16.274.810	11.997.209	1.818.184	1.370.687
	3%	4%	87%	86%	10%	10%
Tonnes CO <sub>2</sub> e	316	348	537	396	371	280
	25%	34%	46%	39%	29%	27%



### ENERGY USAGE

Filippa K's head office in Stockholm and all of our Filippa K stores in Sweden operate on green (renewable) energy. The figures in the table below show annual energy use by Filippa K in Sweden (i.e. in the head office and 10 of our own stores) for four consecutive years. During 2015, 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. We were also able to lower the energy usage at the head office from last years figure, most likely due to the fact that the IT-consultants we had working at the office implementing new PLM- and ERP system last year is not with us anymore.

### ENERGY STATISTICS

	2015	2014	2013	2012	2011
Office KWh	106.852	114.313	106.493	109.443	113.030
Stores KWh	316.443	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 is 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 2015, Filippa K had 275 full time 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 order to be a transparent employer and strengthen our internal communication, Filippa K implemented Filippa K Community (an intranet) during 2015.

## ORGANIZATION

Organizational development and the purpose of creating a business oriented organization with the ability to handle the increasing demand for effectiveness and sustainable profit is always an ongoing process. To attract, recruit, develop and retain highly motivated, talented and ambitious individuals is our focus.

In 2015, the recruitment process has been developed and competency-based interviews have been introduced. Filippa K has licensed five people in Thomas International Personal Profile System. PPA is used as a communication tool in recruitment and in individual and group development.

## 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 goals are followed up annually. The project and targets have been communicated to all employees within our organization.

Filippa K initiates collaboration with Mitt Liv for increased diversity and integration in the Swedish labor market. Filippa K will be a part of Mitt Livs mentoring program, where the opportunities is open to people with different international and cultural backgrounds to integrate into the Swedish labor market. Mitt Liv is a social enterprise working for an inclusive society and a labor market that values diversity. Through mentoring, training, and expanded network of contacts, Mitt Liv want to open doors for highly skilled foreign experts.

## GENDER

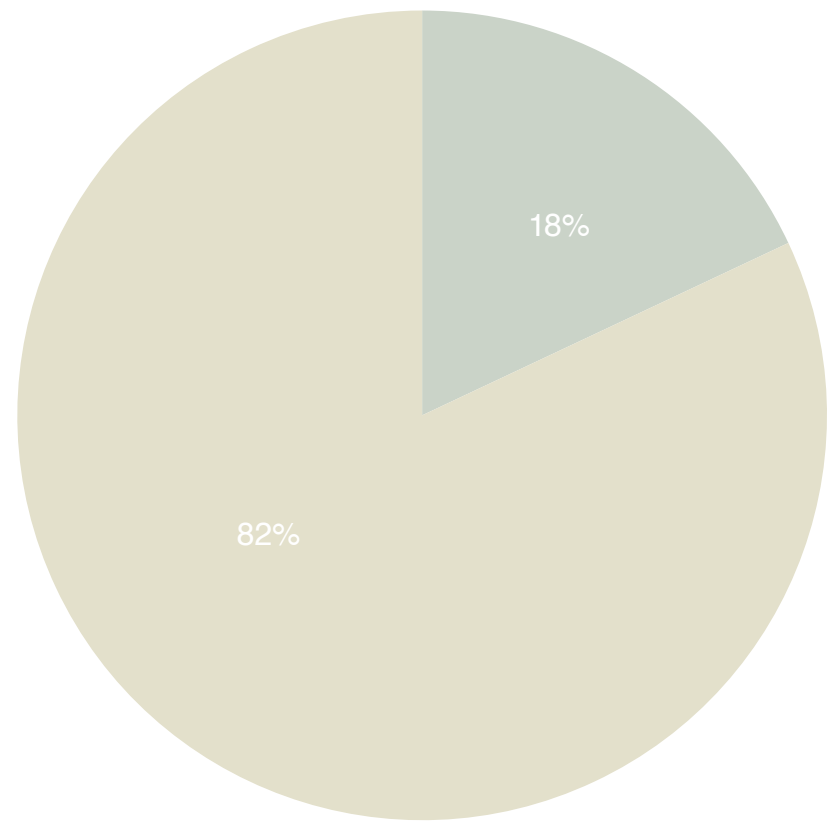
It is our belief that the gender diversity among our leaders should reflect the gender diversity among our employees in the company.

By the end of 2015, our senior management group consisted of seven women, and our board of three women out of eight in total.

As part of our gender equality plan, salary mappings are regularly conducted. The 2015 mapping showed no unreasonable salary differences between women and men. The salary mapping includes all our markets in the survey.

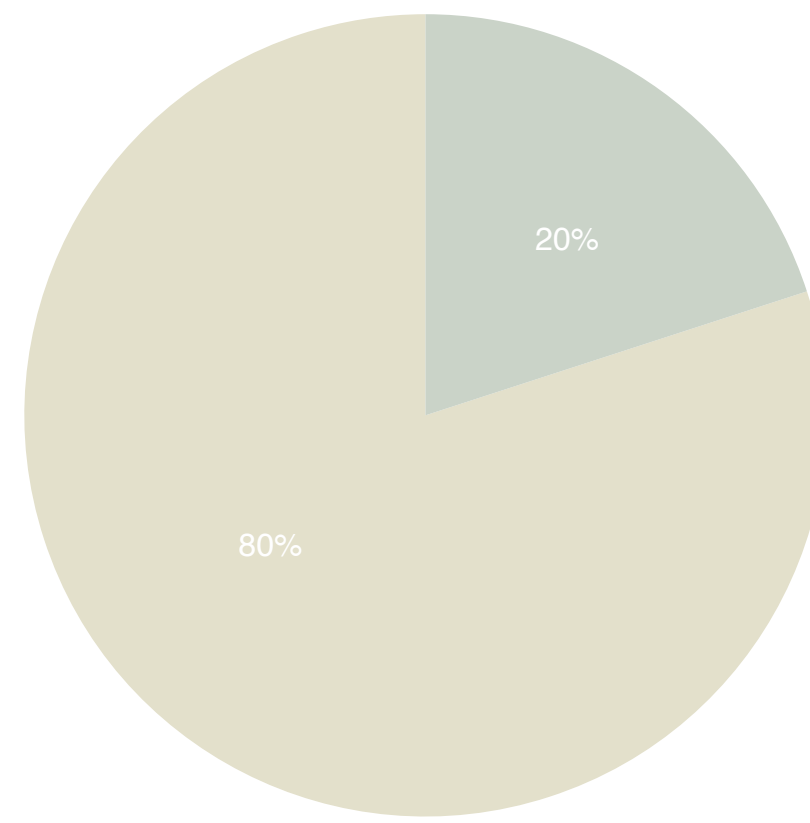
Filippa K initiates  
collaboration  
with Mitt Liv  
for increased  
diversity and  
integration in the  
Swedish labor  
market.

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.

In the end of 2015 an assessment was made of trainings completed in 2015 and of skills gaps.

On a yearly basis, we send selected employees to sustainability training at the Sustainable fashion Academy’s Learning and Innovation forum in Stockholm. All employees also conducted an online training created by The Natural Step. 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.

We believe that  
one reason for  
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employee

## HEALTH AND SAFETY

At the company level, Filippa K works proactively to minimize any health related problems, 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.

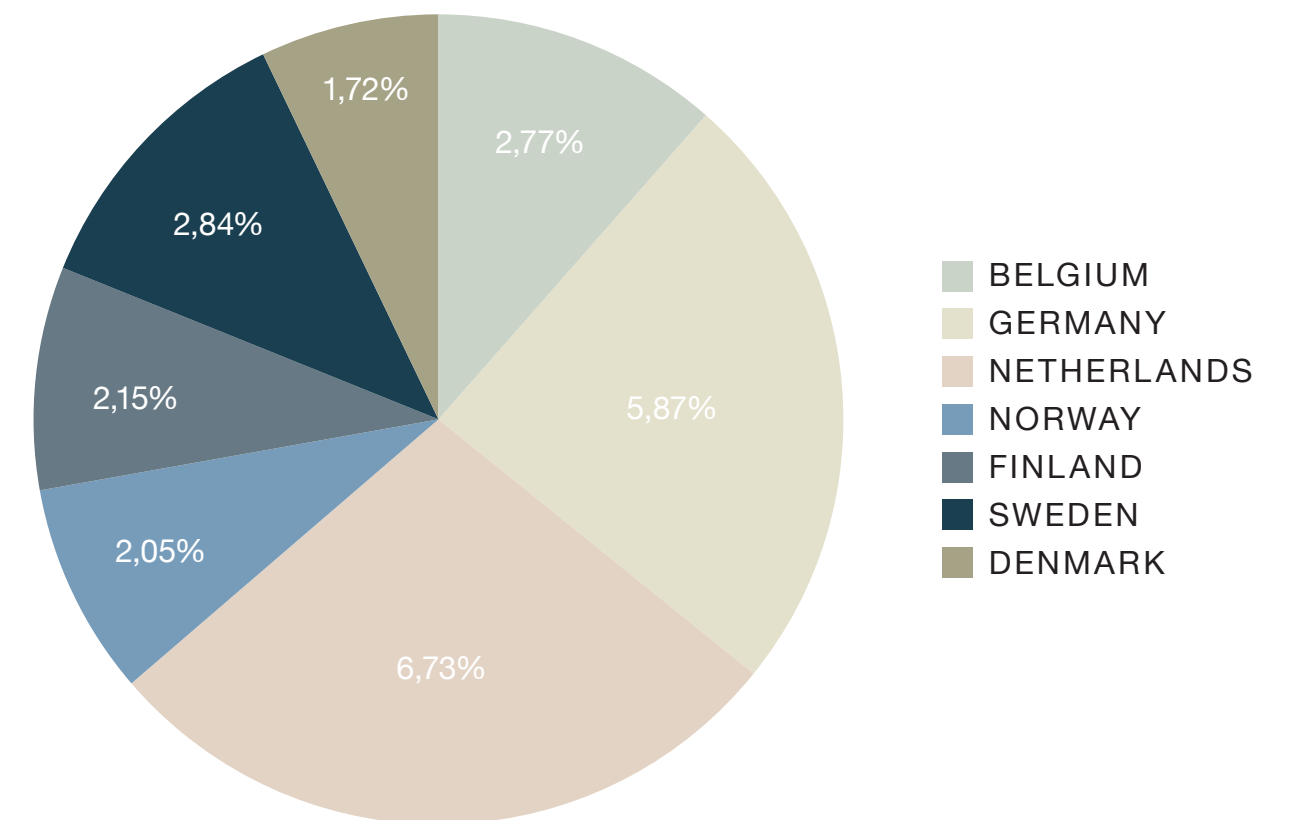
Responsibility for the work environment has been delegated to respective market, and relevant guidelines are published at FK Community. Each quarter, Filippa K follows up on the level of absence due to illness, as measured based on the previous 12 months' period. This follow-up aims to ensure that we keep working proactively with our sick leave absence.

### Comments to the results:

Sick leave in Germany and the Netherlands is mainly due to long term sick leave. Filippa K works continuously with rehabilitation and planning for a faster return to work but most importantly, work proactively to not have any long term sick leaves.

## ABSENCE DUE TO ILLNESS 2015

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.

## 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.

## 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.

## 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.

During September 2015 the employees answered the Employer Satisfaction Survey (ESS). 94% of our employees answered the survey. Below is the result compared to the survey made in spring 2013.

	2015	2013
Answering Rate	94%	91%
Employer Satisfaction Index (ESI)	96%	92%
Leadership (LSI)	79%	77%
Proud of Filippa K	97%	93%

Filippa K have good results and improvements in all areas which shows that all employees are part of the positive energy developing this company even further. Compared to statistics and benchmark Filippa K's results are standing out.

All managers received their results in October 2015. Using the result as a base, all teams start working on a action plan for each department in reaching improvements. The Employee Satisfaction Survey actionsplan will be followed up regularly.

## 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 for women and medium/48 for men 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. We have a policy and guidelines for our casting processes stating for example that our models need to be 18 years or older.

## 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.

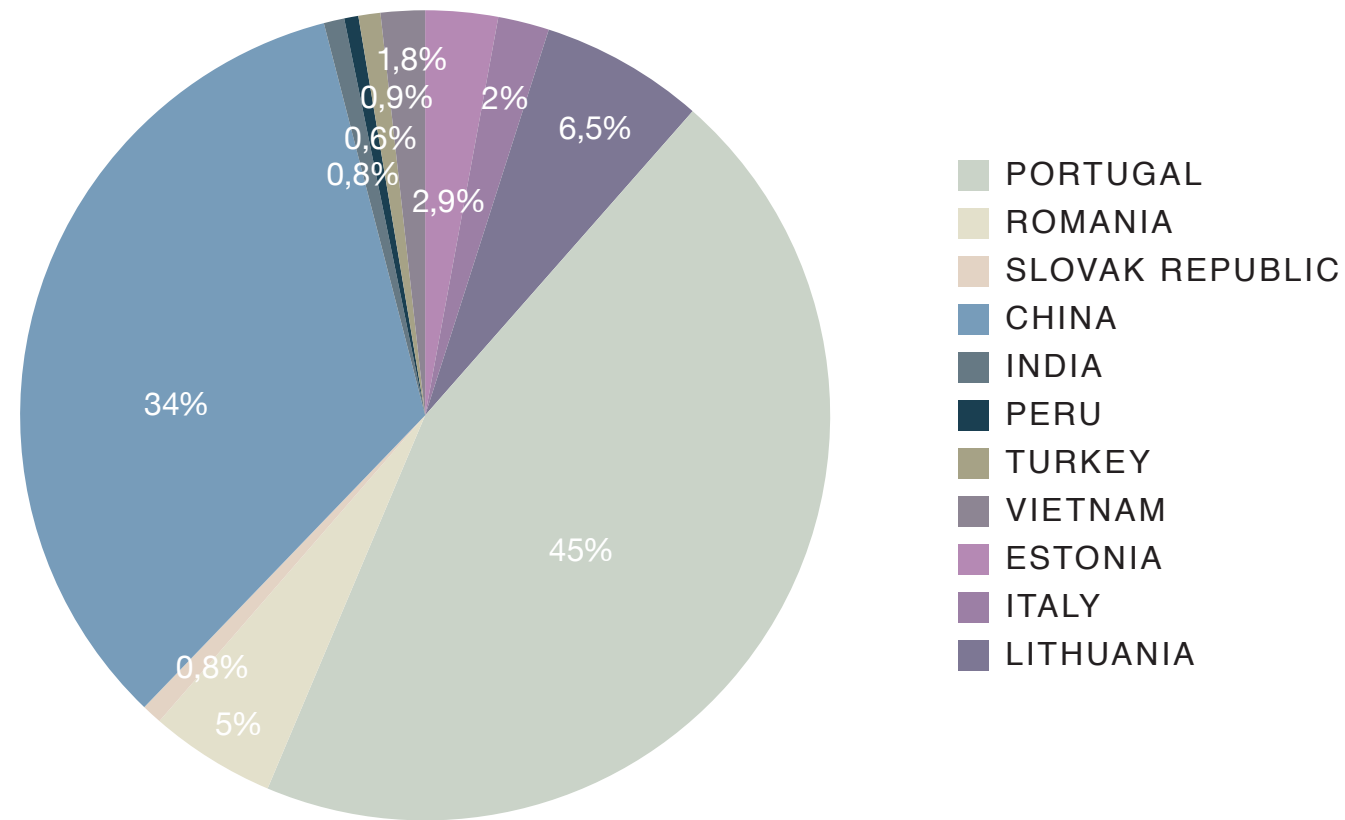
We have been working with Fair Wear Foundation since 2008 to secure good labour standards in our supply chain, as well as better compliance with our Code of Conduct. Fair Wear Foundation is a multi-stakeholder Initiative that supports us in our strive to secure good labour standards at the factories. 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.



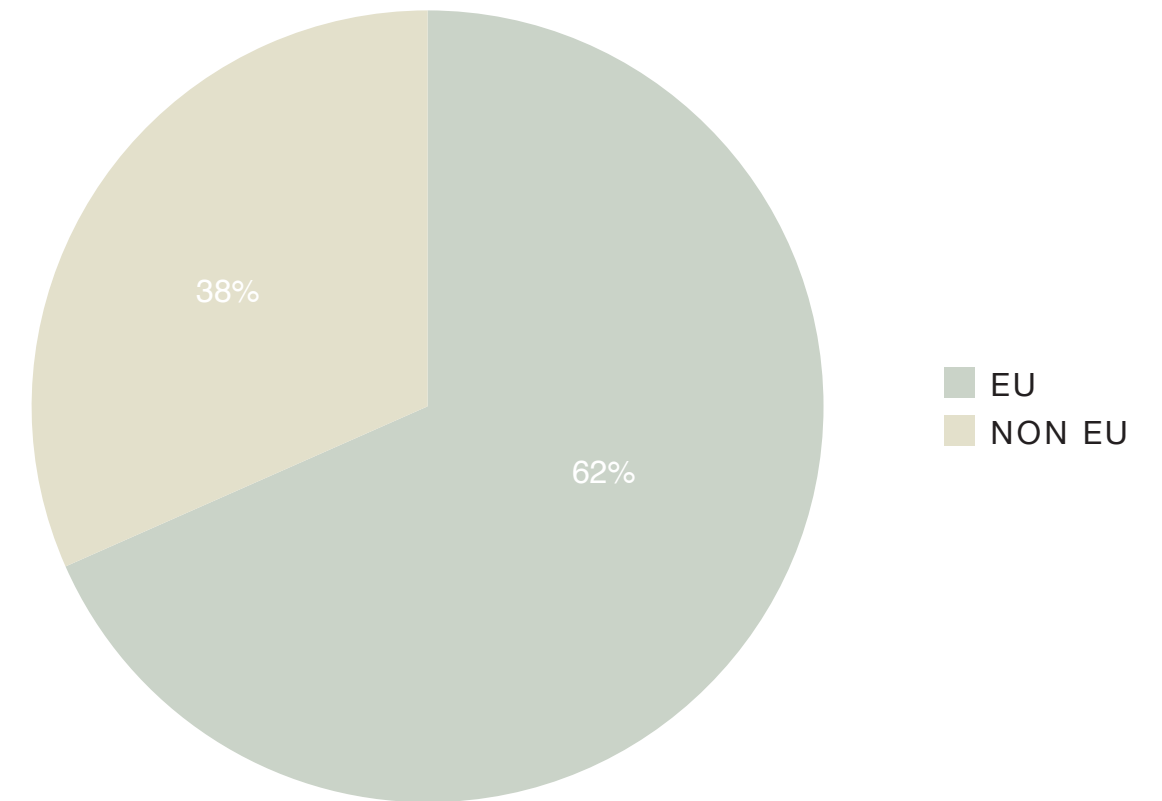
## PRODUCTION DURING 2015

In 2015, 68% of our production was placed in Europe based on the order volume and 57% 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 reached already. For 2015, 91% of our suppliers were monitored. 69% of our production volume comes from suppliers that we had a business relationship with at least five years.

PRODUCTION PER COUNTRY BASED ON PO VALUE



PURCHASE ORDER VOLUME



AUDITS DONE DURING 2015:  
VERIFICATION AUDIT

We made a verification audit at one of our knitting suppliers in China. Several improvements had been done but there are still some issues to handle. The FWF Code of Labour Practices has been posted in the workshop for view of workers in local language. A grievance policy has been enacted and factory maintains a written file for workers grievances and complaints. Factory maintains correct and complete attendance records. Floor mats have been installed for the workers to give them better comfort and toilet doors were also added. The cargo lift has been recently inspected.

Although FWF provided a WEP (Workplace Educational Programme) training to workers serving in the factory in 2013, most workers interviewed during this audit were not aware of the FWF Code of Labour Practices. This might be an effect of new workers since 2013. We hope to increase workers awareness with more information and WEP training in the future. Overtime is an issue especially during peak seasons. We try to produce our basic styles in off-peak seasons, but it is not enough since our volumes are small looking at their total production. We need to further discuss if there are any other steps that can be taken to improve this. All piece-rate workers are not paid when they are enjoying the statutory holidays and that is something we need to discuss with the factory management.

AUDITS DONE DURING 2015:  
REAUDIT #1

We made a reaudit at one unit of our denim supplier in Romania. Several improvements were visible compared to the audit in 2012. There are elected worker representatives but they are worker representatives with management roles. The worker representatives could also fulfil a more active role in addressing workers issues towards management. Complaint boxes are installed but are placed in front of the management offices, this is something we need to address. You should be able to hand in complaints anonymously. Health and safety issues were found, e.g. related to fire and building safety, something already discussed with the factory and improvements have been made. There is no evaluation procedure for the personal performances of workers. A professional competency evaluation could be linked to the wage grids within the factory. We will discuss this with them.



AUDITS DONE DURING 2015:  
REAUDIT #2

We also made a reaudit at one of our woven suppliers in China. A big improvement that we are so happy about is that a workers committee of 13 production workers are elected. Next step is to monitor whether the committee is in fact involved in social dialogue issues. The Code of Labour Practice (CoLP) was not posted on the wall during the audit. Due to change in personnel there was low awareness among management on the CoLP. Again we need to address the labour standards with them and set up a plan to monitor and support them in making the necessary improvements. Another serious finding was that the working hours were not recorded completely.

We are thinking about organising a WEP training at this factory to raise awareness among workers and management and the newly established workers committee. There was also a complaint made at this factory concerning salary, not being paid enough money. The worker received some of the missing payments, but there is still 600 RMB missing. Both the factory and FWF have tried to reach the worker to settle the last debt, without any success. So the complaint is now considered to be a closed case.

## TRAINING DURING 2015:

### WEP

Oasis, the factory in Vietnam that we are working with, did a WEP (Workplace Educational Programme) training in 2015. The training programs are held to improve communication and dialogue between workers and the management team.

### QUIZRR

Applying gamified services in factories producing clothes, like in the case of QuizRR, creates wider knowledge amongst workers and hence potentially improves their working conditions. Increased knowledge about rights and responsibilities are widely needed among factory workers in developing markets, and factories often lack functioning systems for workplace rights- and safety information. QuizRR is a great and flexible tool for that, it is easily accessible and can reach out to everyone. Engaging everyone in our supply chain is a very important factor in building a successful long-term partnership. Filippa K cannot do this on its own, we need the co-operation of all our partners to make this work. It is a journey that we have to walk together. We hope this digital training platform will help increase the awareness of everyone in the factories.

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 where 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 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 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.

THE MOST COMMON FINDINGS AT AUDITS:  
TRANSPARENCY AND COMMUNICATION

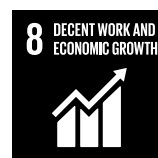
In order to spread awareness among our external stakeholders, we communicate about our work and our Fair Wear Foundation membership on our website and in our sustainability report. We constantly work to improve our internal processes in order to ensure that we have implemented the FWF Code of Labour 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 8% Earnings Before Tax (EBT) for 2015. 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 societies in which we operate. During the last five years we have accounted for the following tax expenses:

	2015	2014	2013	2012	2011
Turnover	656,3	662,5	635,2	572,9	524,0
Earnings Before Tax (EBT)	51,1	70,8	79,0	49,9	74,0
Tax Expense	-12,6	-16,0	-18,2	-11,9	-21,8
Tax % of EBT	25%	23%	23%	24%	29%
Profit level	8%	11%	12%	9%	14%



## PROFESSIONAL LONG-TERM PARTNERSHIPS

We know that one of our key factors for success is long-term partnerships. 41% 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; 69% 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. 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, and other international events.



IVA – THE ROYAL SWEDISH ACADEMY OF  
ENGINEERING SCIENCES

We were during 2015 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 online training (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 employees from all departments and countries 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.

BIO INNOVATION PROJECT  
– SUSTAINABLE SWEDISH VISCOSE

We are part of a project with the aim to develop a technology platform that demonstrates the potential to produce sustainable viscose textile fibre materials from Swedish wood as an integrated part of Swedish pulp mills that manufacture dissolving pulp.

## 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 the 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)

## TEXTILE EXCHANGE RESPONSIBLE WOOL STANDARD

We are part of Textile Exchange's Responsible Wool Standard (RWS) since we want to see progress for traceable and sustainable wool, where the farming methods are included, it is important to address the welfare of sheep used for wool. All standards have their limitations, and none can act as a guarantee. The RWS is, however, a powerful tool for farmers to demonstrate that they are farming well, for brands to communicate their expectations to their supply chains, and for consumers to make choices that better reflect their values. We believe the Responsible Wool Standard – through the robust input of stakeholders – will be the best tool to have a strong and positive impact.

Last year we visited and did a presentation on how we work with sustainability on Textile Exchange's yearly conference in Mumbai, India. We took the chance to participate on one of their field trips to visit organic cotton fields and the farmers. A very inspiring journey that led to several insights regarding the challenges of cotton and the certification process of organic cotton, thanks to the open dialogue with the farmers, the spinneries and the weavers. We will hopefully address this issue on our coming digital hub for Circular fashion.

THANK YOU FOR READING OUR 2015 SUSTAINABILITY REPORT

2015 WAS AN EXCITING YEAR FOR US. A YEAR WHERE A LOT OF NEW INITIATIVES WERE LAUNCHED AND WE STARTED COMMUNICATING IN A NEW WAY TO INCLUDE OUR CUSTOMERS ON OUR JOURNEY.

We have some major challenges in our world today. International Energy Agency's chief of economics stated "The door for limiting the global warming to 2 degrees is about to close, in 2017 it will be closed for ever." So the time for change is now! We believe doing fair business within the planetary boundaries is the answer and that Circular Economy has an important role to play.

And here we can learn from nature. Nature is already working in circles and has been doing so for at least 3,5 billion years and had plenty of time to fine tune and adjust. That is why biomimicry is so inspiring; nature shows us that the answers are all around us, with species willing to share their solutions.

We need to change the way we do business, we need to rethink and redesign our processes and that is why evaluating and trying out new business models is so important.

We are still in the beginning of our journey and we have a long way to go, but we are highly motivated and determined to succeed.