

Filippa K

SUSTAINABILITY 2016

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1. COMMENTS FROM THE CEO AND THE SUSTAINABILITY DIRECTOR

There are many challenges involved in being part of the textile industry, an industry with long and complex supply chains and one that leaves significant environmental and social footprints. The textile industry is the second most polluting industry (after oil), and it is our responsibility to create change. The awareness of these challenges are rising both within the industry and among users. Brands understand the need of new business models in order to run successful companies in the future. Users want to consume more consciously and have higher demands. We believe a circular economy is one of the solutions to the challenges, one that also creates new business opportunities and more attractive solutions for the customers. Right now, we are testing new business models to define a more stable and diverse overall business plan in line with circular economy. We want it to be a model leading us into a future where new conditions, rules and expectations set the game.

We are proud to say that we won three awards last year.

- Nordiska Kompaniet's Brand Award at the new NK Award Gala at Stadsteatern. The award is given to the brand that customers vote as most popular of all brands at NK (fashion, interior or other).
- Habit Fashion Award for Best Supplier. A price given to a brand with good sell-through in stores, high level of stock service and attractive collections.
- Copenhagen Fashion Summit Design Award. Together with Mads Nørgaard and Marimekko, we won the Design Challenge held in partnership with H&M during the Copenhagen Fashion Summit.

We are still at the beginning of our journey towards circularity, but we are highly motivated and determined to succeed.

Kristofer Tonström & Elin Larsson



Kristofer Tonström
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.”

We 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/>

2. THIS IS FILIPPA K

In 1993, Filippa Knutsson and her then husband Patrik Kihlberg founded Filippa K. Designer Karin Segerblom joined at an early stage. The first products were part of a small collection 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.

Filippa K is a company with a passion for design. Our strategy has always been to make clothes that can last a long time both in terms of 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 are the core of our business. Style, Simplicity and Quality are three values that characterise everything we do. These values serve as a guide in our everyday efforts to meet both our own requirements and those of our stakeholders. At Filippa K, quality means more than just meeting our customers' expectations in regard 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 long and complex supply chains and one that leaves significant environmental and social footprints. We try to reduce our negative impact 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 the planetary boundaries. To ensure long-term sustainable success we must have a holistic view of our business and value chains, and understand how all parts interact.

”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

3. FILIPPA K STAKEHOLDERS: A 360° PERSPECTIVE

FILIPPA K'S STAKEHOLDERS: A 360° PERSPECTIVE

With regard to our stakeholders, we have developed a 360° perspective that implies the following for the concerned parties:

- Owners: Filippa K will continue to create value for owners through responsible business actions.
- Employees: Filippa K will strive to be a responsible employer that empowers its employees and encourages a balanced lifestyle.
- Society: Devoted to slow-fashion, Filippa K will actively contribute to a more sustainable society by implementing 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 will work to strengthen our partners' sustainability efforts.
- NGOs: Filippa K will appreciate the expertise that NGOs can provide and cherish their contribution to sustainable development.

Our stakeholders' opinions, requests and perspectives guide the choices we make in our sustainability efforts.

STAKEHOLDER DIALOGUE 2016
OSCE DAYS IN BERLIN

Our stakeholders' opinions, requests and perspectives guide the choices we make in our sustainability efforts.

During June in 2016 we participated and sponsored the OSCE (open source circular economy days) Days in Berlin – a global hackaton that take place in 70 different cities on 5 continents. OSCE days is a global project and community exploring open source methodologies of collaboration and transparency to accelerate a shift towards a sustainable circular economy. Experts, companies, activists and innovators from diverse fields of work together in order to develop and exchange ideas and prototype systems, products and business models for an open source circular economy.

You can read more about it here: <https://oscedays.org>

We participated with a challenge asking, “How can brands inspire to circular consumption?” to explore potential solutions and addressed tasks like, “What will be the new physical store experiences that encourage circular behavior?”, “How can second hand be developed further to compete with traditional retail?” and “What does a wardrobe look like in 2020 when optimized to circular behavior?”

LISTENING TO OUR CUSTOMERS

A pilot program was launched during 2016 with the aim of developing a closer dialogue with our customers, we conducted two tests during the year.

The first invite was sent out during the spring, saying:

“We need you!

Become a Sustainability Pilot and help us change fashion.

We’re building a modern and sustainable brand, inspired not only by our need and your, but also by those of this planet.

That’s why we’re reaching out asking for you to become a Sustainability Pilot. It’s an important role where your feedback will help shape our business.”

We got a lot of responses and many applications for becoming a Sustainability Pilot. We ended up with seven Pilots for the Lease concept, three Pilots for the Collect/Second Hand concept and six Pilots to test our Front Runners before being launched in stores.

On the next page you can find a summary of their feedback:

THE LEASE CONCEPT

Overall very good impression of the concept. A good way of increasing availability for price sensitive customers who do not have the financial power to shop at Filippa K. One Pilot thought the price for Lease was too high.

One Pilot commented on the leasing time being too short. Now you can select number of days and pay an extra fee for added days.

A common feedback was that the Lease concept need to be exposed better in stores. One Pilot said: "My colleagues were rather reluctant to the Lease concept, mostly due to the lack of information. Which shows that the Lease concept can only flourish when communication and presentation is spot on." We agree and have a lot of improvement to do within this area. This is something we will work on during 2017.

THE COLLECT AND SECOND HAND CONCEPTS

Overall positive feedback about the possibilities of making use of unused clothes and buy pre-owned clothes at lower prices. One comment was: "I think it is a great initiative to let customers hand in their old Filippa K items and then sell them via second hand channels. In my opinion, Filippa K produces such good quality that the garments last very long and should get a 'second life' if the old owner does not like the style anymore, or if the garment does not fit it anymore."

The Pilots also thought it would be a good idea to sell second hand in our ordinary stores. This was raised by one of the Pilots: "So imagine a second hand selection within a Filippa K store, where one can find amazing deals—and support a great sustainability initiative at the same time. That would definitely appeal to me as a customer." We are evaluating how to expand the second hand concept further and we are thankful for the feedback we got from our Pilots.

THE FRONT RUNNERS

We let our products go through wearing tests (not only lab tests) to ensure that they reach the high level of quality standards that we aim for. Usually, we do these tests in-house, but this time we asked our Pilots to be a part of the process and to provide us with feedback. We told them to pay extra attention to pilling as we had chosen not to add any extra treatments on these specific products. We asked the Pilots to comment on this when giving their feedback.

No pilling appeared during the time of testing, this was however a short period of time—a little bit more than a month. We got some comments on the fit in terms of a skirt length and the width of a men's coat. We also got comments on making the zipper longer and placing an inside pocket in a men's jacket (amendments that we unfortunately didn't have time to make). Overall the Pilots were very positive and many mentioned words like classy, elegant, minimalistic, all-rounder, suits any occasion, very good looking and stylish. We also got the feedback that friends of the Pilots mentioned the timelessness of the garments as a positive aspect—that the garments would look as trendy in five or ten years.

RENTAL ONLINE

The second pilot program we ran in 2016 was for testing an online service for our Lease project. We initiated a collaboration with Shing, a digital platform for leasing clothes, to make sure that online leasing would work conveniently and according to availability.

We asked the Pilots to try out the Shing platform during two months and provide us with their feedback. We got a lot of insights and were able to make adjustments to the platform before launching it in the beginning of 2017.

4. OUR MANIFEST: LONG LASTING SIMPLICITY

IF WE WANT FASHION
TO STAY RELEVANT
INSIDE AND OUT,
WE NEED TO BE PERSONAL,
SIMPLE AND LONG-LASTING.

ECOSYSTEMS ARE OUR INSPIRATION.
PLANETARY BOUNDARIES PROVIDE OUR GIVEN FRAMEWORK.
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.

CIRCULAR DESIGN

As part of our circular design concept we are devoted to four R's: Reduce, Repair, Reuse and Recycle. In practice, this means that:

- Reduce: With an honest devotion to circular design as a starting point, we strive to create products with minimal negative impact.
- Repair: We will always see to that returned products that require mending are repaired, and that we encourage our customers to care for their products in a good way.
- Reuse: Our entire collections can be rented so that the customers are not encouraged to buy things they will only use a few times. Our clothes can also be bought pre-loved in our Second Hand Shop or rented in our stores.
- Recycle: Through the Filippa K Collect program, we collect worn-out clothes and offer a 15% discount to the customers' bringing the clothes back as a thank you.



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.

Working with the Front Runners, we focus all our efforts on making the selected styles as sustainable as possible before moving on to the next set of products. By examining every aspect that goes into making the garments—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. We study and update the design practices, production techniques, material choices, etc., with the aim of adopting the new practices in the production of 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:

OUR FRONT RUNNER CRITERIA:

1. Sustainable materials
2. Recyclability
3. Transparent supply chain
4. Minimal use of resources
5. Minimal waste
6. Less chemicals
7. Minimal emissions
8. Respect for people
9. Respect for animal welfare
10. Long-lasting in design and quality
11. Perfect fit and comfort
12. Financially sound

REPAIR

We take pride in educating and helping our customers to take good care of their Filippa K garments so that the garments can become 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 the clothes' lifetime but also help minimise environmental footprints during the user phase.

We do this by providing guidelines online and on beautiful posters.

We are constantly expanding our range of Care products in our stores. Right now you can find washing detergent, brushes and sweater stones. This is a way for us to communicate with our customers about how to care for the clothes; how to wash different garments with care, how to air or store different fabrics, how to care for wool , etc. An example: Pilling is a common occurrence in natural materials like cashmere. We suggest brushing a sweater stone gently across the cashmere garment to remove the pilling. It is the most eco-friendly alternative.

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. The store is one way for us to take responsibility for the entire lifecycle of our products and provide an alternative to the practice of shopping and disposal. As a bonus, we get a chance to prove that our clothes really do stand the test of time, in both quality and style. During 2016 we also launched several pop-up second hand stores in Sweden and Denmark. In our Copenhagen store we tested to integrate second hand for a limited time with a good result.

Many surveys show that we only use a small percentage of our clothes on a regular basis. This is why our collections are available for rent. A great option for keeping a wardrobe up to date, enabling the customers 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 leasing is a great option when customers want to test and make sure that specific garments will become a long-lasting wardrobe essentials, or if they only need a garment for a short time or a special occasion. By leasing clothes instead of buying them, the customers can renew their wardrobes temporarily without contributing to increased consumption, without getting an overcrowded wardrobe and without emptying their pockets!

RECYCLE

Filippa K clothes are made to last, but sadly they will eventually be worn-out. However, they may still be valuable as second hand garments or as textile material for industrial purposes. We therefore encourage our customers to bring their 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 our stores. Here, customers receive a 15% discount voucher when they hand in pre-used and clean Filippa K clothes.

2,265 pieces have been passed onto second hand initiatives through the Collect concept since the start in February 2015. The rest of the collected garments, around 1,000 pieces, have been given to charity organisations.

Since 2015, a number of our suppliers send their cutting waste from wool fabric to our warehouse DHL. Here, the waste is gathered and shipped to a fabric manufacturer in Italy in order to be reused and recycled as part of the Re.Verso™ cycle. Re.Verso™ sorts the incoming cutting waste by colour. So far, we have collected 65 pallets of cutting waste that have been shipped to our Italian suppliers to become new textile fabric again.

Closing material loops in order to minimise textiles ending up in landfills or getting 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 whom we cooperate are re:newcell, the Swedish Chemicals Agency (Kemi), the Swedish Environmental Protection Agency (Naturvårdsverket), the Nordic Waste Group, Swerea and Mistra Future Fashion.



5. OUR 2030 COMMITMENTS

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 FK's definition)

3. RESOURCE EFFICIENT BUSINESS

Accurate purchase precision in number of pieces produced

Minimal footprint throughout our business

4. RESPECTING PEOPLE IN OUR VALUE CHAIN

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

I. CONSCIOUS DESIGN FOR A BETTER FUTURE

SUSTAINABLE MATERIALS

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

OVERALL ACHIEVEMENTS IN 2015

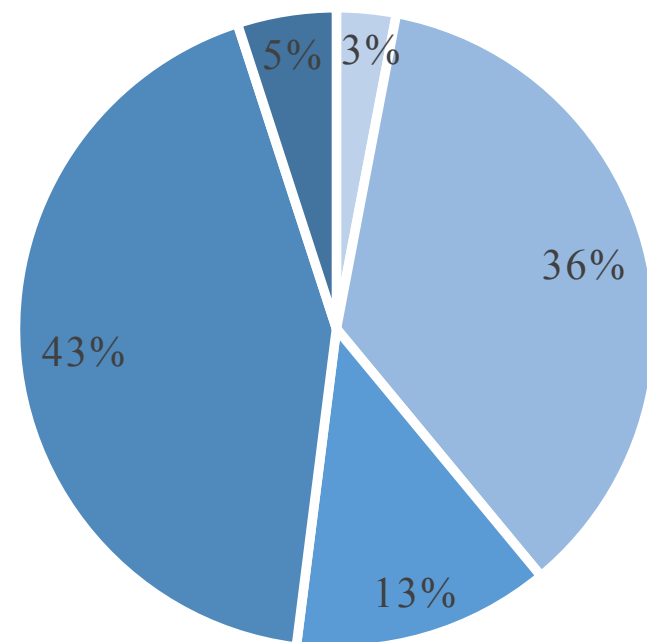
Our total use of class 1 and 2 fibres during 2016 was 39%, a decrease of 8% from the previous year. We have analysed this decline but have not been able to come up with one simple explanation. The collections for 2016 were developed and worked on mainly during 2015. We experienced challenges in terms of finding good alternatives due to higher prices and higher minimums, as well as and not finding substitutes that were better than the existing ones in terms of looks, feel and quality. During 2016 we developed a new role within the production team, a Sourcing Manager for Fabrics. This person focuses on finding materials with the mission to provide our designers with a range of options, of course several sustainable ones, when choosing materials.

We also measure the number of styles that contain more than 50% of a class 1 or 2 fibre. For 2016 we had 49% of the collection containing more sustainable fibres than conventional ones. This is an increase with 7% from last year, but we did not reach our goal of 53%.

FIBRE	2016	2015	2014	2013	2012
Cotton	29,3%	23,2%	25,4%	26,3%	31,3%
All Wool	15,6%	17,7%	25,4%	16,1%	17,4%
Organic & BCI Cotton	3,4%	8,7%	9,3%	7,9%	8,4%
Viscose (Lenzing)	4,4%	8,3%	9,3%	9%	8,4%
Polyester	7,6%	6,4%	8,3%	6,9%	3,5%
Lyocell	11,7%	9,4%	8,2%	6,7%	5,6%
Polyamide	4,6%	5,6%	5,5%	5,8%	5,2%
All Leather	2,5%	4,5%	5%	6,1%	7,4%
Silk	2,1%	2,7%	3,7%	3,2%	5,2%
Linen Natural Retting	4,5%	4,5%	2,1%	2%	1,6%
Viscose	5,2%	2,2%	9,3%	9%	8,4%
Acetate	0,7%	2,2%	1,5%	2,7%	1,5%
Elastane (Lycra and Spandex)	1,8%	1,9%	1,7%	2%	1,4%
Other Fibres (less than 0.7%)	5,1%	1,5%	2,5%	4,4%	3,1%
Triacetate	1,5%	1,2%	1,3%		

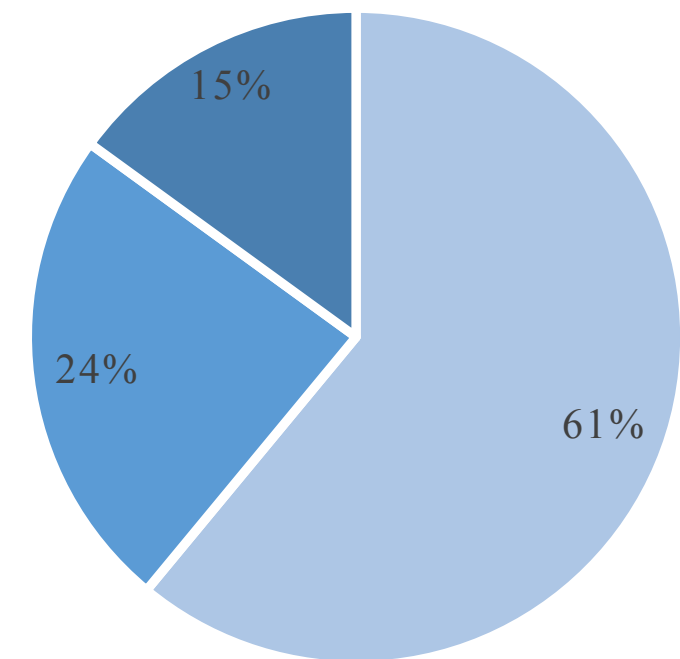


Total % of pcs per Fibre Class



■ Class 1 ■ Class 2 ■ Class 3 ■ Class 4 ■ Class X

Total % of pcs per Fibre Type



■ Natural ■ Regenerated ■ Synthetic

WOOL EVALUATION

How sustainable is wool? We evaluated the environmental impact of wool from a holistic perspective in cooperation with TruCost using Natural Capital Accounting. It turned out that wool is not so bad after all. Here is a short summary:

The report identifies how the choice of different practices, both on a farm level and on the user side, can influence the positive and negative impacts associated with wool. Produced and designed in a durable way, woollen garments can significantly reduce the overall lifecycle impact of garments by minimising virgin material production for new garments as well as reducing energy and water use in maintenance. There are some major challenges though. For instance, looking at animal welfare, surgical treatments (such as mulesing, castration and tail docking), transportation and shearing are the stages that pose the highest risk for unethical treatment of the animals.

Looking at the social aspects, the most challenging stages are insecticide poisoning from sheep dips, zoonosis and shearing injuries. These however pose less of a challenge compared to the other implications of wool, like land use for example. We ended up not including land use in our calculation though. Region valuation is too abstract from the specifics of land management, dry matter levels and farming practice to appropriately assess land use change impact. The natural capital assessment identifies that GHG (greenhouse gas) is the dominant impact of sheep farming and wool production, regardless of allocation methodology.

The natural capital cost of organic wool compared to conventional shows a 4% decrease, though this is considered to be an underrepresentation due to limited data availability. The most significant reductions are apparent in water use (26%), terrestrial ecotoxicity (33%) and human toxicity (13%), while GHG (greenhouse gas) emissions, the most significant impact, was reduced by 4%.

Wool is highly durable and requires little user phase maintenance. Compared to other fibres such as cotton, woollen garments can be used longer between washing cycles due to the natural repellence to stains. Some washing can be replaced by airing, and wash programs have lower washing temperatures and shorter washing cycles. In addition, once garments are worn out, wool is highly recyclable, and unlike many other fibre types, the quality of the fibre remains high even after mechanical recycling. As such, the opportunity to minimise the overall impact of a woollen garment is high, with design for longevity and appropriate consumer engagement offering potential natural capital savings.

The use phase and end of use phase account for over 40% of the total natural capital cost of a woollen sweater. However, the use phase is highly variable depending on how consumers care for, wash and dry their garments. Optimised practice, such as washing garments less frequently (possible due to wool's self-cleaning characteristics) and taking back for reuse or recycling at the end of its useful life can reduce impacts by 58%.

To summarise, the report shows that assessing garments over their entire lifecycle and counting the natural capital cost per wear present a more appropriate account of the garments' "true" sustainability characteristics. This takes longevity and durability into account, as well as recyclability.

It is also important to highlight that the animal welfare issues, the farming practices and the social issues in many cases come down to the matter of price. What are we willing to pay for wool? This question should be addressed by us, the retailers and the users. How can we guarantee that every stakeholder along the value chain gets paid enough to not have to make unsustainable short cuts and decisions that will have a negative effect on workers, animals and the environment? What is the true and fair price for wool?

We are successively increasing the use of more conscious wool in our collections and the work we did during 2016 showed result in the collection for autumn/winter 2017.

TRACEABLE WOOL STYLES:

24165 Eden Belted Coat in solid colours uses ZQ Merino wool and comes from selected farms in New Zealand, fully traceable. The ZQ accreditation program requires farmers to take account of their animals five basic freedoms as described in both The Animal Welfare Act 1999 and the Animal Welfare (Sheep and Beef Cattle) Code of Welfare 2010, specifically:

- Freedom from thirst, hunger and malnutrition,
- Provision of appropriate comfort and shelter,
- Prevention, or rapid diagnosis and treatment of injury, disease or infestation with parasites,
- Freedom from distress, and
- Ability to display normal patterns of behaviour.

RECYCLED WOOL STYLES:

- 24056 M. Short Parka
- 24059 M. Ralph Wool Coat
- 24335 M. Ralph Topcoat
- 24447 M. Gabriel Cap Toe Boot
- 24453 M. Wool Pouch
- 24455 M. Wool Travel Wallet
- 24456 M. Wool Wallet
- 24457 M. Wool Card Holder
- 24458 M. Wool Utility Backpack
- 24083 M. Wool Keychain

GUARANTEED MULESING FREE WOOL STYLES:

- All knitted merino basics for men and women
- 24339 Drapey Merino Polo
- 24167 Edine Shaggy Tailored Coat
- 24445 Brooke Wooly Slip On

LEARNINGS FROM OUR FRONT RUNNERS

Every second year or so we select a few products to become Front Runners for the rest of our collections. We try to make them as sustainable as possible and eventually let them guide the transformation of the rest of our products and our business. To succeed we spend a large amount time, research and collaboration on the Front Runners. The insights and learnings are implemented gradually. In this way, we are step by step transforming our business so that by 2030, all our clothes are Front Runners and we have achieved full circularity.

Front Runner learnings regarding materials that are so far implemented in the ordinary collections (beyond wool styles):

- The lining for our outerwear from SS17 and forward is made of a strong recycled polyester, the same quality we used for our Front Runner products that were launched for AW16.
- A Tencel thread for the seams is used for styles 24098 Elbow Sleeve Swing Top and 24100 Long Sleeve Swing Top. It is the same kind of thread that was used for the first generation of Front Runners.

- Corozo buttons (also used for Front Runners) are used for the following styles:

All basic Cool Wool styles for men and women

24425 Parker Plush Wool Coat

24389 Edine Tailored Coat

24165 Eden Belted Coat

24164 Leigh Peacoat

24485 Transitional Coat

24442 Jamie Bootcut Pants

24327 Wade Jumpsuit

24141 Wade Utility Skirt

24131 Wade Utility Pant

24162 Leah Luxe Jacket

24160 Caden DB Jacket

24148 Paige Shirt Dress

24128 Eli Culottes

24126 Linet Cropped Pant

24491 Seasonal Pant

24487 Suit Jacket

RECYCLABLE STYLES

One criterion for our Front Runner products is recyclability. 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 and we will most likely see solutions for recycling mixed fabrics in the nearby future. We cooperate with other actors, such as the Swedish Environmental Protection Agency (Naturvårdsverket) in order to support the development of better infrastructure and recycling methods.

Filippa K has a tag inside all garments stating that "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."

POLYESTER

Polyester is an oil-based synthetic fibre. It does not wrinkle and keeps its shape well. Polyester does not need as much water, energy and chemicals to produce as many other common fibres. Polyester is often mixed with wool, cotton and viscose to create a certain look, drape or shape. It is easy to care for and can be washed at low temperatures. We also use recycled polyester that has been manufactured by using recycled polyester from pet bottles. There is one major challenge with all kinds of polyester fabrics: they shed micro fibres during washing. These micro fibres are too small to get caught by the filters in our washing machines and water purifying plants and therefore end up in our oceans and in the bellies of fish and eventually in the bellies of humans. Micro fibres in the oceans is a growing problem due to several reasons, textiles being one of them. According to an article in Nature (2015), 80% of all plastics in the analysed fish from California, USA, were textile fibres. We participate in two research projects, one run by Mistra Future Fashion and one by Sweden Textile Water Initiative, to help find solutions to this problem. Until we have a solution in place we try to offer short-term solutions for our customers, e.g. during 2017 we will offer a washing bag, Guppy Friend, for sale in our stores. The washing bag works as a filter that captures the micro fibres and prevents them from ending up in the sea.

EXPLORING THE POSSIBLY OF INTRODUCING A NEW SUSTAINABLE FIBRE

Aiming at using fully traceable sustainable viscose we have started a collaboration with Stora Enso to create a demo project and a network for a regenerated cellulosic fibre-based textiles value chain.

As we transform our business to fit a circular economy we aim to use only renewable sources. The collaboration with Stora Enso is about showcasing the different steps, from raw material to ready clothes, and to demonstrate that the whole textile value chain can be sustainable.

Stora Enso is pursuing to increase the demand for dissolving pulp as a sustainable raw material in the textile industry. The collaboration with Filippa K supports the development of more sustainable cellulose regeneration processes, ensuring that cellulose-based fibres are a truly sustainable alternative.

Novel cellulose based fabrics produced in a sustainable way, with full transparency in all parts of the value-chain, is one of the possible solutions we have decided to further explore in collaboration with Stora Enso. We hosted a workshop as a starting point of the project, during which we together with internal and external stakeholders from the whole value chain explored opportunities and challenges that would influence a potential joint project. It was a day full of valuable insights and learnings for all participants. The next step is to decide whether the project is feasible or not.

II. SUSTAINABLE SOURCING & 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 make our business more sustainable. Also, we need to know that our partners work in accordance with our social, environmental and ethical standards.

We believe that openness and transparency throughout the production chain plays an important part in modern, sustainable manufacturing. In line with our transparency goals, we name the suppliers that help us make each garment in our online store. We list everything from the name and address of the supplier to how long we have been collaborated, when we visited the last time and how many female and male workers the supplier employs.



MEET YOUR MAKER

During 2016 we hosted our first ever Fashion Revolution brunch, opening up our office to embrace transparency. We gathered customers, lecturers, suppliers and professors to share inspiring thoughts on the future of fashion. One of our pilots (who you can read about further ahead), Adrienne from Amsterdam, participated.

One of the suppliers producing the Re.Verso™ fabric that we use for our woven wool Front Runners also participated. Filatura C4 is an Italian company known for smart innovation in the contract and furnishing and specialises in the recuperation of technical and natural fibres. The company offers a wide range of styles and typologies for the Technical, Natural and Classic category. The philosophy is the customised collaboration with the clients, personalising innovations to create ad hoc applications. From the concept to the final product optimising processes, dyeing and test to achieve the best results.



FILIPPA K CIRCLE

In 2016, we launched Filippa K Circle, a digital hub where experts in the interface between innovation and sustainability share their visions of a better fashion future.

Sustainability Director Elin Larsson introduced the hub as a platform dedicated to voices concerned with changing the patterns of fashion:

“Working for a fashion company for many years I have learned a lot of things about the lifecycle of the products we create. I see everything from the most extraordinary and beautiful objects, to the dark side of some of these products and the harm they bring to this planet. I am not a pessimist, quite the opposite in fact. I, alongside many of my colleagues at Filippa K, am a firm believer in the beauty of fashion. But I cannot stress the importance of a change in the industry—the whole industry.

Pushing the boundaries of sustainable fashion is imperative, as is implementing lessons and insights back into the business. We all need to come together to make a real systemic change, and that’s the goal of our latest initiative, Filippa K Circle. This digital hub brings together experts, entrepreneurs, suppliers and other inspiring people to share their visions of a better fashion future. The process of finding our Front Runners has been a steep learning curve, so steep in fact we’ve decided to share the information and stories we’ve picked up along the way. These inspiring solutions pave a path for a sustainable and innovative fashion industry in our future. We are not the only company with such stories, so let’s gather that knowledge and inspire more people, brands and perhaps even more industries to do the same.”

SUSTAINABLE PRODUCTION PROCESSES

As a medium-sized company, Filippa K values and supports industry initiatives that push development toward better social and environmental standards for all stakeholders affected. Besides our own possibilities of influencing and improving 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 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 a water initiative called Sweden Textile Water Initiative (STWI). STWI is a joint project between a number of textile and leather retail companies in Sweden. The companies 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 minimise 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 and affect how much energy and chemicals is needed. We are also part of a STWI project in which four of our Chinese subcontractors for dyeing and finishing participated during 2015. In 2016 there were eleven suppliers engaged in the program, all of them located in China. The majority of the participating suppliers are dyeing facilities but there are also some knitters with washing processes. It is a mix of big factories and smaller ones.







STWI's Vision:

"Collaborating to drive global change towards sustainable textile and leather production"









STWI's Mission:

"STWI is more than a project—it is a global movement towards sustainable industrial practices in the textile industry, a movement lead by Swedish brands. STWI has the ambition of becoming a private sector initiative that is internationally recognised for its delivery on SDGs 6, 12 and 17. STWI achieves this through: capacity building, performance tracking and hands-on technical support."

Filippa K is proud to be a part of STWI and its journey together with suppliers, competitors, scientists, experts, authorities and organisations from all parts of the world. It is amazing to see how knowledge and change spread like ripples in water, helping to push through the necessary changes. We would never have been able to see the results we have seen if it was not for this collaboration. During 2016 the eleven engaged Chinese suppliers saved water equivalent to the water consumption of 15 million people in a day, and they made energy savings equivalent to 920,000 households' daily energy usage.

Annualized Resource Savings achieved		
	Garment units	Wet Processing
Water (m ³)	-	771,043 
Electricity (MWh)	-	4,580 
Natural Gas (m ³)	-	3,213,644 
Biomass (kg)	-	1,284,200 
Coal (kg)	-	1,196,000 
Wood (kg)	-	
Steam (Tonnes)	-	5,704
Chemicals (Tonnes)	-	623.7 
GreenHouse Gases (tons of carbon dioxide equivalent)	-	14,637.6

Impact Legend:

-  = Equivalent to water requirement for 800,000 people per day
-  = Equivalent to water requirement for 100,000 people per day
-  = Equivalent to electricity requirement for 60,000 households per day
-  = Equivalent to electricity requirement for 10,000 households per day
-  = Equivalent to 1,000 tons of oil equivalent
-  = Equivalent to 40 tons of oil equivalent
-  = Equivalent to 300 tons of chemicals
-  = Equivalent to 40 tons of chemicals

Annualised financial savings from projects undertaken in 2016: SEK 3,184,210

Investments into projects undertaken in 2016: SEK 2,171,053

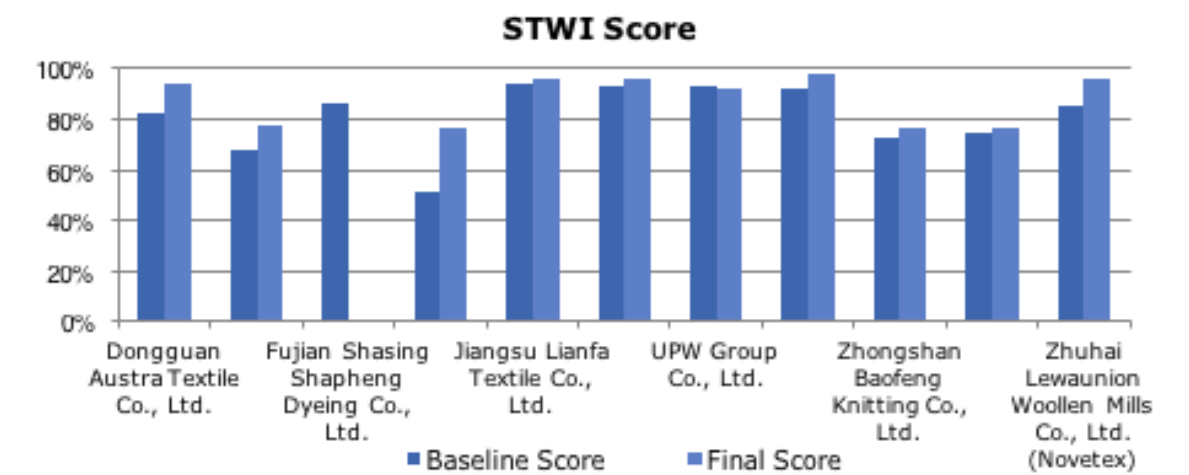
IMPROVEMENT IN STWI ASSESSMENT SCORES

The STWI guidelines track the performance related to water efficiency and water pollution prevention. Three levels of compliance are identified: minimum, improver and achiever. The STWI assessment tool applied to Filippa Ks practices showed an overall improvement in score in almost all categories across the units.

Thanks to our dedicated suppliers we can show great results in terms of water, energy and chemical savings. STWI has played an important role in this process as well, with a well formalised setup for creating real and measurable change as well as a team of dedicated and engaged experts.

”Water is life and precious, a scarce resource which is being consumed in excess within the textile industry. The collaboration with STWI for the past two years have empowered our supply chain with tools and awareness leading to enormous savings.”

- Christina Muljadi, Product Manager Filippa K Soft Sport and Sustainability Coordinator for Chemicals and Water.



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 engaged the Swedish shoe business that support 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.

THE 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 concerning 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.

III. RESOURCE EFFICIENT BUSINESS

TRANSPORTATION

We constantly strive to optimise the transportation of our products, in terms of both service level and efficiency. The aim is to decrease the company's CO2 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 when making a procurement. We always choose professional and serious partners and prioritise those who have a developed sustainability framework and can offer transport alternatives that are more environmentally friendly.

For our Asian shipments we always strive toward 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 use road transportation but evaluate other solutions when possible.

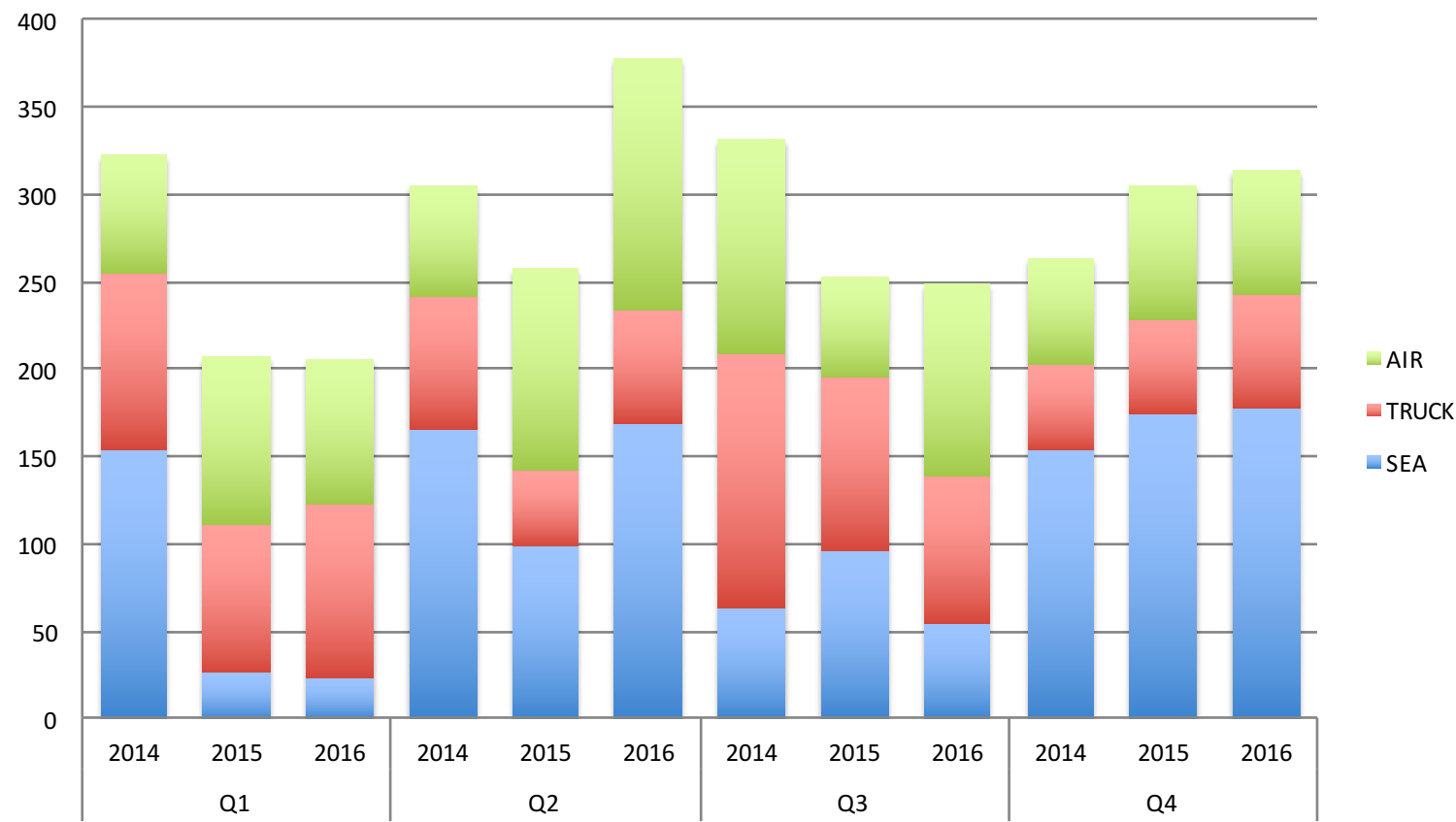
For our CO2 emissions, we measure our performance level in terms of the amount of CO2 released per distance travelled (in tonnes per kilometre). In 2016, we increased the number of airborne deliveries due to delays and demand for earlier deliveries to stores in the beginning of the year—a trend that we saw already during 2015. We are now looking into how we can stop this trend by better planning.

TRANSPORT

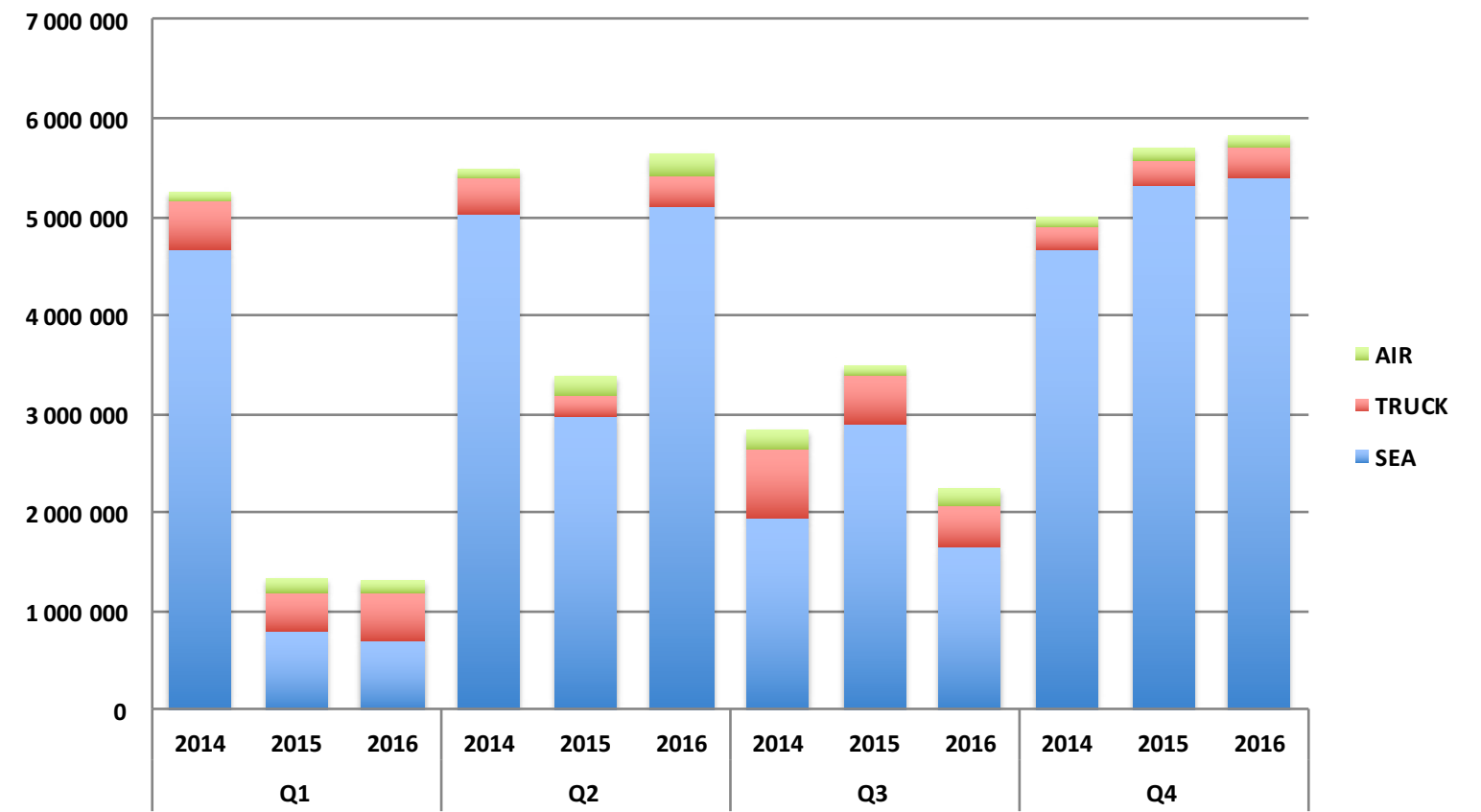
	2016	2015	2014
SEA	425	396	537
TRUCK	315	280	371
AIR	407	348	316
TOTAL	1 147	1024	1224



CO2 emissions per quarter



TONKM per quarter



GOOD CASES

One of our most long-term freight forwarders, First Cargo, transporting all our goods from Portugal, has made some major environmental improvements during 2016. 23 of their trucks from Portugal fill the tank with a minimum 200 litres of “Preem Evolution Diesel” when arriving in Sweden, which is an environmentally certified fuel. This means that approximately 9,200 litres per month is used, which gives a total decrease of CO2 emissions with 93 tonnes per year. This is a great example of what you can do to make transport industry progress and we value our cooperation with First Cargo and their strive toward more sustainable solutions.

ENERGY USAGE

Filippa K's head office in Stockholm as well as 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 and in comparable units (i.e., in the head office and ten of our own stores) for five consecutive years. During 2016, we were able to lower our energy consumption in general thanks to new lighting solutions, such as changing to LED lights.

During 2016 we conducted an energy mapping together with Mestro for our office and thirteen stores in Sweden and came to the following conclusions.

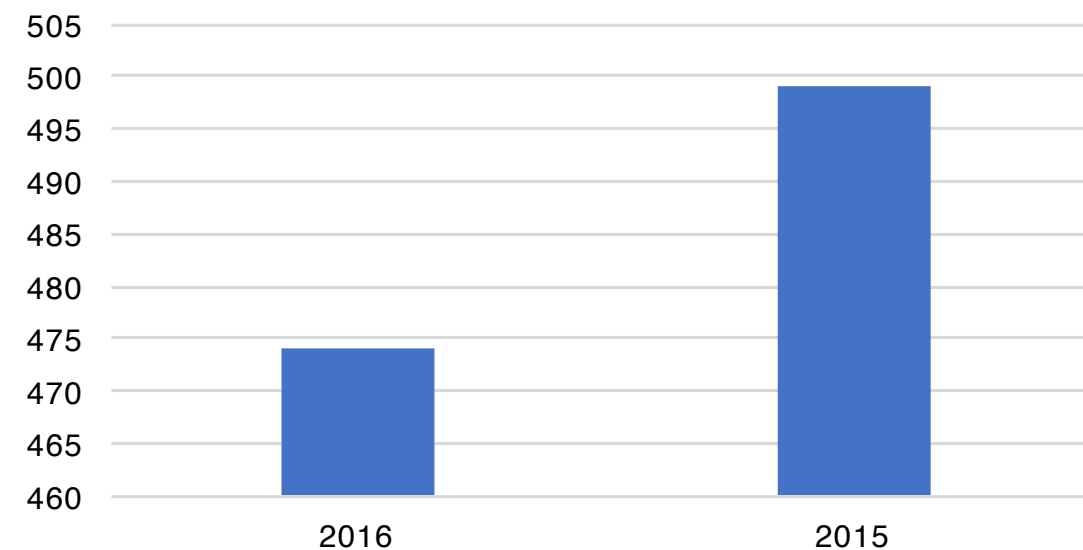
Filippa K Sweden's total annual energy consumption for 2016 landed on 474 MWh, a 5% decrease from last year, see table below.

Thanks to our strategy to shift to new modern lighting solutions such as LED lights in both stores and the office, we have been able to decrease the energy usage at the office with 7% and in our stores by 4%. One proposal for the future is to look at more optimised lighting hours and the possibility of splitting up lightning in different sections of the stores, for instance between sales floor, fitting rooms, windows and stock room. Today most of the stores are totally lit up two hours before opening hours. Another encouragement is to keep being smart about shutting down energy consumers such as computers, screens, etc., when they are not use. This is especially important during weekends at the office.

ENERGY STATISTICS	2016	2015	2014	2013	2012	2011
Office MWh	99	107	114	106	109	113
Stores MWh	304	316	410	456	464	28*

* 2011 is low due to missing information from several stores

ENERGY CONSUMPTION MWh

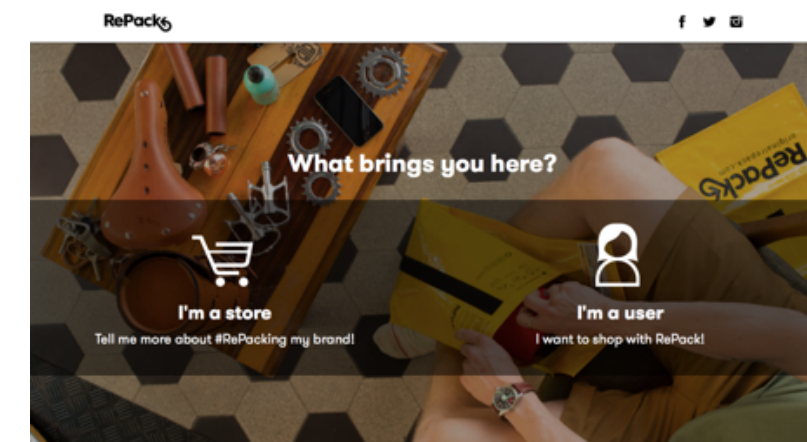


SMARTER PACKAGING SOLUTIONS

Packaging waste is a growing problem and we create 115 830 000 000 kilograms of packaging waste each year only in Europe. With the increase of online shopping this waste problem will grow even more.

In a quest to find a more sustainable packaging solution for our eCom store, we started collaborating with RePack. If you choose to use RePack, your order will be sent to you in a reusable RePack, which you register upon arrival and then simply return by dropping into any postbox, anywhere in the world. As a thank you, a discount voucher which can be used at your next Filippa K purchase, or any other brand also working with RePack, is sent to you as soon as your returned RePack is received.

RePack has calculated their carbon footprint. Since RePack is designed to last at least 20 times they compare one RePack to 20 disposable packages that are thrown away after one use. The comparison showed that RePack has a 50% smaller carbon footprint compared to throwaway packages.



INCREASE PURCHASE PRECISION

To optimise purchase precision is of interest not only for the sake of the environment but also from a business perspective. It is a challenging task to not produce more than necessary, one that we have not found the optimal solution to yet. We do consider our carry over products as a step on the way. They stay in stores for several seasons and never go on sale. During 2016, 24% of our range were carry overs.

MINIMISE WASTE

We want to make sure that all our clothes find a home and of course we try to sell as much as possible through our stores. But in reality we always have pieces that do not get sold in our ordinary stores. These pieces get a second chance in our outlet stores, where practically everything finds a happy buyer. Once in a while, we send some pieces off to charity. We never throw away or burn clothing.

LEARNINGS FROM OUR FRONT RUNNERS

The main objective with our Front Runner project is to implement learnings from these journeys in order to gradually transform our business and our collections to become fully circular by 2030. Here are some examples of progress:

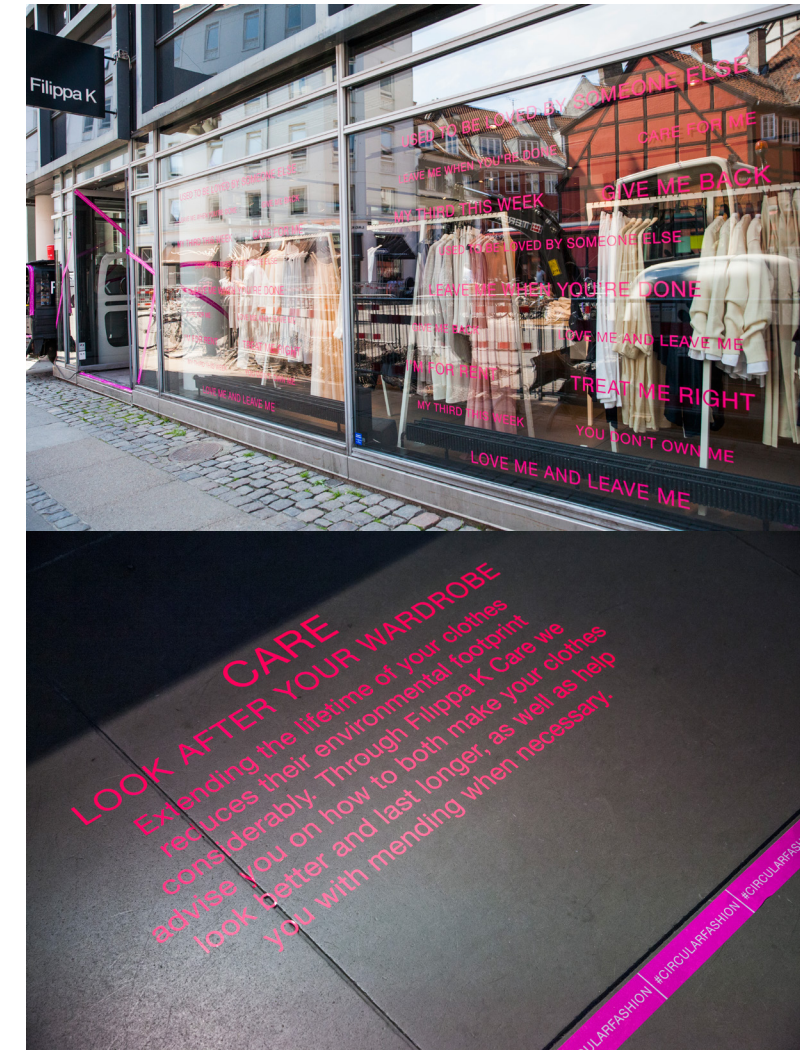
- Earlier we used safety pins to attach the hang tags. These have now been removed entirely.
- We have started to implement bio-degradable plastics from corn starch for the plastic bags that are used for each garment during transport and warehouse handling.
- We have removed the silky paper commonly used during transport on almost all products.
- We will substitute our plastic bags with paper bags made out of corn starch during 2017.
- The Collect and Lease concepts are both results of Front Runner insights.
- For the latest Front Runners we offer a 10 year guarantee on the products – we will see if and how we can use that for other products in the future as well.

THE CIRCULAR FASHION CAMPAIGN IN COPENHAGEN

Copenhagen Fashion Summit, the world's leading forum for sustainable fashion, takes place in Copenhagen each year and attracts participants from all over the world.

During the 2016 Summit, we decided to fast-forward our perception of the traditional fashion store and show how it could look only a few years ahead. We transformed our Filippa K store on Ny Østergade 13 to showcase our initiatives within circular fashion.

During these days, customers were able to win a curated wardrobe worth €1,000 if they saw and snapped a photo of a #circularfashion ambassador around town wearing Filippa K jackets with sustainable messages like "I've been around", "Love me or leave me", "Treat me right" and "You don't own me". There were all messages aimed to encourage a more sustainable fashion consumption.



IV. RESPECTING PEOPLE IN OUR VALUE CHAIN

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.

Passion, commitment and good leadership are key factors for success. Our focus areas are organisational development, increased awareness of diversity and to create a culture based on our values where every employee is expected to take responsibility for and show initiative to improve our customer satisfaction as well as our sustainability offer.

Information on structure, processes and policies are available at Filippa K Community, the intranet of Filippa K, which ensures quality and clarity.

ORGANISATION

Organisational development and the purpose of creating a business oriented organisation with the ability to handle the increasing demand for effectiveness as well as sustainable profit is an ever-ongoing process. Our focus is to attract, recruit, develop and retain highly motivated, talented and ambitious individuals.

DIVERSITY

Diversity is central for 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 organisation. 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 participants of this project, we have set up a number of goals and activities to ensure a good level of diversity within our organisation. The goals are followed up annually. The project and its targets have been communicated to all employees within our organisation.

Filippa K collaborates with MITT LIV for increased diversity and integration in 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 an expanded network of contacts, MITT LIV wants to open doors for highly skilled foreign experts. Filippa K will be a part of MITT LIV's mentoring program that offers opportunities for people with various international and cultural backgrounds to integrate with the Swedish labor market. The mentoring program will start in the spring of 2017.

GENDER

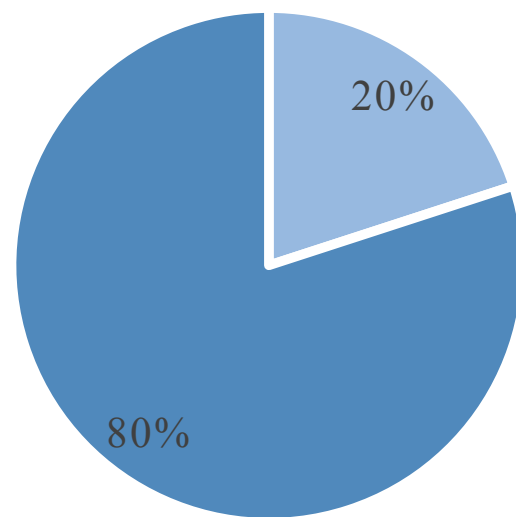
It is our belief that the gender diversity among our leaders should reflect the gender diversity among our employees in the company. By the end of 2016, our senior management group consisted of seven women. Our board included three women out of seven members in total.

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

”Filippa K initiates collaboration with MITT LIV for increased diversity and integration in the Swedish labor market.”

Men/Women employed at
Filippa K 2016

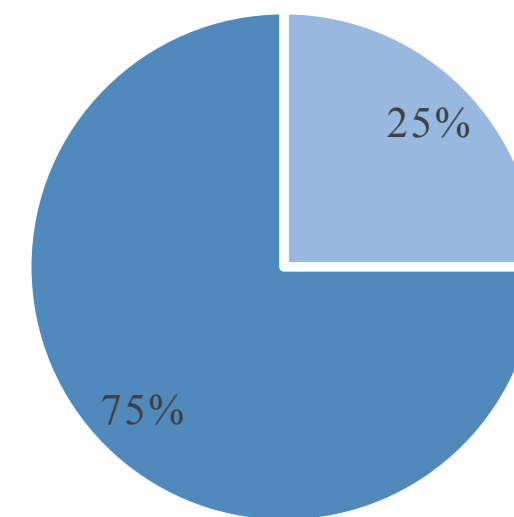
Target 2020: 35% / 65%



■ Men ■ Woman

Men/Women in leading positions at
Filippa K 2016

Target 2020: 35% / 65%



■ Men ■ Woman

WORK-LIFE BALANCE

We believe in a good “work-life balance”. This belief motivates us to be a responsible and trustworthy employer who offers its employees the possibility of a balanced lifestyle.

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 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 in other business areas within the company. As newly employed, all staff members undertake an internal introduction program. Filippa K works with a “train-the-trainer” principle, meaning that we believe in training our employees using in-house competence. All training conducted locally is to be reported to HR central Support.

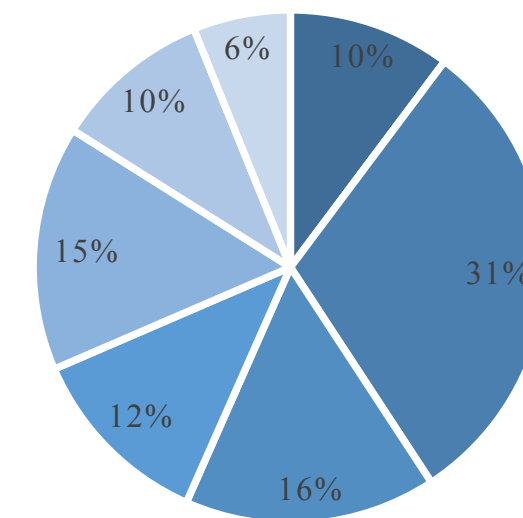
In 2016, we sent 16 employees to sustainability training at the Sustainable Fashion Academy’s Learning and Innovation Forum. Internally, we also conduct educational workshops specifically tailored to meet our needs. Training and communication are of central importance to us and a success factor for our company, enabling us to pass on our values and our way of taking responsibility to all our employees.

HEALTH AND SAFETY

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

Responsibility for the work environment has been delegated to every respective market, and relevant guidelines are published at FK Community. Each quarter, Filippa K follows up on the level of absences due to illness, as measured based on the previous 12 month period. This follow up aims to ensure that we keep working proactively with our sick leave absence. The Absence due to illness numbers are followed up and analysed by Filippa K's Business Area Managers.

Absence due to illness 2016
Target > 3%



- Belgium
- Germany
- Netherlands
- Norway
- Finland
- Sweden
- Denmark

HARASSMENTS

In our health and safety guidelines we have clear rules and statements regarding harassments of any kind. Any case of improper action will immediately be dealt with according to the action plans provided by our health and safety guidelines.

Most of the high figures in sick leave are due to long-term absences because of physical disorders and surgery that have not been work related. We have had more short-term sick leaves than usual in Germany and the Netherlands. We do however see an improvement in the 2017 numbers already. Filippa K continuously work with analysis, rehabilitation and planning to ensure a faster return to work. Filippa K's guidelines state that rehabilitation should start if the employee has been on sick-leave for more than 3 weeks and if the employee has reoccurring short-term sick-leave more than 3-4 times.

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. Filippa K's latest survey showed good results and improvements in all areas, implicating a positive energy as we develop the company even further. Compared to statistics and benchmark Filippa K results, this year's result stood out.

UNIONS

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

ETHICAL MARKETING

The fashion industry is well-known to impact young people and their beauty ideals. To be able to spread healthy ideals we need to collaborate throughout the whole industry. We embrace an initiative launched by the Swedish Fashion Council together with ASFB (Association of Swedish Fashion Brands) gathering the industry to sign The Swedish Fashion Ethical Charter. Filippa K has worked actively since the start to help realise this charter and we were more than happy to sign once it was finished.

This text was published in March 2017 on the Swedish Fashion Council's website:

“The Swedish Fashion Ethical Charter released on Thursday morning is a new policy with shared values and guidelines on body ideals, diversity and issues on corporate social responsibility. The uniqueness of this policy lies in it addressing all roles and disciplines within the industry, from designers and brands, to model agencies, casting agents, commercial buyers, stylists, as well as marketing departments, advertising agencies, photographers and media. Initiators to the Swedish Fashion Ethical Charter are Association of Swedish Fashion Brands and The Swedish Fashion Council as well as ELLE magazine and model agency MIKAS.

Representatives from all corners of the fashion industry have through several workshops and referrals taken part in developing the directives of the charter. By signing the Swedish Fashion Ethical Charter the industry as a whole takes a mutual and active responsibility in promoting healthy body images, beauty ideals and social responsibility. Signatories to the charter will be able to use a logo in their own communication channels and will be listed on Swedish Fashion Council and Association of Swedish Fashion Brands websites, so consumers have an overview of which brands and companies support the initiative. A self-regulatory body will be formed for regular evaluation.”

You can read the charter here:

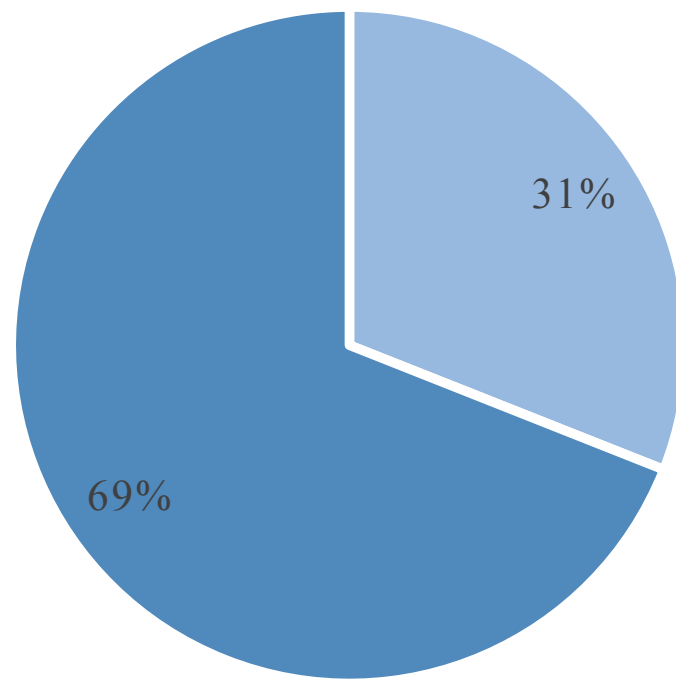
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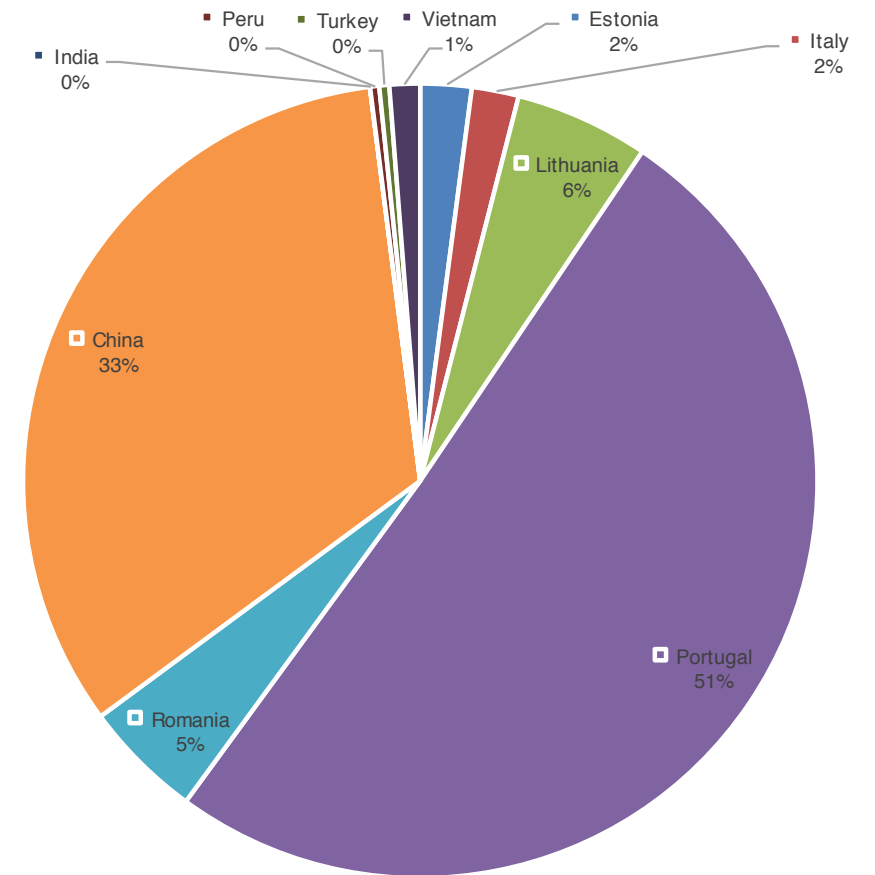
PRODUCTION DURING 2016

In 2016, 69% of our production was placed in Europe based on the order value and 65% in countries classified by the Fair Wear Foundation 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 2016, 95% of our suppliers were monitored. During 2016, 62% of our production volume came from suppliers that we had maintained a business relationship with for at least five years.

Sum of Purchase Orders QTY



■ Non EU ■ EU



■ Estonia ■ Italy ■ Lithuania ■ Portugal ■ Romania ■ China ■ India ■ Peru ■ Turkey ■ Vietnam

AUDITS DONE DURING 2016

Below you can read about some of the findings at the audits made, as well as the actions taken post-audits.

AUDIT

We made a first audit with a new supplier in China that we have worked with since 2015. Among the minor findings were the fact that they had not posted the Code of Labour Practice (CoLP) on the wall or that the management had not informed workers actively about the FWF Code of Labour Practices and/or relevant national or local legislation. These errors have been adjusted during the year. The CoLP has been posted on the wall and the supplier has used QuizRR to raise awareness regarding workers' rights and responsibilities. See below for a more detailed description of QuizRR.

More significant findings were unfortunately also found during the audit, like no awareness on workers' freedom of association and no worker representative in the factory. To address these issues, the supplier has raised awareness through QuizRR and now have regular meetings once a week where a workers' representative is attending. The representative is selected by the workers. Cases of working overtime were also found–this is one of the most common findings in factories in China–but the supplier try to handle it as good as they can. During peak season the employers work a lot of overtime. The factory wants to keep established brands as customers so that they can plan the production better. Workers are not forced to work overtime, but usually do so when asked as they want to make more money. The latest overtime hour is 9pm.

Another finding was that not all workers were paid living wage. This is an even more difficult and complex issue to handle. According to the supplier we are not paying prices that support payment of living wages. Recommendations from FWF is for us to take measures to facilitate that the factory works toward payment of a decent living wage for a regular working week. On request, FWF can provide support for the process of establishing a framework for improved wages.

REAUDIT #1

We did a re-audit at one of our knitting suppliers in China during 2016, the previous one was conducted in 2013.

The company complied with Chinese labour legislation on payment of wages for a regular working week. However, wages for a regular working week were below living wage estimated by local stakeholders consulted by FWF. The FWF recommendation is for us to take measures to facilitate that the supplier works toward payment of a decent living wage for a regular working week. On request, FWF can provide support for the process of establishing a framework for improved wages.

The factory complies with national laws and regulations by the salary payment standard by e.g. providing a salary payment system and following the level of development of pay. The factories attempts to rationalise production, develop new revenue and profitable revenue growth in order to meet higher salaries. It also plans to communicate with the company's business in Hong Kong more closely (the factory has requested more resources and to get more policy support). The plan is to gradually increase wages and reach the standard of living wage.

During the last audit one finding was that the factory does not pay overtime to workers according to legal requirements. This has been adjusted and the workers are now paid properly at 150% and 200% of the local minimum wage for the regular and weekend overtime hours respectively.

Excessive overtime was a problem during 2013 and is still an issue at the supplier. In peak season, workers (mainly final inspection, ironing, linking and stitching, etc.) work more than 3 overtime hours/day (often 4 or 5 hours) for 20 or more days in a month. A challenge for the factory is that the sweater industry is very seasonal. Last year they had problems with short deliveries that led to overtime. The supplier will improve choreography of production planning, set reasonable arrangements for staff time and control overtime so that it does not exceed three hours. The factory will also improve communication with its it'smerchandising department. The supplier states that it would appreciate a closer dialogue with client to get a more sufficient production lead time to its factory.

A new finding during the re-audit was that one of the three exits on the second floor of the dormitory building was missing an exit sign. This has been taken care of.

Since the last audit the supplier still lack an ergonomic program at the factory. Standing workers are not provided with floor mats; sitting workers are not provided with chairs with back support; no exercise is arranged in work intervals to release workers' body strains. The supplier will try to improve this and the management team is involved in this process.

During the last audit one of the findings were that management had not informed workers actively about the FWF Code of Labour Practices and/or relevant national or local legislation. This has been partially improved—in June 2014, a FWF workplace education programme was carried out by FWF trainers. However, after that, the factory did not provide ongoing trainings on the code elements or complaint mechanisms to its employees. Most workers are not aware of the FWF Code of Labour Practices.

After that the factory has participated in QuizRR to raise awareness and posted FWF Code of Conduct on bulletin boards.

In 2013 there was no independent union or workers' committee run by workers without management involvement. That has been improved. The factory has four workers' representatives who have been elected by the workforce democratically. The workers' representatives are used to promote social dialogues. Workers interviewed are aware of these representatives and the right of freedom of association.

REAUDIT #2

We did a re-audit at one of our knitting suppliers that we share with another Swedish brand. The last audit was conducted in 2013. Some issues were found, but overall, the supplier performed really well and a lot of improvements had been done since the last audit.

According to the supplier, the prices of our affiliate do not support the payment of living wages. The factory complies with Chinese labour legislation on payment of wages for a regular working week. However, the wage for a regular working week is below the living wage estimated by local stakeholders consulted by FWF. Recommendations from FWF is for our buyers (from both Filippa K and the other Swedish brand) to discuss how wage levels can be increased with the factory. They also recommend us to take measures to facilitate that the factory works towards payment of a decent living wage for a regular working week. On request, FWF can provide support for the process of establishing a framework for improved wages.

There have been some improvements regarding wages since 2013. The factory revised its payment system to the hourly rate plus performance bonus from the piece rate system as of September 2013. Now, all employees are properly paid for their annual leave and statutory holiday leaves. Workers are also properly paid at 150% and 200% of the local minimum wage for the regular and weekend overtime hours respectively.

The management at the factory wanted us to pay more visits to develop more thorough communication and stronger relationships. Since 2013, this has been improved and the factory thinks they have good communication with us and the other brand.

Workers are not aware of FWF Code of Labour Practices or FWF complaint mechanism even though this was highlighted at the last audit as well. Workers should be informed and consulted about PRC Labour Law, FWF Code of Labour Practices and Code of Conduct of other clients. Information about the PRC Labour Law, FWF Code of Labour Practices and Code of Conduct of other clients should be posted in a place that is easily accessible for workers. The factory is engaged in QuizRR and this will hopefully help to raise awareness in the factory. We will keep following up on this issue.

Recommendation: FWF's Workplace Education Programme to promote social dialogue during possible labour disputes. A deepened understanding of FWF CoLP and local laws is recommended.

There was no effective internal grievance mechanism in place at the factory in 2013. This has improved since the last audit and workers now think the factory is helpful in providing solutions to most of their complaints and they think their voices are taken seriously.

There is no independent union or workers' committee run by workers without management involvement. The factory has a trade union which is subject to the All China Federation of Trade Unions (ACFTU) and the chairman is the administration plant manager instead of rank-and-file worker. The functions of the union need further expansion to truly support the workers. In addition, the factory's workers have weak awareness of freedom of association. The management of the factory states that a true trade union is difficult in China. We will follow up on this.

The audit team found that the weekly working hours for most workers are 72-84 hours, which exceeds the limit of 60 hours a week. According to the management, this is due to tight deliveries. Some workers work more than 60 hours per week up to 68 hours according to the management. As per analysis of the attendance records of the most recent 6 months, the regular overtime hours are up to 3 hours per day which is in compliance with the legal requirements. Improvements have been achieved in terms of numbers of days that workers work in a row. Now, workers are entitled to 1 day off in a 7-day period.

REAUDIT #3

We did a re-audit at our only supplier in Vietnam who manufactures sports outerwear for us. The last audit was conducted in 2012.

Wages for a regular working week were below one of the living wage benchmarks estimated by local stakeholders that were consulted by FWF in 2012, and the workers are still not reaching living wage level. The factory however meets the minimum wage for all employees and there has been an increase of salary since last audit. We are happy with the progress.

One finding was that the FWF CoLP was only posted at the sewing workshop which workers from other sections of the factory cannot access. This has been taken care of and the CoLP is posted in all departments.

Despite that 10% of workers have attended the WEP training provided by FWF and that the factory also organised training to workers, most interviewed workers have low awareness of the FWF CoLP, the complaints mechanism and relevant legislation. The factory provides annual training on the FWF Code of Conduct to all workers. The factory says it is very difficult to make all workers remember all information from the training date. That is why workers might say that they don't know when an auditor interviews them, although they have been provided with training many times. We will follow up on the progress on this issue.

The current Union Chairwoman is the HR Manager, who is part of the management. As advised by Better work, the Union will organise an election to elect a new chairperson who is a representative of the workforce. The factory will increase awareness among workers and arrange to elect the new Trade Union chairman at end of July 2016. We are waiting for an update regarding this.

Excessive overtime was found. The factory will arrange a production plan to reduce overtime and ensure that no workers exceed 30 hours a month.

Minor issues regarding fire safety were found and they have all have been fixed during the year.

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 helps us to avoid peaks in production and minimise overtime. It also results in very good delivery performance. At the Chinese factories where this type of problem is most common, Filippa K is often just a small customer among many larger clients. Being a comparatively 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.

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 toward transparent prices so that we know how much of the final price reflects 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 in-house work and development by doing annual performance check-ups to analyse our working processes and practices with regard to various social issues. FWF offers good support in how to handle complex social issues and we highly value their recommendations and demands. 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 implement the FWF Code of Labour Practices in our internal routines as well as our external.

SUPPLIER TRAINING DURING 2016:

QUIZRR

Applying gamified services in factories producing clothes, like in the case of QuizRR, potentially creates wider knowledge amongst workers and hence also 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 usable and flexible tool for that, as it is easily accessible and can reach out to everyone.

Engaging everyone in our supply chain in sharing our value system is important for Filippa K, and an important factor in building successful long-term partnerships. We obviously cannot do this on our own, instead we rely on the cooperation of all our partners to make this work. We hope that digital training platforms like QuizRR will help increase the awareness of factory workers. The suppliers who are engaged in QuizRR are at the moment Aussco, Mulum Knitting, San Marino, Fa Tin, Xu Ming, Tong Hui and Guixiang knitting. QuizRR has so far been used by 1,523 workers employed in different Filippa K production phases, adding up to 4,603 completed training sessions.

“Our suppliers consider QuizRR a fun and new way to learn about social accountability. Presenting the social subjects in videos and asking questions after each video is an interactive way of learning and remembering.” Doreen Chiang, Product Manager Knitwear and Sustainability Coordinator for Social issues and Animal welfare at Filippa K.

STWI PROJECTS

Water is a crucial resource for the textile industry, and one of which we unfortunately overuse, causing large footprints. In our attempt to reduce this impact we are active members of the Sweden Textile Water Initiative (STWI). In 2014, we decided to also take part in STWI projects. Different brands work together with Stockholm Water Initiative and Sida to create a global shift toward more sustainable production processes throughout the supply chain by reducing the industry's water, energy and chemical use. Raising awareness through educational workshops is one of the keys to succeed.

Capacity building and awareness through workshops conducted in China

Technical trainings were imparted through a series of workshops that were held in 2016. All workshops were aimed at supervisory and middle managerial staff from the units. These were divided into two parts i.e. Classroom workshop and On-site training. 80 people were involved in the training from the different factories.

Classroom workshop: This workshop was held over a span of two days and saw good attendance from most of the participating units. It was very well received by the attendees. There was ample time provided for discussions and the workshop was interactive owing to a healthy round of Q&A's. Two technical workshops were conducted for the member factories which witnessed the participation of around 50 representatives. The first workshop emphasised water and energy issues and focused on the government policies on water and the methods that can be adopted by the factories for water savings in their premises. The second workshop was more focused on effective chemical and energy management.

On-site training: In addition to the classroom workshops, on-site technical training for the specific needs of the units was offered. Management and STWI Improvement Team (SIT) members were the target audience and the training was held in a very open way to encourage the units to express themselves freely so that their concerns could be addressed properly.

Awareness sessions were carried out with the factory workers. Owing to the emphasis of the government on resource efficiency, the units in China generally have a good mindset with regard to resource saving.

At the beginning of the program, local partners helped the factories to establish STWI Improvement Teams (SIT). The awareness sessions are an important component of the STWI project and rely on the firm belief that an increased level of awareness among the factory front-line workers on sustainability issues, despite its requirement of a time-consuming processes, is crucial for the long-term, sustainable development in all businesses or any bigger contexts. In 2016, awareness sessions were successfully conducted in the participating units.

To avoid affecting the normal production, a variety of creative and flexible training was conducted, such as the on-site training, early morning meetings during the workshops, WeChat group training, posters and electrical banners in the workshop.

Technical training 1 - June 2016

1. Water reuse in textile enterprises
2. Water metering in textile enterprises
3. Water quota for textile enterprises and calculation method
4. How to set up a water saving type textile enterprise

Technical training 2 - Oct 2016

1. Best practice in chemical management in the STWI project
2. EU chemical policy and management
3. Energy saving management
4. Energy factory analysis in the textile industry
5. Energy saving ways in the textile industry

V. LONG-TERM SUSTAINABLE SUCCESS

SUSTAIN A PROFIT LEVEL OF MORE THAN 10% EBT

Filippa K Group delivered a profit level of 7% Earnings Before Tax (EBT) for 2016. We have subsidiaries in seven countries (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 six years we have accounted for the following tax expenses:

ADAPTING TO CIRCULAR BUSINESS MODELS

We have come across some financial challenges associated with adapting our business to a circular economy. For instance, we have run into problems regarding VAT when rewarding customers who drop off old clothes through our Collect concept.

To encourage customers to drop off their old clothes we reward them with a voucher of 15% discount on their next purchase. According to VAT legislation this is considered as a purchase of a voucher and we pay VAT on the discount that we offer and by doing that, we pay taxes for an amount that does not generate an income. In practice, it means we pay taxes on the clothes we collect. We are now investigating how to change the reward to customers.

	2016	2015	2014	2013	2012	2011
Turnover	649,4	656,3	662,5	635,2	572,9	524
Earnings Before Tax (EBT)	42,8	51,1	70,8	79	49,9	74
Tax Expense	-9,5	-12,6	-16	-18,2	-11,9	-21,8
Tax % of EBT	22%	25%	23%	23%	24%	29%
Profit level	7%	8%	12%	12%	9%	14%



PROFESSIONAL LONG-TERM PARTNERSHIPS

We know that one of our key factors for success is long-term partnerships. 38% of our supplier volume is bought from factories where 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 to work for change in the area of sustainability together. Our supplier base is stable and does not change regularly; in 2016, 62% of our purchase volume came 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 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 entertaining these long-term relationships we are able to run smooth and efficient processes with a high level of quality.

GOOD CASES WHOLESALE PARTNERS

The sustainability aspect is becoming more and more important among our partners, and our sustainability approach is very much appreciated among e.g. our wholesale partners. In general, both the wholesale partners and their end customers have a high awareness and they make sure to stay up to date. Going forward, we have to be better at sharing our knowledge and our progress within the area of sustainability. Our partners are important ambassadors for our brand and our values, so the more they know about our products, production and developments, the better.

We have proudly partnered with Well Made Clothes in Australia, an online wholesale partner that only sells clothes from brands that they consider to be more sustainable. They categorise each brand from different sustainability criteria: Handcrafted, Sustainable, Fair, Vegan, Transparent, Local, Minimal Waste and Gender Equality. We qualify for Sustainable, Minimal Waste and Gender Equality according to their ranking.

<http://wellmadeclothes.com/designers/filippa-k>

Best of Brands is one of our wholesale partners in Sweden. We have been working together since 2000 and it is a long-term partnership that we highly appreciate. They invest a lot of time and money in their employees, support health programs and education sessions together with suppliers and offer free travels as a bonus when reaching common goals. Many of their employees have been working for them for several years, which is not that common in the retail business, an industry where high turnover rates for employees are common.

Internally, Best of Brands sort their waste and the cleaning company they hire for all stores is environmentally certified. They value close relationships with their suppliers and say that they are proud to work with Filippa K as we focus on sustainability. It is important for them to be able to offer clothes that are more sustainable.

One of our German partners since 2007 is Greta & Luis. They are a great partner of ours, partly because they have a high work ethic and partly because they contribute on a high level in building brand awareness in Berlin. They value Filippa K for our efforts within the area of sustainability and long-lasting style. They too work toward sustainability by taking small steps both internally and through supplier relations. For Greta & Luis, it is important to take on the matter of sustainability as it is highly appreciated by the end consumer.

Another German partner since 2007 is Maria (formally known as Lieblingsstücke). We have a close relationship and Filippa K is the major brand in the store. They use the sustainability aspect to attract attention from the end consumers, and even though the end consumers are not picking up as much as they wish, they hope that the fact that brands like Filippa K keep raising awareness about sustainability will make the end consumers react on a wider level eventually.

6. INITIATIVES AND COOPERATIONS

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. For instance, each summer we participate in discussions and seminars during the political week in Almedalen, Sweden.



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 to 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 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 personnel and the sustainability team. Also, the Forum is a great place to share experience and findings with other companies in the field.

SUSTAINABLE SWEDISH VISCOSE

Filippa K is engaged in a project that aims to develop a technology platform demonstrating the potential of producing sustainable viscose textile fibre materials from Swedish wood as an integrated part of Swedish pulp mills that manufacture dissolving pulp.

COOPERATIONS

We strive to have a positive impact on the 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 like 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 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 The Fashion Library in Holland. These organisations aim to offer people to renew their wardrobes temporarily without contributing to an increased virgin production and consumption in society—and without emptying their pockets!



PARTICIPATING IN PUBLIC DISCUSSIONS AND SEMINARS

To reach our sustainability goals, we need to have an ecosystem thinking; a holistic perspective on everything we do; creating new connections, cross-functional collaborations and innovations. This is why we try to engage with all different stakeholders, from partners, customers, NGOs, competitors and politicians. We encourage politicians to implement more incentives and legislations that support new business models and solutions in line with circular economy. In 2016, we participate in a round table discussion at COP22, the Climate Change conference in Marrakech. We also wanted to take that opportunity to show our support for the UN Climate Change Conference. During 2016, we were also honoured by a visit from our Minister for Financial Markets and Consumer Affairs Per Bolund to discuss circular economy and what we need to speed up the transformation.

We also participated in several seminars at universities and Swedish embassies throughout the year to spread awareness and try to push for a circular transformation. We ended 2016 by participating in the Circular Transition conference in London where we got the chance to talk about our journey towards circular models and address both the opportunities and the challenges ahead.

FINAL WORDS

THANK YOU FOR READING OUR 2016 SUSTAINABILITY REPORT. 2016 WAS A YEAR FULL OF INSIGHTS AND LEARNINGS FROM ALL THE NEW INITIATIVES THAT WE LAUNCHED DURING 2015. WE ALSO MADE A BIG EFFORT IN REACHING OUT IN A TRANSPARENT WAY TO OUR STAKEHOLDERS THROUGH THE FILIPPA K CIRCLE.

As a company, we adopt a holistic approach to the industry and the way we make clothes. Our ambition is to make clothes that live for a long time, both in terms of quality and design. We continuously evaluate our processes and try to evaluate everything from the materials we work with to our 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 scene—an industry built on circular models.

We are still at the beginning of our journey and we have a long way to go, but we are highly motivated and determined to succeed. In a circular fashion world, our wardrobes will have a mix of new, long-lasting pieces and pre-owned garments. Leasing clothes will be more common as a way of updating our wardrobes and fashion stores will centre around a circular mindset rather than the existing linear one.