

Filippa K

SUSTAINABILITY REPORT 2017

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TABLE OF CONTENT

1. COMMENTS FROM THE CEO AND THE SUSTAINABILITY DIRECTOR
2. THIS IS FILIPPA K
3. FILIPPA K STAKEHOLDERS
4. OUR STRATEGY: CIRCULAR FASHION
5. OUR 2030 COMMITMENTS
 - I. CONSCIOUS DESIGN FOR A BETTER FUTURE
 - II. SUSTAINABLE SOURCING AND MANUFACTURING
 - III. RESOURCE EFFICIENT BUSINESS
 - IV. RESPECTING PEOPLE IN OUR VALUE CHAIN
 - V. LONG-TERM SUSTAINABLE SUCCESS
6. INITIATIVES AND COOPERATIONS

Comments from the CEO and the Sustainability Director, Kristofer Tornström and Elin Larsson

Our company mission is to show that simplicity is the purest form of luxury, inspiring a movement of mindful consumption. We want to encourage customers to focus on long-lasting quality and design, so that they have fewer and better pieces in their wardrobes.

We take pride in investing in the longevity of our clothing. Transparency is a key part of this journey and at every step sharing our stories with our customers.

For many years we have worked on important issues such as decreasing our production footprint, increasing our use of sustainable materials and addressing social issues in our value chains. Circular Fashion, our framework since 2014, provides a guide on how to move towards a circular economy which we consider one facet of a sustainable business practice. At the heart of this are the four Rs: Reduce, Repair, Reuse and Recycle.

As a privately-owned company, we have the chance to privilege sustainability and employ an equally passionate workforce. Even so, making sustainable choices every day can be a hurdle, from specific issues such as minimum order volumes, imperfect software to larger, big-picture problems such as trying to get a holistic view of the whole life cycle of a garment — an important set of data for optimising sustainability.

Despite these barriers we are committed to challenging the status quo and finding new solutions and ways to innovate. Our goal remains a fully circular fashion cycle which respects the planet.

It is great to see that we are not alone in this mission. Here are just a few of the initiatives and events we have participated in in the last year:

- Signing up to Global Fashion Agenda's commitment targets
- Being showcased at Design for Longevity
- Sending a speaker to Cop23 meeting in Bonn
- Taking part in World Water Week
- Participating in the World Circular Economy Forum
- Being part of 10YFP Sustainable lifestyle and education program
- Being part of Mistra Future Fashion
- Participating in Ellen MacArthur's Circular Fibres Initiative

The Sustainable Development Goals, a set of 17 goals created by the United Nations Development Programme, gives us clear, collective targets to reach a more sustainable world, together. Our own aims are linked back to the SDGs, you can find symbols for the particular goals under each section of the report.



Kristofer Tonström
CEO



Elin Larsson
Sustainability Director

This is Filippa K

Filippa K was founded in 1993 and is today a leading Scandinavian fashion brand.

The head office is situated in Stockholm, Sweden, we also hold an office in Amsterdam, the Netherlands.

We are present in 65 markets through our own e-commerce, 40 brand stores and some 600 premium partners.

Out of those we have our own brand stores in 7 markets.

Filippa K has about 350 passionate employees, 81% whom are female, 19% whom are male.

The annual turnover is around 650 million sek.

Filippa Knutsson and her then husband Patrik Kihlberg founded Filippa K, designer Karin Segerblom joined not long after. The first pieces 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 functional design. Our strategy has always been to make clothes that last —both in terms of style and quality. We see simplicity as the purest form of luxury and want to inspire mindful consumption, minimalist lifestyle and equality.

Style, Simplicity and Quality are three values that run through everything we do. These values guide us in our everyday efforts to meet our own requirements and those of our stakeholders. At Filippa K, quality means more to us than just meeting our customers' expectations of 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 are constantly working to place trust at the centre of our values.

The textile industry has long and complex supply chains and a large environmental and social footprint. As a sustainable brand, this poses us a number of challenges. Through careful consideration of materials, production practices and choosing the right partners in the value chain we try to minimise the negative impacts of our business. For us, this also means promoting values that maximise longevity, through quality style and simplicity, as well as considering the post-purchase life of all our pieces, like enabling our products a second life, through the Filippa K Second Hand store for example.

Our goal is to run a business that is sustainable in the long term within the planetary boundaries. To do this, we need to embrace a holistic view of our brand and the ecosystem that it sits within.

”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.”

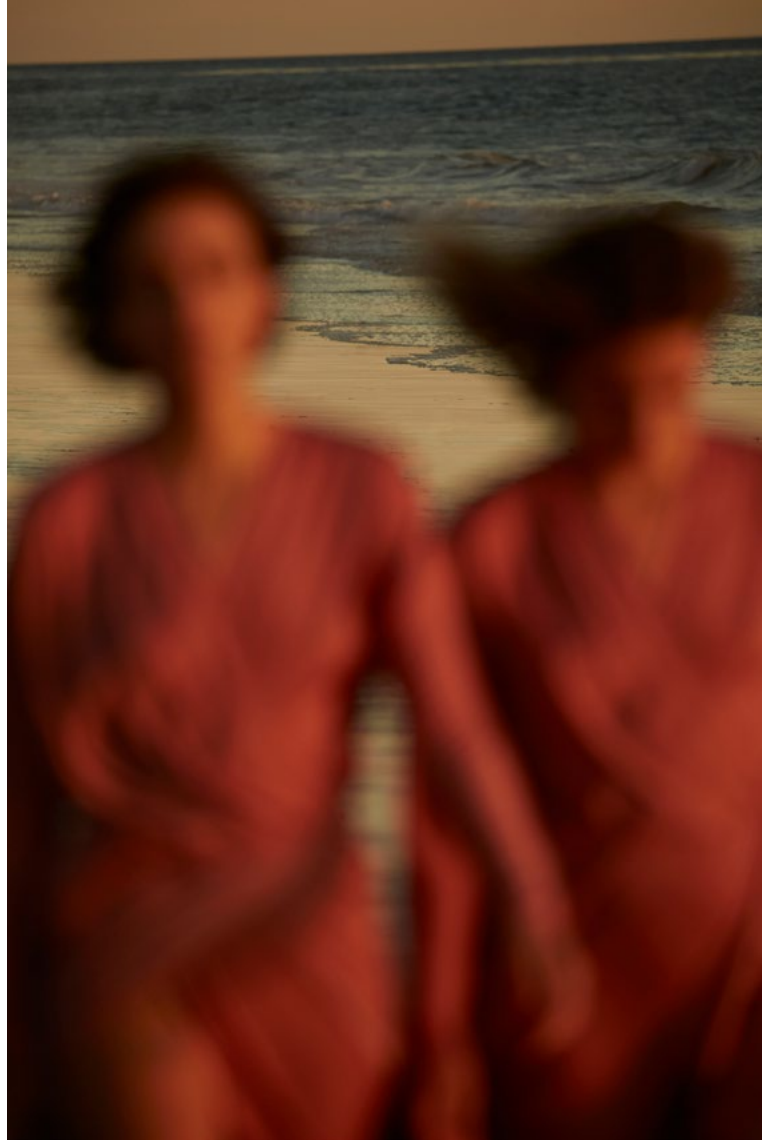
Filippa Knutsson,
founder and Creative Director of Filippa K.

OUR BUSINESS AND IMPACT

All our products are designed and developed at our head office in Stockholm, while all production is done by partners and sub suppliers of us, we do not own any factories ourselves. The majority of our production is done in Europe, followed by China and then some small volume in India, Vietnam and Chile for example. All products are shipped to our central warehouse in Sweden and from there shipped out to our own stores, wholesale partners and online customers. We have three outlet stores, one in Norway and two in Sweden, where unsold seasonal products get a second chance to find a buyer, which they always do more or less. We have ended up with unsold garments only at a few occasions and then given them to charity organisations like Stockholms Stadsmission and Red Cross.

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. Research say that the textile industry is the second most polluting industry after oil. There are both environmental and social risks within our value chain and those are mainly found beyond our direct control and our own business, up streams of our value chain. For our own direct impact on the environment we make conscious decisions when it comes transports and we try to reduce our use of energy and make sure to use renewable energy in our facilities. To make sure we respect human rights within our own business and our value chain we are have internal policies and guidelines in place. Our partners have to sign our Code of Conduct that is developed to protect human rights and to ensure good working conditions.

The biggest social risks are that workers do not have fair working conditions in factories we are buying from, for instance too long working hours, not getting paid a living wage or not having the right to freedom of association. We strive to be a fair and reliable business partner in a long-term and rewarding relationship, based on mutual trust. Our trading agents, suppliers and other business partners play an important part in realizing this aspiration. All partners to Filippa K are expected to operate in compliance with our Code of Conduct. This means that supplier companies, trading agents and other partners must ensure that our Code of Conduct also is respected and fulfilled by subcontractors involved in the production processes carried out on behalf of Filippa K.



LEVEL ONE- MUST HAVE

If a partner violates any of these requirements direct and more drastic actions will be taken to solve the problem. Filippa K reserves the right to take necessary measures to ensure future compliance with the Code of Conduct. However, we encourage work to find a long-term solution.

- No child labour
- No forced or bonded labour
- No severe safety hazards
- No severe environmental pollution
- No corruption
- Transparency regarding working hours and wages
- Compliance to Filippa K's chemical restriction list

LEVEL TWO- SHOULD HAVE

If a partner violates a level two requirement the partner will be given the opportunity to improve, these improvements must be reported. Thereafter Filippa K will follow the improvements closely to ensure that this violation is not repeated.

Social requirements:

- No discrimination
- Freedom of association
- Living wages are paid
- Hours of work are not excessive
- Employment relationship is established
- Decent working conditions
- Employee education

Environmental requirements:

- Environmental management system

The biggest environmental risks are found outside our own company. Those are impact on climate change, water scarcity, negative impact on biodiversity, the use of hazardous chemicals and the release of micro plastics into rivers and oceans. Life cycle assessments done by Mistra Future Fashion research program shows that the absolute biggest impact on both climate change and eco toxicity during a product's lifetime lays within fabric production and is out of our direct control. Still, we constantly try to decrease that negative impact by making conscious choices during design phase, collaborating with experts, NGO's, our suppliers and other brands to find new solutions.

We try to reduce our impact and the risks through the choice of materials in our products, 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.

To help us and guide us in our work of making sure we are respecting human rights, that we do not have any corruption and to decrease our environmental impact we have different steering documents, guidelines and policies.



CUSTOMERS & PRODUCTS

We work to be true to our values and to stand for the things we believe in. Each of our products has a purpose, and each product is long-lasting in both design and quality. Our customers are intelligent consumers and we want them to be able to say “I trust Filippa K”. Therefore, we work hard to provide great value through our products. This is how we do it.

- We consider the safety, comfort and well-being of our customers and the people involved in the production of our goods, as well as the environment, when designing and sourcing our products.
- We constantly strive to increase the use of more sustainable materials in our products.
- We limit and eliminate the use of potentially harmful chemicals in the production of our products.
- We believe animals shall be treated well and protected from unnecessary strain and stress. Our ambition is to only use leather and fur from buffalos, cows, goats, pigs and sheep that have been raised for meat production and not use feathers or or angora wool in our collections.
- We seek to market our products in an honest and responsible manner.

The following policies and guidelines outline Filippa K’s commitment within the area of customer health & safety in greater detail:

- Filippa K Guideline, which includes Quality standards, rules and forbidden chemicals and our code of conduct.
- Filippa K Sandblasting policy
- Filippa K Animal rights policy
- Filippa K Leather policy
- Filippa K Communications Policy

EMPLOYEES

At Filippa K, we work actively 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.

We feel passionate about being a great place to work, where you as a colleague can be inspired, develop and grow with the company. As part of the Filippa K you can expect a respectful, attractive, safe and healthy working environment.

- Filippa K respects the rights of our employees and is committed to be an attractive employer.
- Market conditions must apply.
- All employees shall be treated equally; regardless of ethnicity, religion, disability, gender, transgendered identity or expression, sexual orientation, age or marital or maternal status. We believe that all employees have the right to be treated with respect and that a diverse team benefits both our customers, employees and Filippa K as a whole. Harassment in any form is unacceptable.
- Mutual respect, openness and participation are fundamental to the well-being and success of our employees and our company. Our goal is to be a company that includes healthy values and good leadership qualities. We respect all employee's right to form and join trade unions and to bargain collectively.
- Filippa K is committed to offering a safe and healthy working environment – we work actively to provide
- A good physical and psychosocial work environment. This includes preventing and managing stress and work-related illness, as well as maintaining high fire safety standards
- A work environment free from abuse of alcohol and other legal and illegal drugs.

The following policies and guidelines outline Filippa K's commitment within the area of working conditions and employee relations in greater detail:

- Working environment handbook, which includes
- Discrimination policy
- Sexual harassment policy
- Drug and abuse policy
- Stress policy

Each Business Area Manager is responsible for securing that Filippa K policies do not violate the legislation in their respective countries, as well as for implementing policies and related routines, from risk assessment to follow-up.

PARTNERS

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

To assist our suppliers' understanding of our code of conduct and other requirements we invest in close ties and dialogue.

The following policies and guidelines outline Filippa K's supplier requirements:

- Filippa K Guideline, which includes
- Code of conduct
- Quality standards, rules and forbidden chemicals
- Recognition of design rights



ENVIRONMENT

Filippa K seeks to contribute to a more sustainable future and works to limit our company's and our products' impact on the environment. We welcome collaboration with external partners to further our knowledge and efforts within environmental management. Our aim to address each step in the manufacturing circle:

DESIGN & PRODUCTION

- We always strive for long-lasting design
- We strive to make environment conscious choices in our design process
 - We strive to offer more products with more sustainable materials
- We strive to find solutions and processes to limit the use of water in fabric and garment manufacturing.

TRANSPORT - WE WORK TO REDUCE CARBON EMISSIONS BY:

- Consolidating the transport of our goods
- Selecting less carbon intense modes of transport
- Placing environment requirements on our transport service providers
 - Including environment requirements in our travel policy

STORES & MARKETING - WE WORK TO INCREASE THE ENVIRONMENTAL PERFORMANCE OF OUR STORES BY:

- Training our store staff in environmentally sound practices
- Placing environmental requirements when building and rebuilding stores
- Placing environmental requirements when purchasing product packaging

USE & REUSE

- We encourage our customers to resell, reuse and recycle their Filippa K pieces. One way we do this is our second hand shop, our Collect service and through our Lease concept.
- We inform our customers about how they can care for their Filippa K pieces with limited impact on the environment and we offer care products in our stores.

The following policies and guidelines outline Filippa K's supplier requirements:

- Code of conduct
- Restricted Chemical list
- Sweden Textile Water Initiative's Guidelines



WORKING WITH INTEGRITY

Filippa K strives to be a brand of substance and truth – everyone dealing with us should be able to trust us. Therefore, doing the right thing and working with integrity is a fundamental part of who we are and how we run our business. This means that Filippa K expects our own employees as well as those we deal with – our suppliers, agents, vendors and other business partners – to be fair in all business activities. The biggest risks for corruption are found in the relationships with suppliers, both between suppliers and Filippa K as well as between supplier and sub suppliers. Anyone dealing on behalf of or with Filippa K must observe the following:

- You must not offer, promise, give or accept any undue monetary or other advantage in order to obtain or retain business or any other improper advantage.
- Gifts, hospitality, discounts and/or expenses must be limited to reasonable and legitimate expenditures and must not improperly affect the outcome of a procurement or other business transaction.
- Facilitation payment must not be made.

Furthermore, Filippa K employees must observe the following:

- All our business decisions must be taken with Filippa K's, our customers' and our shareholders' best interest in mind. Decisions must not be based on personal relations or interests, and you must not use company resources or your position at Filippa K to further a personal interest, including employment outside of Filippa K.

We strive to run a long-term sustainable and fair business within the planetary boundaries where human rights are respected. To ensure long-term sustainable success we must have a holistic view of our business and the eco system that we are part of, to understand how all parts interact.

Filippa K 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 life style.
- 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 high-quality, sustainable clothing that stands the test of time.
- PARTNERS: Through collaboration and dialogue, Filippa K will work to strengthen our partners' sustainability efforts.
- NGOs: Filippa K recognises expertise that NGOs can provide, and will continue to embrace their contribution to sustainable development.
- GOVERNMENTS AND POLICY MAKERS: We will support and encourage governments and policy makers to implement regulations, standards and economic incentives to help transform the industry.

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

STAKEHOLDER DIALOGUE 2017

We were honoured to be invited to participate in the secretariat for the United Nations Framework Convention on Climate Change as part of their dialogue on Fashion and Climate Action. The aim of this meeting is to facilitate better coordination and establish collaborative, holistic approaches through inclusive partnerships built on principles, values and shared goals, aligned with the Paris Climate Change Agreement and the 2030 Agenda for Sustainable Development. In advance of the meeting we asked our customers, peers, colleagues, suppliers and other great minds for their input and we were inundated with useful and interesting responses. The voting on the proposed actions created the set of priorities for us.

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

WHAT SHOULD WE AT FILIPPA K FOCUS MORE ON?

1. Decreasing the use of resources in production, for example water and chemicals
2. Increasing the use of recycled and more sustainable materials
3. Reducing waste through the products life cycle
4. Offering long-lasting products both in quality and style
5. Guiding customers on how to create a more sustainable wardrobe
6. Increasing transparency through the whole value chain
7. The use of renewable energy in production and our own facilities
8. Offering an extended lifespan for all pieces through garment care, repairs, rental and second-hand sales
9. Encouraging recycling of worn out clothing
10. Promoting more sustainable transportation methods





WHAT SHOULD WE PUSH POLICYMAKERS TO FOCUS ON?

1. Promoting product transparency and traceability
2. Implementing stringent rules and precautionary principles for use of hazardous chemicals
3. Encouraging a holistic ecosystem approach in line with the planetary boundaries
4. Economic incentives for design longevity, reuse and recycling of products
5. Paying the true cost for resources like water and energy
6. Removal of counteracting subsidies like the ones in place for cotton and oil

Additional ideas and thoughts that were provided included the need for traceability and improvement in communication channels, issues around chemicals and micro-plastics, promotion of recycling and extended producer responsibility, the importance of social aspects and animal welfare issues as well as more strategic feedback on how to move the dialogue forward.

Our strategy: CIRCULAR Fashion



[BACK TO TABLE OF CONTENT](#)

Circular Fashion is our internal framework for how to adopt to circular economy guiding us on how to move away from traditional linear business models towards circular ones, like nature's own ecosystem. It encompasses everything we do within our business: from how we design, develop, produce and build longevity into our clothing to reinvigorating our business models.

Our Circular Fashion principles keep us committed to the four Rs: Reduce, Repair, Reuse and Recycle

- Reduce: With an honest devotion to circular fashion as a starting point, we strive to create pieces with minimal negative impact that can be part of a closed-loop system.
- Repair: We create clothes that last for a long time and take pride in making sure they do. Our Care concept furthers this by promoting garment care methods to our users.
- Reuse: We want all our clothes to get a chance to a second, third or fourth life through our Collect concept, Second Hand stores and our Lease concept.
- Recycle: We want to make sure that when clothing is worn out we can recycle them into new textile fibres again.



REDUCE

We are determined to create pieces with a minimal footprint, that is to say, they can be part of a circular mindset. Approximately every two years, we select Front Runners, pieces from our collection that are then produced in the most sustainable way.

We examine every aspect that goes into making these pieces, including how our customers use and care for them until they reach the end of their wearable life, so we can review and refine our processes right from the design table. The improvements we make in areas such as material choices, design practices and production techniques are all carried out with a view to carrying them over to our mainline clothing production step by step. By 2030 we aim to have all our collections made according to the key criteria for our Front Runners.

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

LEARNINGS FROM OUR EARLIER 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:

- We used to use safety pins to attach our hang tags. These have now been removed entirely.
- We have started to implement biodegradable plastics made from corn starch for the plastic bags that are used for each garment during transport and warehouse handling.
- We have removed the tissue paper commonly used for almost all products during transport.
- We are using Tencel thread for several of our Tencel products for making recycling easier, usually we use polyester threads which makes recycling more difficult when it is a mix of natural and synthetic fibers.
- We are using recycled polyester lining for all outerwear and a large proportion of our suit jackets.
- We are using buttons made from the corozo nut for several outerwear and suits, for example on all our suits in the basic cool wool program.
- The Collect and Lease concepts are both results of Front Runner journeys.
- For the latest Front Runners we offer a 10 year guarantee on the products and we are looking into how we can extend this out to our other clothing in the future.
- Trying out new resource streams, including using waste textile from one process as material for our tote bags or even for clothing in the future.
- We sourced a supplier using an innovate dye process. By adding the pigment to the spinning solution prior to extrusion, the pigment becomes a homogenous part of the fibre, eliminating the usual environmental hazards associated with the dyeing process. We are now looking into using this for not only our forthcoming Front Runners, but also for styles in our main collection.



UPCOMING FRONT RUNNERS

Collaborating with Mistra Future Fashion we have created 'Circular Design Speeds', an industry-embedded pilot study led by Professor Rebecca Earley & Dr. Kate Goldsworthy of University of the Arts London. The two-year project includes research, development and testing of new strategic design to create fully circular fashion pieces that will become our next Front Runners. The idea is to implement insights from Mistra Future Fashion in a real-life fashion industry context, focusing on speed of use and maximising fabric value retention in products. For Filippa K this is a key approach; exploring a process enabling us to become circular and much more sustainable by 2030.

“We want to be able to enjoy fashion and update our wardrobes in a conscious way. That is what the project – Circular Design Speeds – is about. We will develop circular clothing where all environmental impacts and aspects during a full life cycle are taken into account and optimised based on a predetermined lifespan.” Elin Larsson, Sustainability director Filippa K

Understanding the lifecycle of a piece of clothing is key to create a more sustainable industry; the future is dependent on a new definition of 'fast' and 'slow' fashion. The future of fashion relies on brands being able to offer more sustainable clothing and services, to support more conscious consumer behaviour. The idea is to have a multi-speed wardrobe with a mix of short- and long-life pieces, new and second-hand, rented or borrowed that is realistic, practical, and sustainable. That is why the clothing, defined by its lifecycle and speed of use, is central in this project.

In order to benefit the broader industry, the key insights from this project will be shared in unique, ongoing Value to Others' seminars, which will bridge our circular design research to a business context and help create a deeper understanding for others in the industry. So far, we have delivered two seminars during 2017 and plan for a final one in the Spring of 2018.



REPAIR

We take pride in educating and helping our customers to take good care of their Filippa K clothing

so that those pieces can become the long-lasting wardrobe favourites they are designed to be. By increasing our customers' awareness of garment care, we not only prolong the clothes' lifespan but also help minimise environmental footprints during the user phase. We support this by providing inspirational guidelines both online, in physical stores and on social media.

We are continuously expanding our range of Care products in our stores. You can find washing detergent, brushes, sweater stones and washing bags. This is a way for us to communicate with our customers about how to best care for their clothing: laundry care tips how to air or store different fabrics, how to care for wool, etc... An example is our sweater stone, an eco-friendly way to remove pilling on natural knits like cashmere. The latest care product stocked instore is the GUPPYFRIEND Washing Bag, which is the world's first microfibre filtering bag. Microfibres are as big an ocean and river pollutant as microbeads; the GUPPYBAG filters these out while also protecting your laundry.

Sometimes unexpected things happen — you might lose a button, 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 isn't possible, we pass the piece on to a charity organisation to make sure nothing goes to waste.

REUSE

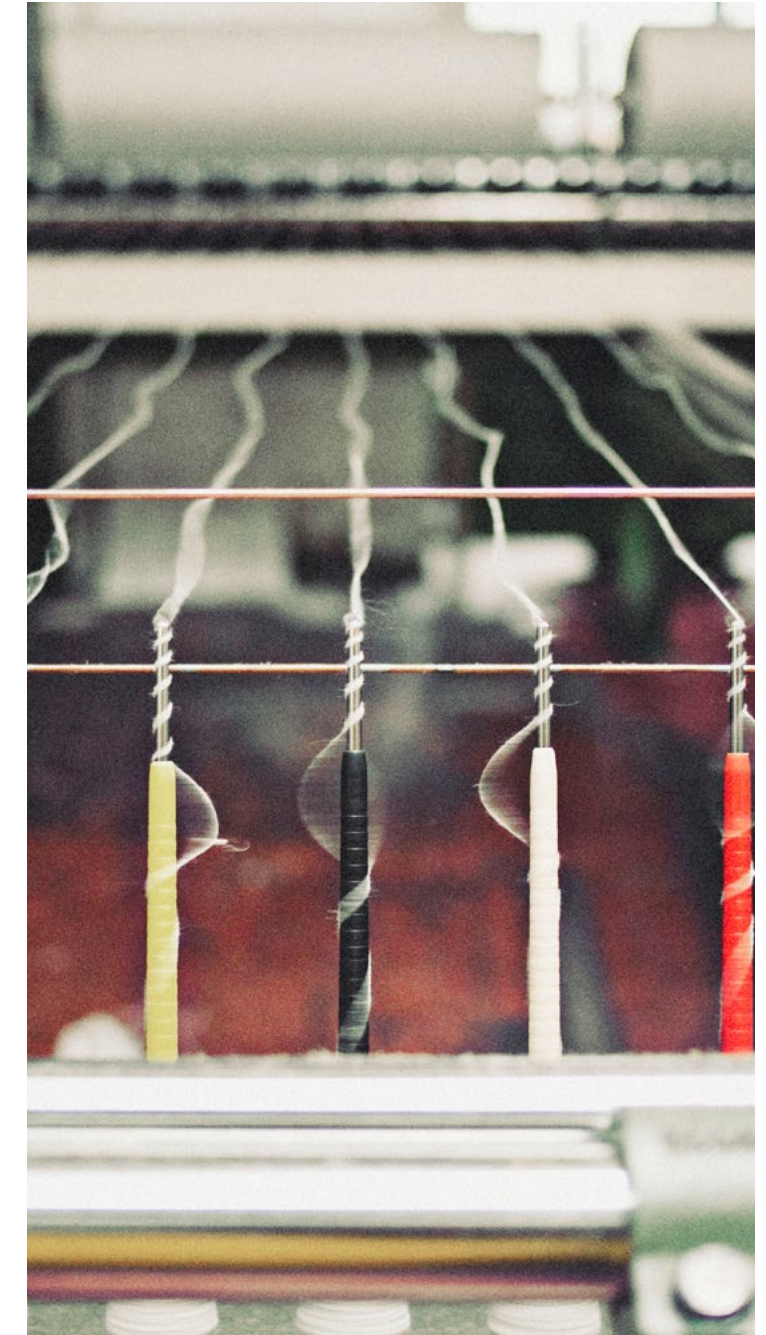
Filippa K clothing is made to last and we want to ensure that all our clothes get a chance to have a second or third life. We therefore encourage our customers to bring the Filippa K pieces they no longer use back to our stores so that we can find a new use — or user — for them. This is the reason we started a clothing collection system at Filippa K stores in 2015. Customers receive a 15% discount voucher when they hand in used and clean Filippa K clothing. Items too worn-out for our Second Hand stores will be given to charity where they get separated and sorted in to the most suitable usage stream.

During 2017 we received an influx of unused clothing. Due to lack of system support for this we are use a manual process which also makes it harder to follow up on the actual figures. We do know that we had in the region of 1 055 customers handing in used clothes and gave out a total discount value of 308 648 SEK based on used vouchers for Collect. That means we have collected around 2 700 Second Hand pieces. The rest of the collected clothing, around 500 pieces were donated to charity organisations.

The first Filippa K Second hand store opened back in 2008, 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 disposable shopping. As a bonus, we get a chance to prove that our clothes really do stand the test of time, both in quality and style.

A number of surveys show that we only use a small percentage of our clothes on a regular basis. This is why we offer a rental options on our collections. The Filippa K Lease concept has been available in selected stores since February 2015. We believe renting is a great option when customers want to test and make sure that specific clothing items will become a long-lasting wardrobe essentials, or if they only need a piece of clothing for a short time or a special occasion. By leasing clothes instead of buying them, the customers can keep their look up to date without overcrowding their wardrobes or contributing to increased consumption — what's more, this option is also more cost-effective than buying outright!

Although our Lease concept has many followers, it is still on a very small scale and awareness of the programme can yet be improved. Nevertheless, we're pleased to report a 153% uplift on the rental numbers in the last year.





RECYCLE

A number of our suppliers send their wool fabric cutting waste to our DHL warehouse. 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. During 2017 we sent our first shipment of cutting waste to our Italian suppliers to become new textile fabric again, a total of 6,6 tonnes.

Closing materials loops in order to minimise textiles ending up in landfill or being incinerated is a big challenge which requires new infrastructural solutions. We cannot do it on our own, so we cooperate with other partners to improve the possibilities for recycling textile fibres in the future. Some examples of some organisations we have partnered with are Re:newcell, the Swedish Chemicals Agency (Kemi), the Swedish Environmental Protection Agency (Naturvårdsverket), the Nordic Waste Group, Swerea and Mistra Future Fashion.

Our 2030 commitments



In 2011 we set out five commitments for ourselves with the ambition to reach those by 2030. We have since then focused our sustainability work to make sure we have progress within each area. We see them as keys to minimize the risks and to be able to run a long-term successful business in the future as well.

1. CONSCIOUS DESIGN FOR A BETTER FUTURE

- Using only sustainable materials (FK class 1-2)
 - Using only recyclable styles

2. SUSTAINABLE SOURCING & MANUFACTURING

- Having full transparency in our supply chain
- Using only sustainable production processes (according to FK's definition)

3. RESOURCE EFFICIENT BUSINESS

- Ensuring accurate purchase precision in number of pieces produced
 - Minimising footprint throughout our business

4. RESPECTING PEOPLE IN OUR VALUE CHAIN

- Insist upon total compliance with Filippa K's Code of Conduct based on Filippa K's values

5. LONG-TERM SUSTAINABLE SUCCESS

- Cultivate professional long-term partnerships
- Sustaining a profit level of more than 10% EBT
 - Sustaining a growth in comparable units

2020 CIRCULAR FASHION COMMITMENT

At Copenhagen Fashion Summit 2017, Global Fashion Agenda called on fashion brands and retailers to sign a commitment to accelerate the transition to a circular fashion system. We think common actions and setting similar goals are keys to create the change we want to see and therefore we signed up. We set the targets below for 2020 and will annually report on the progress.

2020 CIRCULAR FASHION COMMITMENT TARGETS:

ACTION POINT 1: IMPLEMENTING DESIGN STRATEGIES FOR CYCLABILITY

By 2020, all of our designers will have gone through training on circular design principles. (2017 50%)

By 2020, circular design principles based on industry guidance will be part of every Filippa K design brief. (2017 only our Front Runner products)

By 2020, 25% of our collection range will be made of mono-fibres. (2017 36%)

By 2020, 60% of our collection range will be designed for repairability. (2017 50%)

By 2020, Filippa K Care Concept will be shared with all our customers to help them care and extend the life for their products. (Care concept available in all stores and online)

ACTION POINT 2: INCREASING THE COLLECTED VOLUME OF USED CLOTHING

By 2020, we will increase the collected amount of used clothing by 10%. (2017 will be the starting year for measuring, figures will come)

ACTION POINT 3: INCREASING THE RESOLD VOLUME OF USED CLOTHING

By 2020, Filippa K Second Hand will be expanded and offered to all our online customers. (2017 business plan and start-up during 2018)

ACTION POINT 4: INCREASING THE USE OF RECYCLED TEXTILE FIBRES

By 2020, 5% of our collection will be made from recycled post-consumer textile fibres. (2017 2%)

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 2017

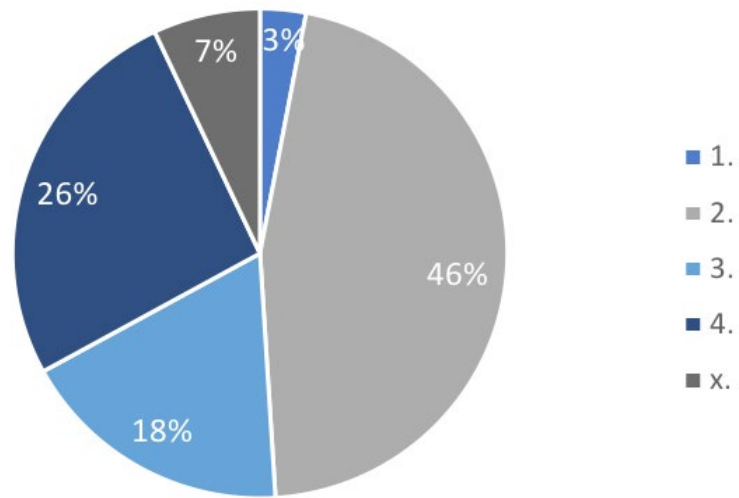
Our total use of class 1 and 2 fibres during 2017 was 49%, an increase of 10% from the previous year. We focused our efforts to change materials on our volume styles, which explains the increase from last year.

We also measure the number of styles that contain more than 50% of a class 1 or 2 fibre. For 2017 we had 41% of the collection containing more sustainable fibres. That is a decrease of 8%, and we did not reach our goal of 53%. The reason for this decrease is our strategic decision to focus on volume styles, which although they are fewer in number, they have a bigger overall volume and thus bigger impact.

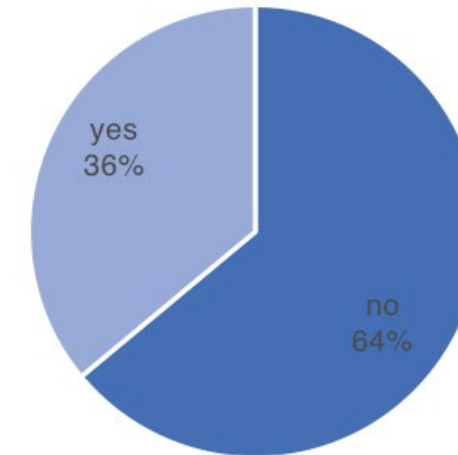


FIBRE	2017	2016	2015	2014	2013	2012
Cotton	17,1%	29,3%	23,2%	25,4 %	26,3 %	31,3 %
All Wool	16,9%	15,6%	17,7%	25,4 %	16,1 %	17,4 %
Organic & BCI Cotton	13,3%	3,4%	8,7%	9,3 %	7,9 %	8,4 %
Polyamide	7,6%	4,6%	5,6%	5,5 %	5,8 %	5,2 %
Lyocell	7,2%	11,7%	9,4%	8,2 %	6,7 %	5,6 %
Polyester	6,7%	7,6%	6,4%	8,3 %	6,9 %	3,5 %
All Leather	6,2%	2,5%	4,5%	5 %	6,1 %	7,4 %
Viscose	5,3%	5,2%	2,2%	9,3 %	9 %	8,4 %
Viscose (Lenzing)	3,9%	4,4%	8,3%	9,3 %	9 %	8,4 %
Linen Natural Retting	3,0%	4,5%	4,5%	2,1 %	2 %	1,6 %
Silk	2,3%	2,1%	2,7%	3,7 %	3,2 %	5,2 %
Elastane (Lycra and Spandex)	2,2%	1,8%	1,9%	1,7 %	2 %	1,4 %
Triacetate	1,5%	1,5%	1,2%	1,3 %		
Modal	1,1%					
Acetate	0,8%	0,7%	2,2%	1,5 %	2,7 %	1,5 %
Other Fibres (less than 0.7%)	4,9%	5,1%	1,5%	2,5 %	4,4 %	3,1 %

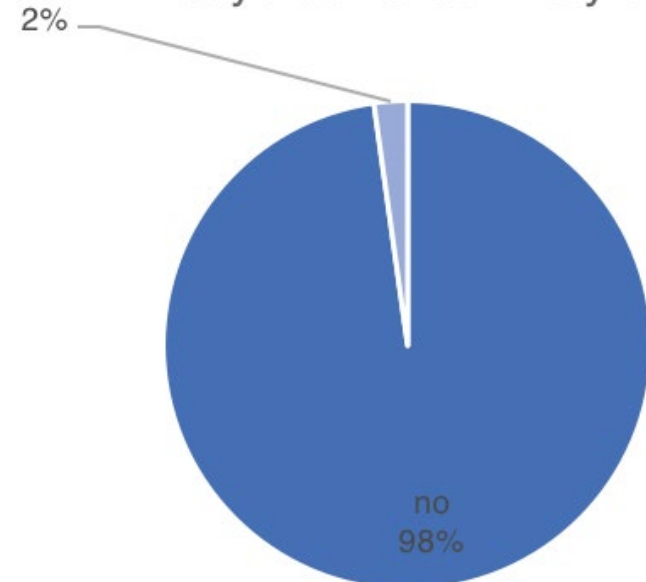
Percentage of purchased fibre per fibre class



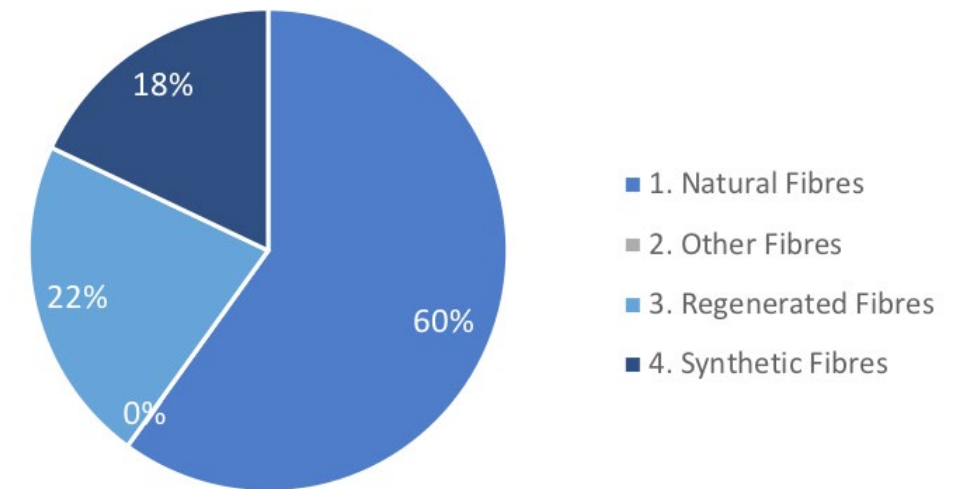
Fabrics made in mono fibres



Recycled fibres in styles



Percentage of purchased fibre per fibre type



FK FIBRE TOOL

When developing the Fibre Tool during 2012, we looked at Made-by's Fibre Tool, Nike's Material Sustainability Index (MSI) and the ECO-metrics guidelines. We also went through reports from NGOs and other research reports. We conducted, for example, a Natural Capital accounting analysis for wool together with Axfoundation and TruCost, where we also looked at social issues and animal welfare. We take a holistic perspective when evaluating the fibres, looking at the whole life cycle of a piece of clothing rather than only a section of the cycle, as most tools do. They usually look at the steps from raw material to ready fibre or fabric. We update this tool on a regular basis in order to keep it as relevant as possible, and to ensure it's up to date with the latest research.

Our designers find our Fibre Tool helps them make more conscious choices, without there being any major barriers to the aesthetics of the brand. Goals are set each year based on the tool, concerning what percentage of the collection should contain Class 1 or Class 2 fibres. Integrating use of the Fibre Tool into our company processes, and incorporating it as part of our yearly goals, means that it is easy to measure progress and make room for improvement.



MORE SUSTAINABLE COTTON AND LYOCELL

We have worked on increasing the use of organic- or BCI (Better Cotton Initiative) cotton and Tencel as more sustainable fibre options. We have used organic or BCI cotton for several of our carry-over styles for shirts as well as a couple of new styles.

WOOL

One of our favourite materials is wool, we see it as a superior choice in terms of sustainability. For autumn 2017 all of our wool outerwear was made using either recycled or traceable wool. Every year our use of mulesing-free merino has increased.

POLYESTER

Polyester is an oil-based synthetic fibre. It does not wrinkle and keeps its shape well. Polyester does not require as much water, energy and chemicals to be produced 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 from PET bottles. There is one major challenge with all kinds of polyester fabrics: they shed microfibres during washing. Too small to get caught by the filters in our washing machines and water purifying plants, these microfibres eventually end up in our waterways where they are ingested by shellfish and other aquatic animals. This is a growing problem, according to an article in Nature (2015), 80% of all plastics in the analysed fish from California, USA, were textile fibres. We are participating in two research projects, one run by Mistra Future Fashion and one by Sweden Textile Water Initiative, to look into possible solutions. In the meantime, we are offering short-term solutions for our customers, such as the Guppy Friend washbag which filters out microfibres and is available for sale in our stores.

BETTER POLYESTER

We are using recycled polyester as a more sustainable fibre and in autumn 2017, we were also able to introduce outerwear made from fabric which includes 30% bio-polyester from corn production waste.

BETTER VISCOSE

We consider viscose produced by Lenzing or Enka to be a more sustainable fibre, their production facilities meet high standards and they do not discharge harmful emissions.

TRIACETATE

The triacetate fabric and yarn we use are produced by Mitsubishi in Japan and is partially made from biomass, which originates from specially selected trees. The production of triacetate is similar to viscose, Mitsubishi has developed a triacetate process that is less energy intense and uses fewer hazardous chemicals. They have also adopted a closed loop system, which means that nearly all the water and chemicals are used again and again in the production process, making triacetate a more sustainable option.

TRIMMINGS

We are constantly working on increasing the number of more sustainable trimmings. Some examples for autumn 2017, which were all first used in our Front Runners line: the lining in our outerwear is made of a hard-wearing, recycled polyester. Tencel thread is now used in the seams of some of our styles and we are also increasing the use of corozo nut buttons. We don't use virgin down, our down jackets are filled with recycled down.

WATER REPELLENT TREATMENTS

All water-repellent treatments on our outerwear are PFC free.

RECYCLABLE STYLES

One requirement 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 increasing research and development being carried out in this area and solutions are undoubtedly on the horizon. We work with partners such as the Swedish Environmental Protection Agency (Naturvårdsverket) to support the development of better infrastructure and recycling methods.

All Filippa K clothing has a tag that reads: "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."

"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"

II. Sustainable sourcing & manufacturing



TRANSPARENCY IN OUR SUPPLY CHAIN

We believe in cooperation, through open and honest dialogue. Transparency in the supply chain is essential if we are to make our business more sustainable. We need to know that our partners work in accordance with our social, environmental and ethical standards. In line with our transparency goals, we name the suppliers that help us make each piece of clothing in our online store. We list everything from the name and address of the supplier to length of our working relationship, date of our last visit and the gender makeup of the supplier's workforce. 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. 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.

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.





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 involved with changing the patterns of fashion:

“Working for a fashion company for many years I have learnt 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 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

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SWEDEN TEXTILE WATER INITIATIVE (STWI)

Since 2010, we have played an active part in the Sweden Textile Water Initiative (STWI), a joint project between a number of textile and leather retail companies in Sweden. Water consumption is an issue of great importance for the fashion industry, as since large amounts of water are used in both textile and leather production and affect how much energy and chemicals are needed. We are working together to ensure 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 supply chains. We are also part of an STWI project with which four of our Chinese dyeing and finishing subcontractors participated during 2015. In 2016 there were eleven suppliers engaged in the program, all of them located in China and during 2017 we engaged seven suppliers in the program. The majority of the participating suppliers are dyeing facilities but there are also some knitters with washing processes. This project enlists 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 their mission 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 necessary progress. This valuable collaboration has helped bring about previously impossible outcomes. During 2017 the seven engaged Chinese suppliers saved water equivalent to the water consumption of 10 million people in a day, and they made savings equivalent to 534,000 households' daily energy usage.

	Total savings	% reduction
Water (m3)	514 032	24%
Electricity (Mwh)	2 670	13%
Thermal use (tonnes)	29 834	20%
Chemical usage (kg)	1 832 012	6%
Reduction waste water	411 226	
Natural gas (m3)	580 587	
GHG emission (tonnes)	3 525	



Supplier investments on projects undertaken in 2017 reached 2 654 166 USD and savings made during 2017 reached USD 1 549 541, which gives a payback period achievable within 1,71 years.

During the year the suppliers also took part in training, a total of 10 managers and 710 workers participated, 52 projects were implemented and 44 were completed during the year.

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, with a clearly formalised setup for creating real and measurable change as well as a team of dedicated and engaged experts.

”Water is life and a precious, a scarce resource which is being consumed to excess within the textile industry. The collaboration with STWI for the past two years has 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), 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. Last year the sustainability tool and material index were finalised and made ready to use for affiliated members. Use of the tool is yet to begin, but we envision using it as a design guide. Filippa K strongly believes cooperation such as this act, an important 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 regarding the use of chemicals. The network consists of over 80 member companies in the textile and electronics industry, who all have access to a database of chemicals relevant to their products.

III. Resource efficient business



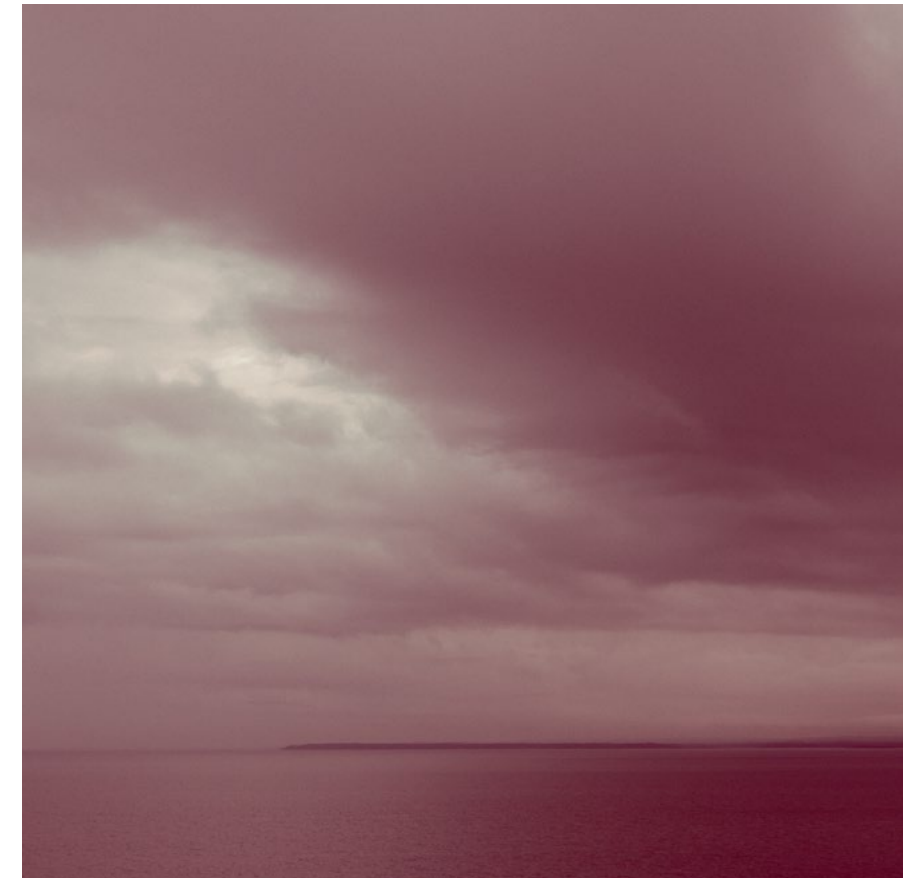
TRANSPORTATION

We constantly strive to optimise the transportation efficiency of our products with the aim to decrease the company's CO2 emissions as well as costs while maintaining a high service level to our customers and stores.

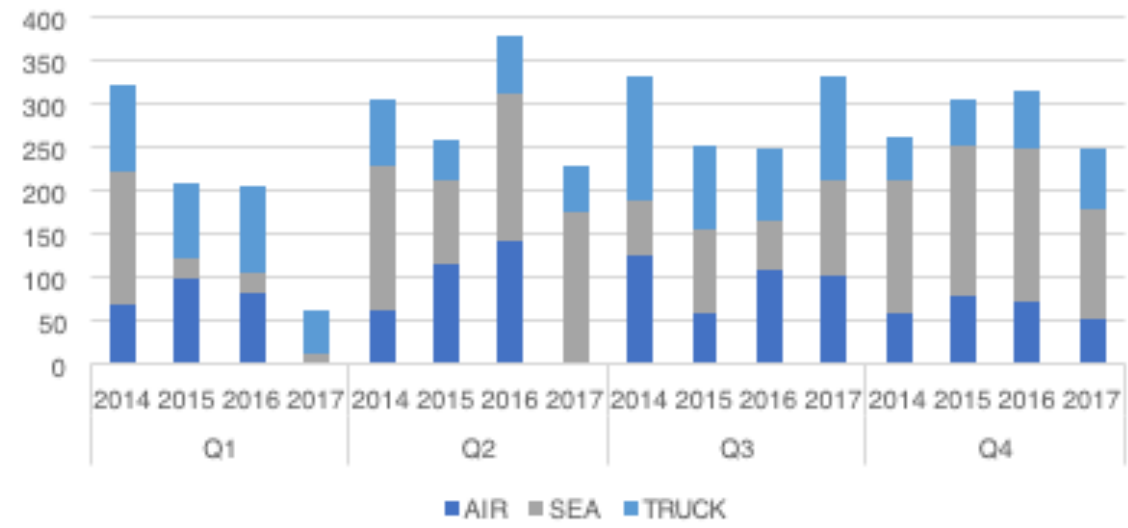
Our transport is handled by a third party, we always require a sustainability strategy when making a procurement. We always choose professional and serious partners and prioritise those who have a developed sustainability framework and can offer more environmentally-friendly transport alternatives.

For our incoming Asian consignments we always aim to use sea transport. We only air freight when production is delayed or the market demands mean a rapid turnaround for the supply of goods. For our European goods we use road transportation but evaluate other solutions when possible. We have increased European production overall but have decreased the total distance goods are travelling.

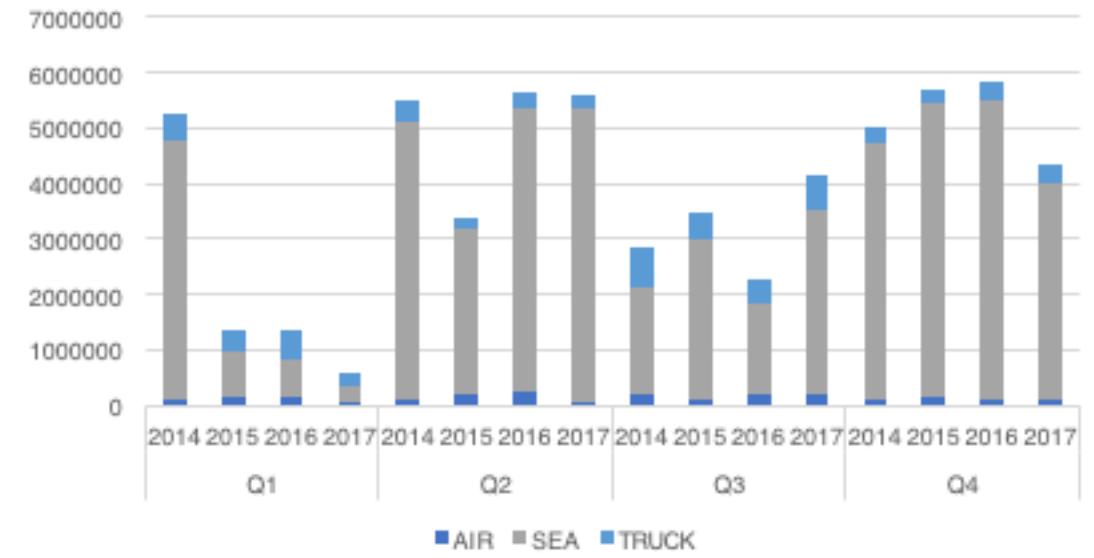
For our CO2 emissions, we measure performance metrics in terms of the amount of CO2 released per distance travelled (in tonnes per kilometre). In 2017, we were able to slightly decrease the number of incoming deliveries shipped by air compared to last year. The increase of our online export sales affects the number of air freighted deliveries for outgoing goods.



CO2 emissions per quarter

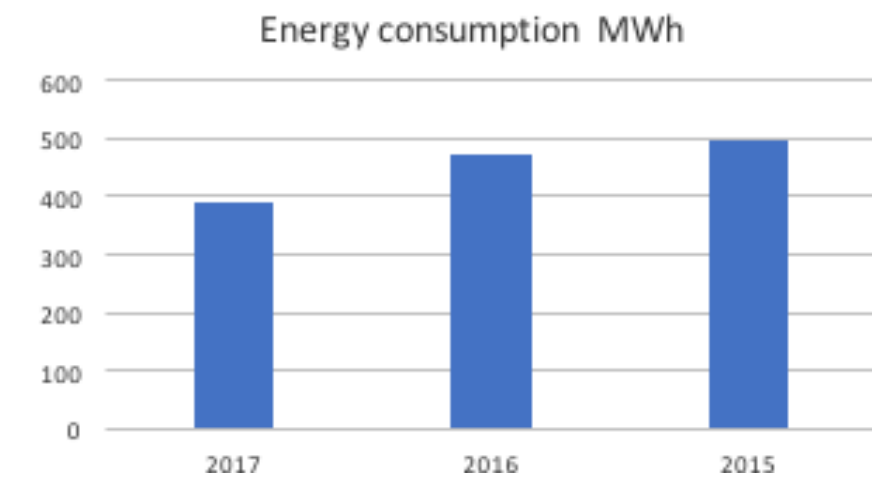


TONKM per quarter



ENERGY USAGE

The Filippa K head office in Stockholm and all Filippa K stores across Sweden operate on renewable energy. The figures in the table below show Filippa K's annual energy use and in comparable units i.e., in the head office and ten of our own stores for five consecutive years. We are missing conclusive data for four stores that are located in shopping malls where we are not able to put in our own energy meters. The annual energy consumption for the mentioned units for 2017 landed on 399 MWh, a 18% decrease from last year, see table below. We were able to lower our energy consumption in general again thanks to new lighting solutions, such as changing to LED lights and outsourcing of computer servers. We have also increased awareness of energy-consuming appliances such as computers and screens and the need for them to be shut down when not in use.



ENERGY STATISTICS (10 stores)	2017	2016	2015	2014	2013	2012	2011
Office MWh	92	99	107	154	106	109	113
Stores MWh	299	304	316	410	456	464	28



SMARTER PACKAGING SOLUTIONS

Packaging waste is a growing problem, in Europe alone we create 115,830,000,000 kilograms of packaging waste each year. With the increased uptake of online shopping, packaging waste is set to grow. In a quest to find a more sustainable packaging solution for our website, we started collaborating with RePack. If you choose to use RePack, your order will be sent to you in a reusable RePack, which you then simply return by dropping into any postbox, anywhere in the world. As a thank you, they send a discount voucher which can be redeemed against your next Filippa K purchase, or with any other brand also working with RePack.

As RePack is designed to be used at least 20 times, this gives RePack a 50% smaller carbon footprint compared to throwaway packaging.

During 2017, 3% of all shipments were by RePack which gave a saving of 100kg of packaging waste. We are looking at a variety of ideas to make more people more inclined to choose RePack for their orders.

DECREASE THE USE OF BAGS IN STORES

From the 31st of May in 2017, a new law in Sweden requires us to inform customers on the environmentally negative aspects of using plastic bags. We have a sign in all stores, in all markets stating: "Do you really need a bag? We care about the environment and we think you do too. If you need a bag, choose a paper bag and reduce plastic's negative impact on the environment."

NEW PLASTIC BAG

We have replaced the old plastic bag with a new 100% biodegradable bag made from corn starch in order to satisfy the customer demand for plastic bags due for example, to bad weather. The bag contains a small amount of conventional plastic in order to keep the material together. This plastic will disappear in a chemical process when biodegrading, and therefore will not contribute to the environmental problem of microplastics.

INCREASE PURCHASE PRECISION

Optimising a purchase precision is of interest not only for the sake of the environment but also from a business perspective. Producing no more than is strictly necessary is a challenging task and, one which we have not found the optimal solution to yet. We do consider our carry over products as a step along the way. They stay in stores for several seasons and never go on sale. During 2017, 18% of our range was carry overs, compared to 24% last year, this percentage decrease is due to structural changes in the range.

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 some leftovers. 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.

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 who embody our values and function as role models. We continuously work to ensure equal opportunities for all employees.

Passion, commitment and good leadership are key factors for success. Our areas to focus on are organisational development and diversity awareness; we want to create a culture based on our values where every employee is empowered to take responsibility and initiative in order to improve our customer satisfaction and sustainable profits.

Structure, processes and policies are outlined on Filippa K Community, Filippa K's intranet, which ensures quality and clarity.

ORGANIZATION

Attracting, recruiting, developing and retaining highly-motivated, talented and ambitious individuals is a key priority for Filippa K as an organisation. Managing the varied demands of organisational development and a profitable business that can adjust to the increasing demands for effectiveness and sustainable profit is always an ongoing process.

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. From the end of 2013 we participated in the Axelerate project initiated by our investors, the Axel Johnson group, with the purpose of increasing diversity in leading positions within the Axel Johnson group. As part of this project, we have set up a number of annually-updated goals and activities to ensure a good level of diversity within our organisation. The project and targets have been communicated to all employees within our organisation.

Filippa K initiates collaboration with MITT LIV for increased diversity and integration in the Swedish labour market. During 2017 Filippa K was a part of MITT LIV's mentoring program, which opens up opportunities to people with different international and cultural backgrounds and offers them a chance to join into the Swedish labour market. MITT LIV is a social enterprise working for an inclusive society and a labour market that prioritises diversity. Through mentoring, training, and an expanded network of contacts, MITT LIV want to open doors for highly skilled foreign experts.

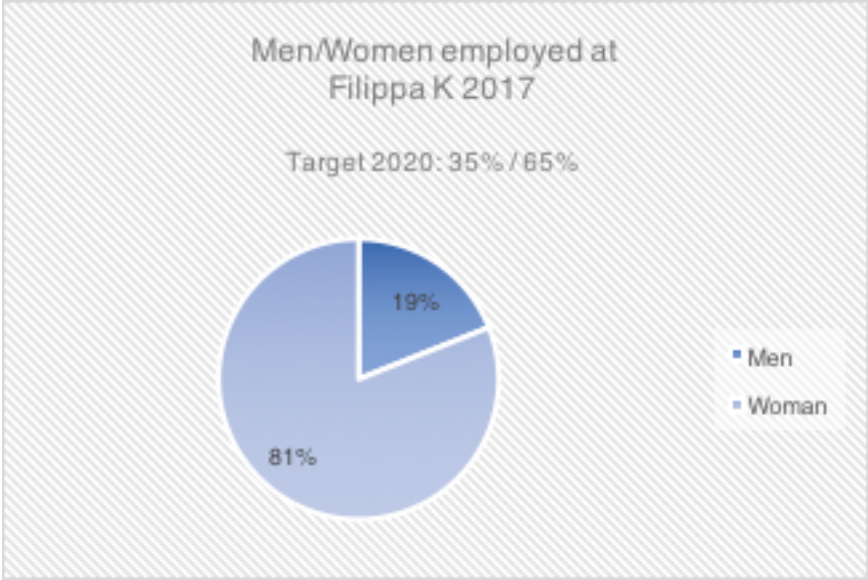
GENDER

It is our belief that gender diversity among the leadership team should reflect the gender diversity in our company employees. By the end of 2017, our senior management group consisted of 5 women out of 7 members in total. Our board consisted of 1 woman out of 4 in total.

As part of our gender equality plan, salary audits are regularly conducted, the latest of which showed no discernable salary differences between women and men.

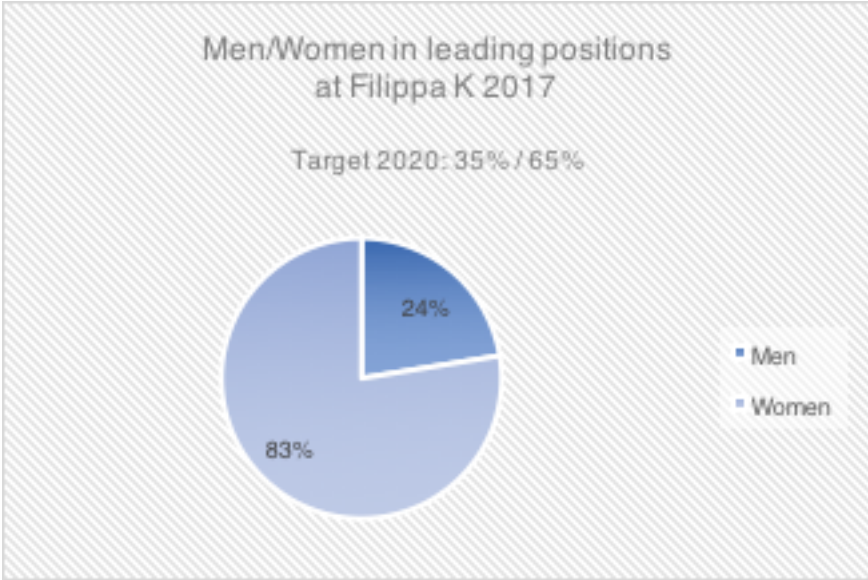
WOMEN and MEN EMPLOYED AT FILIPPA K

Target 2020: 35% / 65%



WOMEN and MEN IN LEADING POSITIONS AT FILIPPA K

Target 2020: 35% / 65%



WORK-LIFE BALANCE

We believe in a good 'work-life balance' which is why we strive to be a responsible and trustworthy employer, who offers its employees possibilities for a balanced lifestyle. We believe that work should be carried out during regular working hours and that overtime should 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, and then give those employees opportunities 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 an audit called Management Reviews.



TRAINING

Part of being an attractive employer is making a focus of employee retention. We believe career development offers a clear incentive for employees to remain within an organisation, either within the current area of work or in other business areas within the company. All newly hired staff members undertake an internal introduction program. Filippa K works with a 'train-the-trainer' principle, meaning we believe in training our employees using the competence we already have internally. All training conducted locally should be reported to HR central Support.

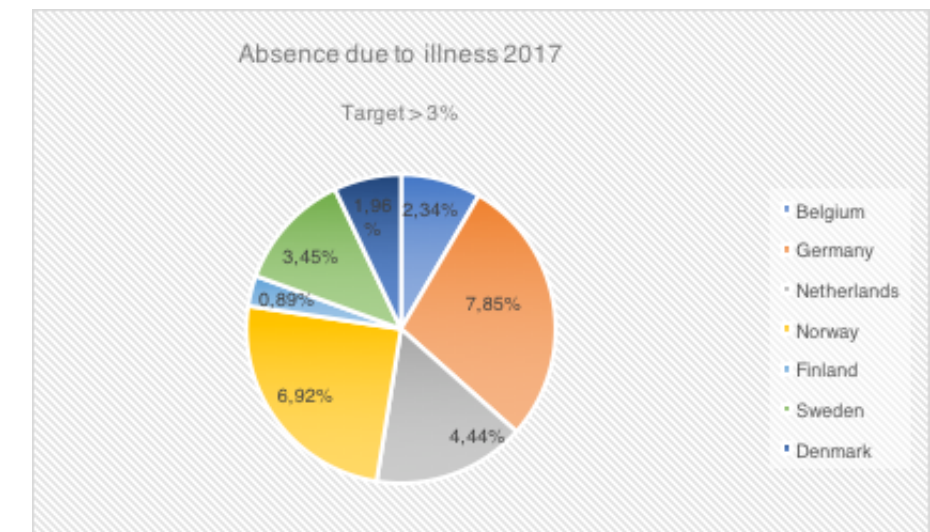
During 2017 we conducted educational workshops which focussed on specific areas of sustainability tailored to meet our needs; a total of 25 people participated in different programmes. Training and communication are vitally important to us and a key success factor for the company, enabling us to pass on our values and acting as a way to take responsibility for all our employees

We believe that one reason for staying with an employer is the possibility to continuously develop as an employee

HEALTH AND SAFETY

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

Responsibility for the work environment has been delegated to respective markets, and relevant guidelines are published at FK Community. Each quarter, Filippa K follows up on the level of absence due to illness, as measured based on the previous 12-month period. This follow-up aims to ensure that we keep working proactively with our sick leave records. The numbers regarding absence due to illness 2017 is followed up and analysed with Filippa K's Head of Retail and rehabilitation is in progress.





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.

HARASSMENTS

In our health and safety guidelines we have clear rules and statements regarding harassment of any kind. If there is any case of improper action, it will immediately be dealt with according to the action plans provided by our health and safety guidelines.

EMPLOYEE SATISFACTION

At Filippa K, employee satisfaction is measured on a regular basis. Filippa K's results from the employee survey 2017 was outstanding, compared to statistics and benchmarks, when it comes to the employee net promoter score and engagement index. This showed that all employees were part of the positive energy developing this company even further. Moreover, the results showed development potential within the leadership index. In order to improve this area, an external leadership education is planned for all managers and middle managers during 2018.

The employee net promoter score will be measured each quarter during 2018 in order to gain valuable insights regularly during the year. The complete employee survey has been planned for the fourth quarter in 2018.

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 widely known to have an impact young people and their beauty ideals. To be able to spread healthy ideals we need to collaborate throughout the whole industry. We embraced 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 of this to help complete the 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:

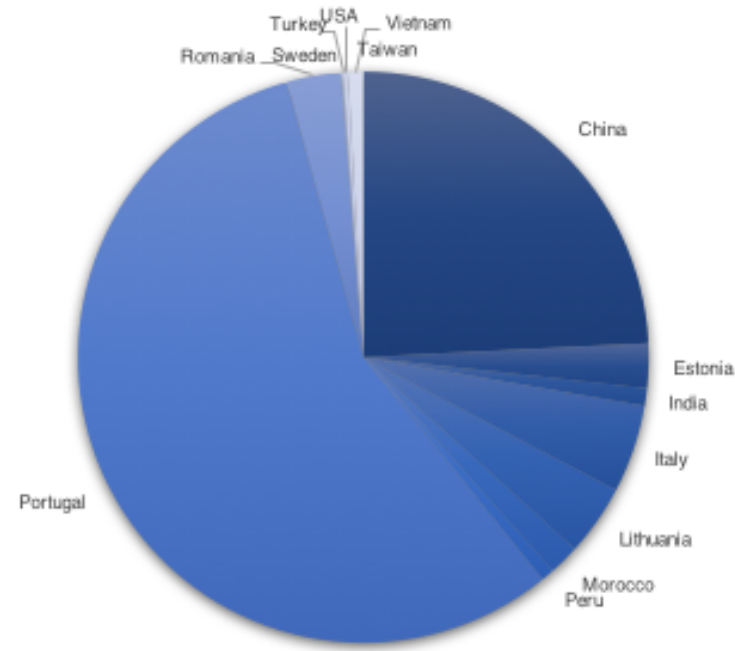
<https://static1.squarespace.com/static/568a9dca69492ea07bd726a5/t/58e630e346c-3c4148622a002/1491480803827/The+Swedish+Fashion+Ethical+Charter.pdf>



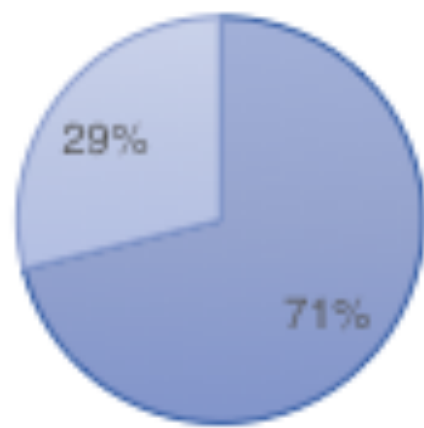
PRODUCTION DURING 2017

In 2017, 71% of our production was placed in the EU based on order volume and 68% 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 a variety of 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 already reached, in 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. We are still waiting for the data for 2017 but will update the report as soon as we have it.

Purchase volume per production country

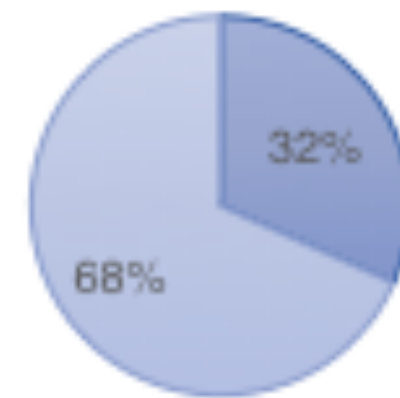


Purchased volume EU vs Non eu



■ EU ■ NonEU

Purchased volume risk countries



■ High Risk ■ Low Risk



During autumn 2017 we joined a working group together with Stella McCartney, Nudie Jeans, Acne Studios, The White Company, Burberry, Eileen Fisher, H&M and more, with the ambition to educate brands on current labour standards and practices in Italy, to develop strategies and approaches to improve labour standards and practices through Italian supply chains and share experiences in relation to Italian supply chains and efforts to improve labour practices. We are aware that there are challenges regarding working conditions particularly for immigrants working in factories. As we are increasing the production in Italy this is of concern to us. Fair Wear Foundation is not working in Italy and without their support it is so important for us to continue to collaborate with others.

In general, we strive to collaborate with other brands whenever possible. We are now also collaborating with Nudie and Suit Supply in other countries where we share the same suppliers through our Fair Wear Foundation membership.

We were proud to receive the results from the Brand Performance Check (BPC) last year. We were scored 74 points compared to 66 in 2016 and only one point from reaching the Leader-level. This is thanks to all the hard work and effort put by us and our suppliers.

AUDITS CARRIED OUT IN 2017

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

AUDIT IN TURKEY

We share the same supplier in Turkey with another FWF brand and we are collaborating with them in a dialogue on how to improve working conditions in the factory. Findings during the audit included wages below the estimate of a living wage. FWF has offered to provide support for the process of establishing a framework to improve wages. Another finding was that workers were not paid the overtime premium according to legal requirements. Management has committed to make necessary changes. There was no independent union or workers' committee which is run by workers without management involvement. Management has committed to make the necessary changes. The factory did not provide contracts or appointment letters to (all) workers. Employees will be provided with a copy of employment contracts from now on.

AUDIT IN CHINA

We carried out an audit on a subcontractor to one of our suppliers for woven products. Several findings were discovered, for example, wages below the estimate of a living wage. FWF has offered to provide support for the process of establishing a framework for improved wages. None of the workers were aware of the existence of the factory trade union or the worker representatives, neither were they aware of the right of freedom of association. We also found excessive overtime both in hours and consecutively working days without a day off, and that workers were not paid the overtime premium according to legal requirements. Management has committed to make necessary changes. The last WEP training took place in 2014 and therefore most workers were not aware of FWF Code of Labour Practice. We will not continue with this factory but instead move back the production to the former subcontractor.

RE-AUDIT IN CHINA

We conducted a re-audit at one of our Chinese suppliers. Compared to the previous audit in June 2014, we identified some positive changes. The lead time given by Filippa K is now sufficient to produce orders. Also, the factory keeps a written record for workers' grievances and voices, although only minor grievances are reported. Workers are now paid the local minimum wage and are also enjoying statutory holiday. Furthermore, several health and safety issues have been resolved. But some important issues still remain, records concerning working hours and wages are not transparent. For example, workers receive a bonus, but the audit team was not allowed to access any documentation concerning the bonus system. None of the workers were aware of the existence of the factory trade union or the worker representatives, neither are they aware of the right of freedom of association. There is excessive overtime, both in hours and consecutively working days without a day off and that workers were not paid the overtime premium according to legal requirements. Management has committed to make necessary changes. Most workers were not aware of the FWF Code of Labour Practices but management has agreed to inform their workers and post FWF Code of Labour Practice on the wall. The factory is very involved with QuizRR so the workers are being educated on topics including their rights, working hours, freedom of association, payments and health and safety.

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 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. 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 we hope to initiate is a collaboration with other brands at a particular factory, so that we can join forces and work together to reach improvements.

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 highlight 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.

FWF also lends support to Filippa K's in-house work and development by conducting annual performance check-ups to analyse our working processes and practices with regard to various social issues. FWF offers excellent support in the handling of complex social issues, their valuable recommendations and demands challenge us to constantly improve our work.

TRANSPARENCY AND COMMUNICATION

In order to spread awareness among our external stakeholders, we communicate our work and our Fair Wear Foundation membership on our website and in our Sustainability Report. We continuously work to improve our internal processes in order to ensure that we implement the FWF Code of Labour Practices in our external and internal operations.



SUPPLIERS TRAINING IN 2017

QuizRR

Increased knowledge of 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. Applying gamified services in factories producing clothes, like in the case of QuizRR, gives us the potential to increase knowledge amongst workers and therefore also improve their working conditions. 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 rights and values awareness of factory workers. So far we have seven suppliers using QuizRR with a total of 2,481 employees trained and 8,098 completed training sessions since the start.

During 2017 we volunteered and participated in a study through AxFoundation and the Raul Wallenberg Institute to conduct social compliance study together with two of our suppliers in China.

We have decided to continue with QuizRR for a three-year educational program with two new additional educational programs, 'Workers Engagement' and 'Wage Management system'.

"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.

V. Long-term sustainable success

SUSTAIN A PROFIT LEVEL OF MORE THAN 10% EBT

Filippa K Group delivered a profit level of 5% Earnings Before Tax (EBT) for 2017. We have subsidiaries in eight countries (Sweden, Norway, Finland, Denmark, The Netherlands, Belgium, Germany and UK) 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 seven years we have accounted for the following tax expenses:

	2017	2016	2015	2014	2013	2012	2011
Turnover	650	649,4	656,3	662,5	635,2	572,9	524
Earnings Before Tax (EBT)	30,39	42,8	51,1	70,8	79	49,9	74
Tax Expense	-7,1	-9,5	-12,6	-16	-18,2	-11,9	-21,8
Tax % of EBT	23%	22%	25%	23%	23%	24%	29%
Profit level	5%	7%	8%	12%	12%	9%	14%

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 voucher purchase 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.

In 2017, we paid an extra 77,161 SEK to the Swedish Tax Agency due to this circumstance.

PROFESSIONAL LONG-TERM PARTNERSHIPS

We know that one of our key factors for success is long-term partnerships. During 2016, 38% of our supplier volume was 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. When we have the latest figures for 2017 we will update the report.

The same goes for many of our wholesale partners, most of whom we have long-established relationships with. For example, DHL Texport, our external warehouse, 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.



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 ask questions about the way things work today, and also talk about our ongoing activities and possible future scenarios.

MISTRA FUTURE FASHION

Filippa K has been part of the MISTRA Future Fashion research programme since its first phase, and we are now participating in its second phase. The purpose of the MISTRA Future Fashion programme is to research for systemic change in fashion through closed-loop processes and changing mindsets. The research focus is on a circular economy, and how to enable today's linear industry to transform into a circular sustainable industry. With a system perspective, they focus uniquely on the bigger picture and the interaction between the elements in the system. Possessing an inter-disciplinary approach, the programme attempts to understand and proceed on research in the areas within the system that need the most change.

SUSTAINABLE FASHION ACADEMY (SFA)

Filippa K is also part of the 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 SFA's Learning & Innovation Forum, Filippa K has so far educated designers, buyers, marketing personnel and the sustainability team. The Forum also provides a great opportunity to share experiences and findings with other companies in the field.

10YFP SUSTAINABLE LIFESTYLES AND EDUCATION PROGRAMME

2017, Filippa K Sustainability Director Elin Larsson, became an advisory board member for a UN-founded initiative, the Sustainable Lifestyles and Education. It is a global platform that promotes sustainable lifestyles, their overall aim is to ensure that more sustainable lifestyles make a positive contribution to addressing global sustainability challenges. The SLE programme is one of six within the 10-year framework of programmes on sustainable consumption and production. It brings together and helps to scale up new and existing initiatives and partnerships, also facilitates new projects and activities responding to regional and national (and sub-national) priorities and needs. The programme's vision is for sustainable lifestyles to be attractive and accessible to individuals and societies across the world.

COOPERATIONS

Even though our main focus is global — to reach sustainable production and good working conditions within our supply chains — we strive to have a positive impact on the local communities in which we operate. Our biggest positive impact on local societies has been job opportunities, and contributing to improving working conditions, paying fair taxes in countries where we run business. We also support charity organisations like the Red Cross, Oxfam, Stadsmissionen, ReMake and the Hunger project by donating clothes in the form of broken clothes received from customers, old-season stock and fabric cuttings.

SUPPORTING COLLABORATIVE CONSUMPTION

Filippa K also cooperates with organisations that serve as clothing libraries, such as Lånegarderoben (The Closet Library) as well as Sabina & Friends in Sweden and Lena the Fashion Library in Holland. These organisations aim to offer people the opportunity to refresh their wardrobes temporarily without contributing to an increase in new clothing and consumption in society — and with the benefit that it's cheaper!

PARTICIPATING IN PUBLIC DISCUSSIONS AND SEMINARS

To reach our sustainability goals, we need to have ecosystem thinking a holistic perspective on everything we do, create new connections and initiate cross-functional collaborations and innovations. This is why we try to engage with a variety of stakeholders, from partners to customers, NGOs, competitors and politicians. We encourage politicians to implement more incentives and legislations that support new business models and solutions in line with a circular economy. In 2017, we participated in a panel discussion at COP23, the Climate Change conference in Bonn, Copenhagen Fashion Summit, World Circular Economy Forum in Helsinki, Fashion Talks in Belgium and Sweden, Decoded Fashion Summit in London, Naturvernforbundet in Oslo, World Water Week, Strategi torget retail in Stockholm, the Gather festival in Stockholm as well as a round table discussion with Mr Karmenu Vella, the European Commissioner for Environment, Fisheries and Maritime Affairs.



THANK YOU FOR READING OUR 2017 SUSTAINABILITY REPORT.

As a company, we take a holistic approach to the industry and the way in which we make clothes. Our ambition is to make clothes that last for a long time, both in terms of quality and design. We continuously evaluate our processes and try to measure 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 should be able to keep enjoying fashion and we believe the wardrobe of the future will be a diverse one, with a mix of short-life and long-life garments, new- and second-hand, and owned, rented or borrowed. A beautiful wardrobe that, depending upon the user, changes and evolves at different speeds, leaving us with a clear conscience.