



Filippa K

SUSTAINABILITY REPORT 2019

TABLE OF CONTENTS

1. COMMENTS FROM THE CEO
2. WE ARE FILIPPA K
3. A MISSION OF MINDFUL CONSUMPTION
4. THE CIRCULAR FASHION FRAMEWORK
5. RESPECT FOR MATERIALS
6. RESPECT FOR PEOPLE
7. RESPECT FOR THE ENVIRONMENT
8. LOOKING AHEAD

THIS SUSTAINABILITY REPORT COVERS THE YEAR 2019 AND THE LEGAL UNIT FILIPPA
K GROUP AB. THE SUSTAINABILITY REPORT IS PREPARED IN ACCORDANCE WITH THE
REQUIREMENTS OF THE SWEDISH ANNUAL ACT, CHAPTER SIX.

1. COMMENTS FROM THE CEO



Kristofer Tonström
CEO

Our purpose and promise at Filippa K is to inspire a movement of mindful consumption by showing that simplicity is the purest form of luxury. Since our beginnings in 1993, we've continuously worked hard to create clothing that meets the real needs of everyday life – with outstanding quality, timeless style, and a perfect fit. By ensuring that each piece is designed to last, we can shift the industry and cultural mindset from temporary to permanent for a better future.

Because mindful consumption involves every stage of a garment's lifecycle, our approach to sustainability is holistic and rooted in longevity. Our efforts in 2019 helped us gain progress towards our goals in many areas. For example: we've increased our use of more sustainable fibres, recycled polyester, and mono fibres, which enable us to design for recyclability. Our highest used material in our products is now organic and more sustainable cotton. Our energy emissions continue to decrease each year, as well. Constantly aiming to find sustainable solutions to obstacles in the industry, resource efficiency was a key area of focus this year. We were able to work with a local sheep farm to develop a new supply chain that sources Swedish wool, a resource that was previously going to waste.

Additionally, after the use of mohair was discouraged due to a lack of standards, we initiated the development of the first Responsible Mohair Standard with Acne and John Lewis. While it's important to celebrate progress, we realise that this is far from perfect. Transparently sharing each step with you is essential to reaching our goals and ultimately moving towards a fully circular economy.

We're encouraged by the knowledge that we're not alone in this mission – collaboration is an incredibly important part of what we do. In 2018, we worked with Ax International on "From Waste to Fashion": a circular model for discarded polyester products from heavy industry, giving them new life as recycled material in the world of fashion. We received the 2019 Årets Hållbarhetsinitiativ award from the Axel Johnson group for this project. We were nominated for this award again in 2020 for our Mindful Consumption initiative during 2019. We also took part in the following events and initiatives in 2019:

Meet the Nordics at Copenhagen Fashion Week

Circular Fashion Speeds Exhibition at the Stockholm Fashion District, the University of Arts, London, and the V&A Museum in Dundee, Scotland

PostNord Sustainability Panel for their "Svenskt Mode" Celebration


Student Mentorships and Project Exhibition with Beckmans and Copenhagen Fashion Week

"Small Steps, Big Impact" Capsule Collection with Zalando

Sustainability Exhibition at the Swedish Embassy in Brussels

Our journey towards mindful consumption is far from complete. Inspiring a change in behaviour is not a small task, and it is one that requires passion and dedication. We are grateful to have you on this path with us, and determined to succeed.

2. WE ARE FILIPPA K



"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

Filippa Knutsson founded the brand in 1993 as a solution to the stress of dressing. She saw a need for simple, practical garments that answer to real experiences of the everyday – designed with style and comfort in equal measure. What began at her kitchen table has grown sustainably over the years into what Filippa K is today: international in mind, and Scandinavian at heart. We create collections of clothing and accessories in the categories of Woman, Soft Sport, and Man, and are present in 20 markets globally through 50 brand stores, over 700 premium retailers and department stores, and our own ecommerce presence.

Our pieces stay true to the minimalism and ease of the 90s, reinterpreted for modern life. We eliminate unnecessary details for a calm, long-lasting feeling that one doesn't tire of too quickly, but that is reached for day after day. By approaching fashion with a perspective of longevity, we can help our community approach their wardrobes in a way that is mindful of our environment and our future.

3. A MISSION OF MINDFUL CONSUMPTION



WHAT IS MINDFUL CONSUMPTION?

Our mission as an organisation is to encourage a movement of mindful consumption. To us, this means the responsible creation of timeless, high quality, practical fashion for a complete wardrobe that promotes a lifestyle of buying and using fewer pieces for longer and giving them a second life after ownership. In a world of fast fashion, our goal is to create a shift in industry perspective from fast to slow, and in consumer mindset from temporary to permanent. This can inspire purchasing behaviour to move from frequent impulse-driven buys of superficial trends to purposeful, responsibly informed investments of both need- and desire-driven pieces to love for many years. By connecting with our community and customers, we continue to develop a growing understanding of what they need and how our purpose can impact their lives.

OUR VALUE CHAIN

There are both environmental and social risks within our value chain and those are mainly found beyond our direct control and our own business, or upstream of our value chain. For our own direct impact on the environment we make conscious decisions when it comes to transportation and we try to reduce our use of energy and make sure to use renewable energy in our facilities. In order to make sure we respect human rights within our own business and our value chain, we 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 in the industry are that workers do not have fair working conditions in factories we are buying from, for instance, working hours that are too long, 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.

The biggest environmental risks are found outside our own company. Those are impacts on climate change, water scarcity, negative impacts 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 show that the absolute biggest impact on both climate change and eco toxicity during a product's lifetime lies within fabric production and therefore is out of our direct control. Still, we constantly try to decrease that negative impact by making conscious choices during the design phase, collaborating with experts, NGOs, 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 ordering long-lasting products of quality, style and simplicity, as well as enabling our products a second life, for example through our second hand store.

4. THE CIRCULAR FASHION FRAMEWORK



The framework of circular fashion has always remained at the foundation of everything we do at Filippa K. It follows the four Rs: Reduce, Repair, Reuse, and Recycle. By keeping this in mind, we can help encourage more mindful consumption and lower the impact of fashion on our planet. We've outlined some of our efforts in 2019 that support this framework and move us closer to our goals.

REDUCE

We value reducing our society's rate of consumption and environmental impact. Filippa K clothing is designed to last, so you can buy less and keep it for longer. In 2019, we conducted a research study with our customers to learn more about how they use their Filippa K pieces.

The Wearability Survey

On 8th July 2019, we sent an online survey to customers to gauge the usage and wearability of the Filippa K products they own at home. The survey received nearly twice as many responses as expected, and the data that follows are from 1069 female customers based in Sweden. Today's growing trend of fast fashion makes it all the more important for us to understand consumer behaviour, and how our design ethos impacts the sustainability of our products. The data from the survey bring a number of encouraging insights that we can uniquely reveal.

Of the 1069 women surveyed, more than two thirds have been Filippa K customers for over 5 years, while nearly one fifth have been with the brand for over 20 years. Customers are still using 83% of Filippa K products they've purchased, and have worn each garment an average of 75 times. When asked about their most worn item, the average number of uses increases to 125. This results in an average cost per wear of just 28 SEK.

*”Filippa K garments are worn on average
10 times more than what is typical for women’s
fashion products.”*

An encouraging 92% of customers believe that a Filippa K purchase is “good value for money”. One customer who has been with the brand for over 20 years remarked that her favourite Filippa K garment is “a trusted friend in the wardrobe”. She has owned her denim skirt since the mid-90s, and still uses it a few times a month year-round. Another customer who has shopped with Filippa K for 5-10 years commented that her black silk top from 2017 is “classic, useful, and comfortable” – she wears it several times a week year round.

A similar study conducted in the UK in 2015 reported that “...the majority of fashion purchases see the light of day just seven times.” Based on this research, Filippa K garments are worn on average 10 times more than what is typical for women’s fashion products.

A study by Mistra Future Fashion revealed that even just doubling the number of uses for a garment’s lifecycle eliminated almost 50% of the impact of production. You can read more at mistrafuturefashion.com/impact-of-swedish-clothing-consumption/.

Regarding the results of the Filippa K survey, CEO Kristofer Tonström commented: “This initiative goes hand in hand with our mission of mindful consumption. I am proud of the response we’ve received from our community and the significant increased wearability of our garments compared to previous studies. By providing customers with clothing they can wear and love for many years, we’re encouraging a movement of slow fashion in an increasingly fast industry. The results have given us insight about how our product is in line with our mission, while also teaching us ways in which we can continue to improve.”

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. Our store staff and customer service teams are trained to provide advice and recommendations to our community whenever they have questions or bring in a garment in need of repair.



REUSE

An overwhelming amount of materials are thoughtlessly wasted in our industry, as well as many others. We work to reuse as much material as we possibly can, and to design garments that can be used again and again. Since 2008, the Filippa K Secondhand shop has offered gently used garments from previous collections. In 2015 we launched our Collect program: simply bring in Filippa K garments you no longer want to own, and we will provide you with a discount on your next purchase. In 2019, roughly 600 Collect vouchers were redeemed in store. This number does not account for people who donated and have not used their voucher. We're working to focus our efforts even more to this programme, with the aim that these numbers increase in the years ahead.

We also held a "Second Life" Collect Pop-Up event in 2019 in one of our Stockholm shops. During this week-long event, customers shopped pre-loved pieces donated through the program. They were also able to drop off pre-loved pieces, and shop new designs that had been reimaged by the Filippa K team from old stock or pre-owned garments.

Thanks to the event, store traffic and revenue increased 5x compared to normal during this period.

RECYCLE

We strive to recycle cutting waste throughout the design process, utilise recycled materials wherever we can in our products, and to design garments for recyclability. We work with a supplier in Italy that recycles cutting scraps from our wool outerwear and suiting into new yarns, as part of the Re.Verso™ process. During 2019, our garment makers sent 6311 kg of wool fabric cuttings to Italy for recycling.

To find circular solutions it is important to look outside your ecosystem. While working on our 2018 Front Runners project, we discovered a large waste stream from a completely different industry: shipping straps from hauling industrial cargo. These straps are made of 100% polyester, a perfect resource to recycle into new trims or materials for the fashion industry. Working together with Axel Johnson International, under the project leadership of Axfoundation, we completed a proof of concept in 2019. With our manufacturing partner in Italy, Metalbottoni, we produced a trial of trims recycled from these straps. Now we are entering phase 2 of this From Waste to Fashion project, identifying more partners throughout the value chain and working to scale up the initiative. You can follow our progress here:

<https://www.axfoundation.se/en/projects/polyester-recycling-pilot-project>.

Our journey towards mindful consumption is ongoing, and we work hard to learn new ways that we can improve each year.

5. RESPECT FOR MATERIALS



The materials we use are essential to creating sustainable, long-lasting garments for our customers. We work with our global suppliers to source the best fibres for every piece to create a timeless aesthetic, outstanding comfort, and durable performance that are in line with our mission of mindful consumption.



THE SWEDISH WOOL PROJECT

We are always looking for new ways to improve this aspect of the industry. Working with fellow Swedish brand Røjk, we visited a local sheep farm near Eskilstuna called Norrby Gård. This farm, just like most other sheep farms in the country, discarded the wool shorn from these sheep. At the same time, Filippa K's suppliers have been sourcing raw wool from far-off locations like Australia and South America--where we also lose the traceability and connection to the individual farms. So we saw an opportunity to connect to our Swedish farms, use locally sourced wool instead for our garments, and turn waste into a resource. By developing a supply chain that reinvigorates the local industry, we created the Swedish Wool Sweater. It's made in a natural material that ensures good animal welfare and reduces our carbon footprint. We plan to increase our usage of Swedish wool in future seasons and source from more local farms, offering it at a stable price with established standards.



Made in a limited batch of 140 pieces, the garment sold out of our stores and ecommerce site quickly. We held an event in Stockholm to mark the launch, with a discussion panel that included Jodi Everding, Filippa K's Fabric and Sustainability Manager, Röjk's Yann Fahrenheit Betros, Claudia Dillman from the Swedish Sheep Association, the Head of the Swedish Shearer Association Matilda Andersson, and Tomas Olsson, the farmer at Norrby Gård. The event was sponsored by Beleco and was moderated by Elin Larsson, of Elco Consulting and former Director of Sustainability at Filippa K.

“When I first encountered this wool I thought to myself, ‘is this really the kind of wool we consider waste here in Sweden? There must be a better purpose for it.’ I wanted to show the world what a treasure this resource is, right here in our own country. I couldn’t have imagined that just two years later we have sweaters that everyone can buy made from this local wool, and I’m so happy to be collaborating with people like Jodi and Yann who see the potential and dare to make something beautiful from it.”

Claudia Dillmann, from the Swedish Sheep Association

“Collaborating with other brands and finding synergy have always been part of our values at Filippa K, and this Swedish Wool project has taken this to a much deeper level. We are working closely with the farmers, shearers, head of the Swedish Sheep Association, etc. and getting to know people we wouldn’t normally meet in a typical fashion supply chain. We’ve learned what breeds of sheep are here in Sweden and where they’re located, which wool is best suited to our products, how to put that wool to use, all in a way that can be scaled up.”

Jodi Everding, Filippa K Fabric and Sustainability Manager

THE FIBRE TOOL

We take a holistic perspective when evaluating the fibres we use, looking at the whole lifecycle of a piece of clothing rather than a single phase. This means that we balance the durability and circularity of fibres throughout their lifespan with the impacts of their creation. To guide us, we developed our own Fibre Tool in 2012, based on research from MadeBy and Nike, but encompassing Filippa K's values of quality and longevity. We update this tool regularly, and our designers find it helps them make more conscious choices while maintaining the signature quality, longevity, and aesthetics of the brand. One of our 2030 goals is to use only more sustainable fibres in our garments. For 2019, our total use of more sustainable fibers (Class 1 and 2 on our fibre tool) increased to 69% (from 36% in 2018), based on order quantities. We also increased our use of organic and more sustainable cotton from last year. Of the total fibres used in 2018, 10.4% were organic and more sustainable cotton, while in 2019 this increased to 21.5% of our total fibre share (based on order quantities.) Less than 1% of the cotton produced in the world is organic, and using it in our garments helps to set a better standard for the industry.

Integrating the use of the Fibre Tool into our company processes, and incorporating it as part of our annual goals, means that it is easy to measure progress and make room for improvement.

THE FIBRE TOOL

1

Recycled cotton
Organic linen
Linen (natural retting)
Organic hemp
Hemp
Recycled polyester (mechanically)
Refibra
Econyl
Recycled wool
Organic wool
Alpaca wool
Recycled cashmere
Lenzing Ecovero viscose

2

Organic cotton
Lenzing Modal
Lenzing Tencel
Lenzing viscose
Enka viscose
Lyocell
Triacetate
Recycled polyester (chemically)
Recycled polyamide (chemically)
PLA (polylactic acid)
Wool
Yak wool
Mohair wool
Monocel
Silk
Kapok

3

Linen (chemical retting)
Ramie
Modal
Polyester
Thermolite
Acrylic
Cashmere

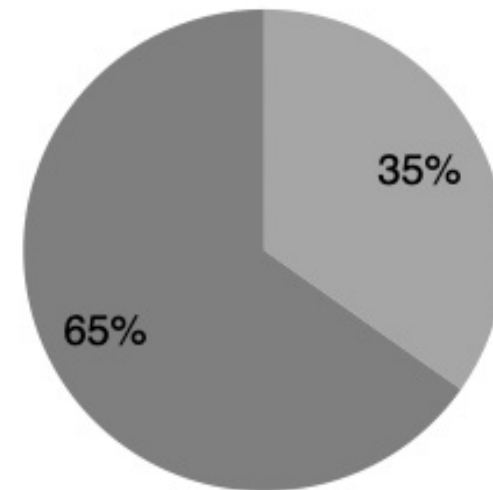
4

Cotton
Viscose
Rayon
Acetate
Polyamide
Elastane/spandex
Bamboo viscose
Metal

TOTAL USE OF SUSTAINABLE FIBRES

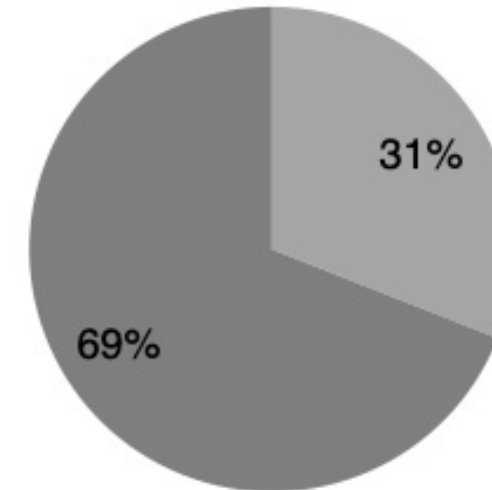
Separated by number of unique styles using sustainable fibres (“by style”)
and order volume of sustainable fibres (“order quantity”)

BY STYLE



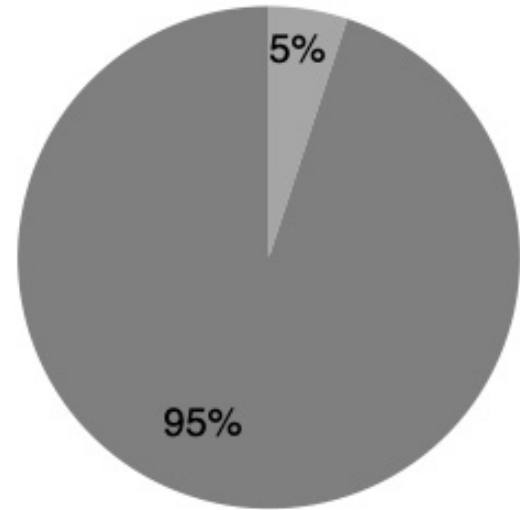
- Styles designed with fibre class above 2.5
- Styles designed with fibre class below 2.5

BY ORDER QUANTITY



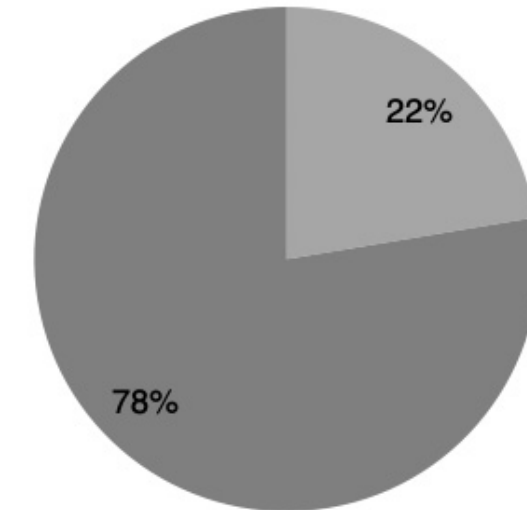
- Styles purchased with fibre class above 2.5
- Styles purchased with fibre class below 2.5

STYLES USING RECYCLED FIBRES
BY ORDER QUANTITY



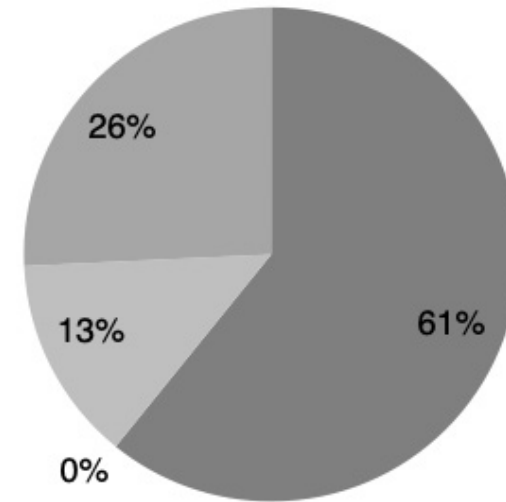
■ Styles using recycled fibres ■ Styles using non-recycled fibres

STYLES USING RECYCLED POLYESTER
BY ORDER QUANTITY



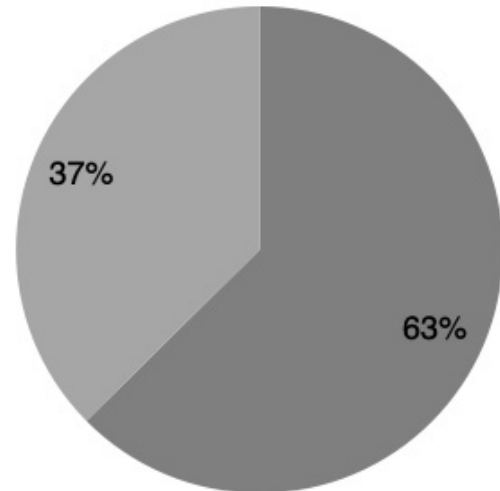
■ Recycled Polyester ■ Virgin polyester

FIBRE DISTRIBUTION BY TYPE



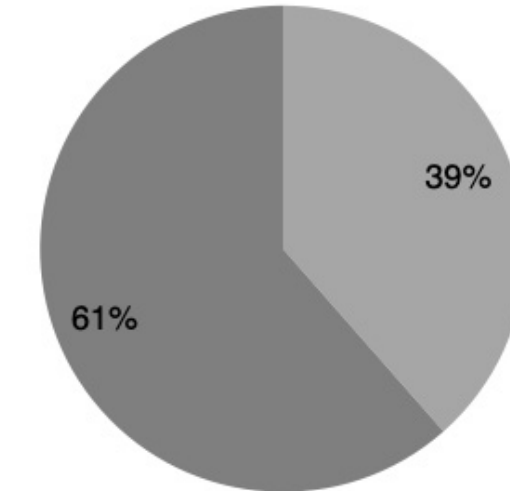
■ Natural ■ Regenerated ■ Synthetic

STYLES USING CERTIFIED VISCOSE
BY ORDER QUANTITY



■ Certified Viscose ■ Normal Viscose

STYLES USING MONO FIBRES
BY ORDER QUANTITY



■ Styles using mono fibres ■ Styles using multiple fibres

TOTAL FIBRE USE

FIBRE	2019	2018	2017	2016	2015	2014	2013	2012
ALL WOOL	18,7%	18,0%	16,9%	15,6%	17,7%	25,4 %	16,1 %	17,4 %
COTTON	5,8%	17,2%	17,1%	29,3%	23,2%	25,4 %	26,3 %	31,3 %
ALL LEATHER	10,1%	11,9%	6,2%	2,5%	4,5%	5 %	6,1 %	7,4 %
POLYAMIDE	12,3%	11,3%	7,6%	4,6%	5,6%	5,5 %	5,8 %	5,2 %
ORGANIC & MORE SUSTAINABLE COTTON	21,5%	10,4%	13,3%	3,4%	8,7%	9,3 %	7,9 %	8,4 %
POLYESTER	4,5%	6,8%	6,7%	7,6%	6,4%	8,3 %	6,9 %	3,5 %
VISCOSE	2,2%	5,3%	5,3%	5,2%	2,2%	9,3 %	9 %	8,4 %
LYOCELL	5,7%	4,0%	7,2%	11,7%	9,4%	8,2 %	6,7 %	5,6 %
ELASTANE (LYCRA AND SPANDEX)	2,9%	2,9%	2,2%	1,8%	1,9%	1,7 %	2 %	1,4 %
TRIACETATE	3,9%	2,4%	1,5%	1,5%	1,2%	1,3 %		
SILK	2,8%	2,2%	2,3%	2,1%	2,7%	3,7 %	3,2 %	5,2 %
VISCOSE (LENZING)	5,2%	1,9%	3,9%	4,4%	8,3%	9,3 %	9 %	8,4 %
RECYCLED POLYESTER	1,3%	1,6%						
LINEN	1,8%	1,3%						
LINEN (NATURAL RETTING)	0,2%	0,6%	3,0%	4,5%	4,5%	2,1 %	2 %	1,6 %
MODAL	1,1%	0,9%	1,1%					
ACETATE	0,6%	0,2%	0,8%	0,7%	2,2%	1,5 %	2,7 %	1,5 %
CURPO	0,2%							
OTHER FIBRES (LESS THAN 0.7%)	0,2%		4,9%	5,1%	1,5%	2,5 %	4,4 %	3,1 %

6. RESPECT FOR PEOPLE

OUR 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 which also outlines our quality standards, rules regarding chemicals, and recognition of design rights.



THE 2019 FILIPPA K CODE OF CONDUCT



1. NO EXPLOITATION OF CHILD LABOUR

There shall be no use of child labour. The age for admission to employment shall not be less than the age of completion of compulsory schooling and, in any case, not less than 15 years. (ILO Convention 138) “There shall be no forms of slavery or practices similar to slavery, such as the sale and trafficking of children, debt bondage and serfdom and forced or compulsory labour. [...] Children [in the age of 15-18] shall not perform work which, by its nature or the circumstances in which it is carried out, is likely to harm their health, safety or morals.” (ILO Convention 182)



2. EMPLOYMENT IS FREELY CHOSEN

There shall be no use of forced, including bonded or prison, labour (ILO Conventions 29 and 105). Nor shall workers be required to lodge “deposits” or their identity papers with their employer.



3. LEGALLY-BINDING EMPLOYMENT RELATIONSHIP

Obligations to employees under labour or social security laws and regulations arising from the regular employment relationship shall not be avoided through the use of labour-only contracting arrangements, or through apprenticeship schemes where there is no real intent to impart skills or provide regular employment. Younger workers shall be given the opportunity to participate in education and training programmes.



4. TRANSPARENCY REGARDING WORKING HOURS AND WAGES

All partners must be transparent and willing to show Filippa K documents of employees working hours and wages.



5. NO EXCESSIVE WORKING HOURS

Hours of work shall comply with applicable laws and industry standards. Working hours should be scheduled to provide ample time for rest, meals and sleep. In any event, workers shall not on a regular basis be required to work in excess of 48 hours per week and shall be provided with at least one day off for every 7 day period. Overtime shall be voluntary, shall not exceed 12 hours per week, or 240 hours per year, shall not be demanded on a regular basis and shall always be compensated at a premium rate.



6. THERE IS NO DISCRIMINATION IN EMPLOYMENT

Recruitment, wage policy, admittance to training program, employee promotion policy, policies of employment termination, and any other aspects of the employment relationship shall be based on the principle of equality of opportunity and treatment regardless of race, colour, sex, religion, political opinion, nationality, social origin or other distinguishing characteristic shall be provided (ILO conventions 100 and 111)



7. PAYMENT OF LIVING WAGE

Wages and benefits paid for a standard working week shall meet at least legal or industry minimum standards and always be sufficient to meet basic needs of workers and their families and to provide some discretionary income recognised (ILO Convention 26 and 131). Deductions from wages for disciplinary measures shall not be permitted nor shall any deductions from wages not provided for by national law be permitted without the expressed permission of the worker concerned. All workers shall be provided with written and understandable information about the conditions in respect of wages before they enter employment and of the particulars of their wages for the pay period concerned each time that they are paid.



8. FREEDOM OF ASSOCIATION AND THE RIGHT TO COLLECTIVE BARGAINING ARE RESPECTED

The right of all workers to form and join trade unions and to bargain collectively should be recognised (ILO Convention 87 and 98). Workers representatives shall not be the subject of discrimination and shall have access to all workplaces necessary to enable them to carry out their representation functions (ILO Convention 135 and Recommendation 143). The representatives must be chosen by the employees and cannot be in a managerial position. Employers shall adopt a positive approach towards the activities of trade unions and an open attitude towards their organisational activities.

Workers shall own the decision of whether or not to join the union.



9. NO CORRUPTION

Partners should not, directly or indirectly, offer, promise, give, or demand a bribe or other undue advantage to obtain or retain business or other improper advantage. Nor should enterprises be solicited or expected to render a bribe or other undue advantage (OECD Guidelines 6).



10. NO SAFETY HAZARDS

A safe and hygienic working environment shall be provided, and best occupations health and safety practice shall be promoted, bearing in mind the prevailing knowledge of the industry and of any specific hazards. Appropriate attention shall be paid to occupational hazards specific to this branch of the industry and assure that a safe and hygienic work environment is provided for. Effective regulations shall be implemented to prevent accidents and minimise health risks as much as possible (following ILO convention 155). Physical abuse, threats of physical abuse, unusual punishments or discipline, sexual and other harassment, and intimidation by the employer is strictly prohibited.



11. EDUCATE EMPLOYEES

Partners shall provide adequate education and training to employees in environmental health and safety matters, including the handling of hazardous materials and the prevention of environmental accidents, as well as more general environmental management areas, such as environmental impact assessment procedures, public relations, and environmental technologies. (OECD Guidelines 5.7)



12. COMPLIANCE TO FILIPPA K'S CHEMICAL RESTRICTION LIST

Partners are obligated to follow Filippa K Chemical Restriction List (RSL) and continuously phase out chemicals that are added to this list. Chemical containers must be properly labelled and safely stored. A material safety data sheet (MSDS) must be available (in the local language) and the instructions in the MSDS must be followed (ILO Convention 170).



13. MANAGING ENVIRONMENTAL ISSUES

A management system that addresses environmental issues and drives the business to understand and improve their environmental performance must be established and maintained. This means that suppliers and subcontractors must collect and evaluate information regarding the environmental impacts, and establish measurable objectives and targets for improving their environmental performance. (OECD Guidelines 5.1) The management system shall focus on preventing pollution, minimizing waste and emissions, and optimizing water, energy and raw material consumption.



14. NO SEVERE ENVIRONMENTAL POLLUTION

There shall be no emissions to air, water or ground that can have a direct severe impact on the surrounding environment, society or the public health. All partners must treat and manage their emissions in consistency with legal requirements.

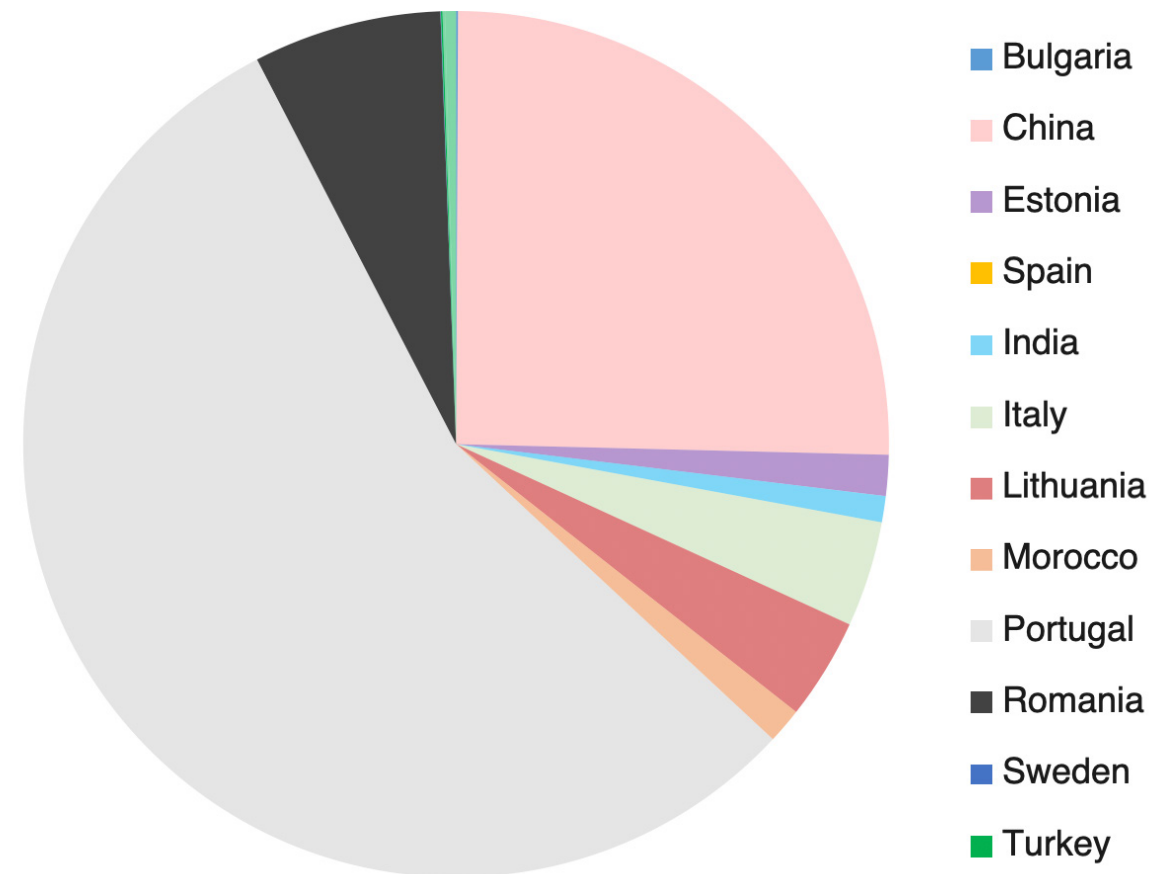
OUR SUPPLIERS

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 each year. This is the social compliance management of all our suppliers conducted by Filippa K. It involves visits by our employees, ensuring that they comply with our Code of Conduct, and documentation of social compliance activities such as external audits, worker sheet information, and ensuring that the suppliers meet the requirements of two-year corrective action plans received after audits. Fair Wear Foundation evaluates whether Filippa K has reached this target and we will publish the results when we have them. We visit our suppliers as often as possible to maintain a close and trusting relationship, and they are routinely audited. Three supplier audits were performed in China by Fair Wear Foundation in 2019. One external audit was conducted by SA8000 in Vietnam and will be included in the Fair Wear Foundation evaluation of 2019 Social Performance.

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. Front-line employees involved in procurement of goods are exposed and must be able to recognize and resist when such opportunities present themselves. Corruption often results in inefficiencies and creates obstacles to growth by lack of objectivity. It can affect the objectivity when it comes to where to place orders, what pricing to accept, and what quality to approve. It would also compromise our brand values, especially in regard to transparency and honesty, as well as the consumer's trust of Filippa K. There have not been any reported cases of corruption or suspected corruption during 2019 that we can identify from audits of our suppliers in the risk countries China, Romania, and Vietnam.

Our global supply chain includes partners in the following countries:

GARMENT MAKERS & FABRIC/YARN MAKERS ARRANGED BY PURCHASE ORDER QUANTITY



QUIZRR

QuizRR is a simple and flexible tool that uses gamification to increase knowledge of rights amongst factory workers.

Through QuizRR, we have the potential to increase knowledge amongst workers and therefore also improve their working conditions. Factories often lack functioning systems for workplace rights and safety information, so QuizRR can increase knowledge of rights and responsibilities among factory workers in developing markets. 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. During 2019 we had three factories participating in the training with a total of 544 employees trained and 2036 completed training sessions.

One of our suppliers that participated in QuizRR, Dongguan Austra in China, successfully implemented a democratically elected worker representative. Between 2016 and 2019, 100% of their 570 employees have been trained in the program, and they've seen a 5% increase in production. They've also seen a -1.7% worker turnover rate.

Peter Chan, the General Manager at the Austra Garment Factory, reported the following:

“At the beginning, the training and the impact was minimal, however, during the last 2 years, we must say both the training and the impact is definitely making a huge change into our DNA.

Our industry is definitely going toward sustainability and transparency and we believe Quizrr is the way to go. Training with Quizrr will take our corporate responsibility to the next level. The training tools cover real life situation in factories which makes it easy for our employees to relate and consequently the interaction within the training becomes elevated when they feel relaxed. Both management and workers are trained at the same time pulling their relationship closer.

We are also noticing the reaction of other clients when we explained to them about Quizrr platform and that we are already using the Quizrr digital training solution. Continuous education and training will ultimately help us become truly transparent manufacturer.

Last but not least, the training is very flexible and can be performed anywhere and anytime. And since it's digital, all training results are automatically saved which we can follow-up and take actions on.”

TRACEABILITY

We are committed to reaching full traceability within our supply chain and production. With a history of working within fashion for 27 years, we are grateful for the new resources and innovative technology that allow us to start tracing fibres back to their original source, giving us insight that was previously unavailable in the industry.

In 2018, we began working with TrusTrace: a groundbreaking digital platform based on blockchain technology that provides supply chain and transparency tools to accelerate sustainability. With TrusTrace, we can start to trace the supply chain of a garment back to the fibre production. The ambition is to provide this information to all customers – making a garment’s full journey visible and also giving us a better understanding of the impacts of our production.

Thanks to TrusTrace, in 2019 we were able to trace and share with our customers the journey of our Classic Silk Shirt: a product that has been part of Filippa K collections since 2015. This is one of 10 pieces in our collection that now has full traceability because of the technology. The process was outlined in four steps of the garment’s journey:



Step One / The Raw Silk Supplier

SICHUAN TIAN HONG SILK, CHINA

This is where the silk comes from in its rawest form, just after the silkworms work their magic. It has certified materials that are free from harmful substances, kept in environmentally-friendly, safe, and socially responsible facilities. They're the first raw silk producer to use 100% natural products with organic certification.

Step Two / The Fabric Mill

BONUS HIGH FASHION GROUP, CHINA

The fabric mill is where the silk becomes a roll of fabric through a meticulous process of spinning, weaving, dyeing, and finishing. They're certified as an environmentally friendly and socially responsible textile production facility. Their green systems recycle 2000 tonnes of water per day, while reducing pollutants and emissions (the equivalent of planting 40,000 trees).

Step Three / The Garment Factory

XU MING, CHINA

The factory receives fabric from the mill and the garment design from Filippa K, ensuring perfection down to the final stitch. It's QuizRR Platinum certified for educating full taskforces on their rights and responsibilities, and conducts business with the values of quality and credibility.

Step Four / The Stores and Warehouses

FILIPPA K FACILITIES, SWEDEN

The Classic Silk Shirt is transported to Filippa K by boat to Gothenburg, then it goes by truck to our warehouse in Borås. The pieces are then prepared for our stores, or to be sent directly to customers through our ecommerce business.

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 of focus 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 clearly for all employees on Filippa K's intranet which ensures quality and clarity.

ORGANISATION

Attracting, recruiting, developing and retaining highly motivated, talented and ambitious individuals is a key priority for Filippa K as an organisation. If this is not achieved, Filippa K risks not being able to meet the organization's objectives. 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 to our way of doing business. Diversity in expertise, experience/age, gender, and cultural background are 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.

GENDER

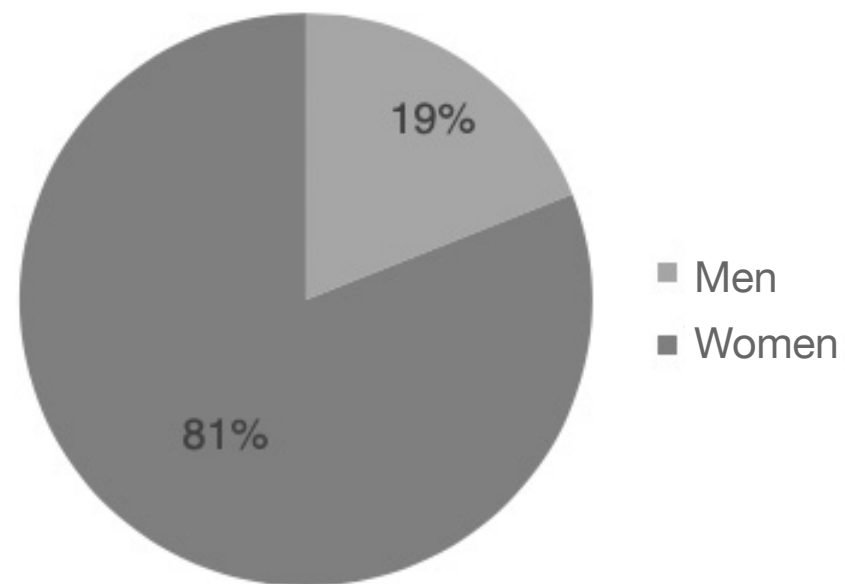
It is our belief that gender diversity among the leadership team should reflect the gender diversity in our company employees. By the end of 2019, our senior management group consisted of 5 women out of 12 members in total.

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.

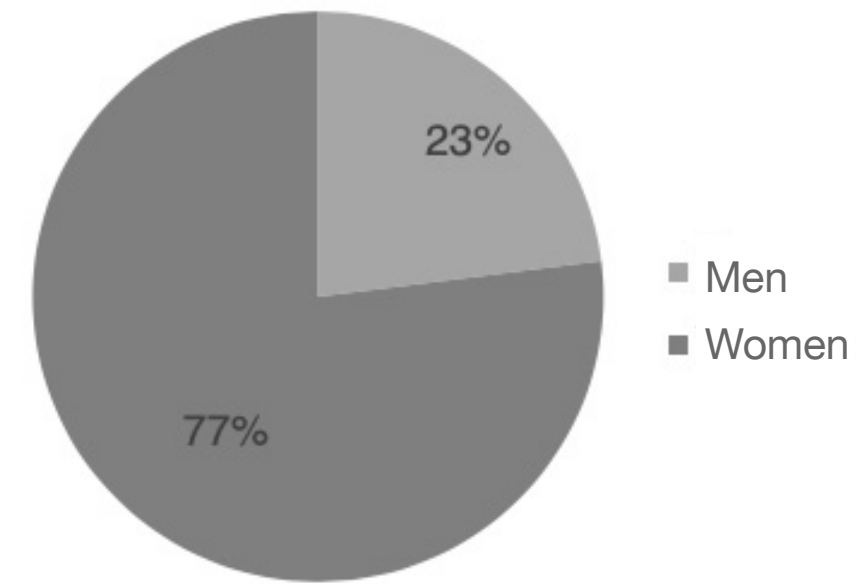
MEN and WOMEN EMPLOYED AT FILIPPA K

Target 2020: 35% / 65%



MEN and WOMEN 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.

This reduces risks of health-related problems for employees, for example, due to stress.

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 growth 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 focusing on 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 2019, all new employees went through the FranklinCovey's 7 Habits of Highly Effective People Training. This is a 3-day workshop that sets the foundation for professional and personal effectiveness – increasing productivity, restoring balance, and developing greater maturity and responsibility.

In the end of the year, all Managers at HQ also attended 7 Habits Leader Implementation, which was a training focusing on the foundation of successful leadership.



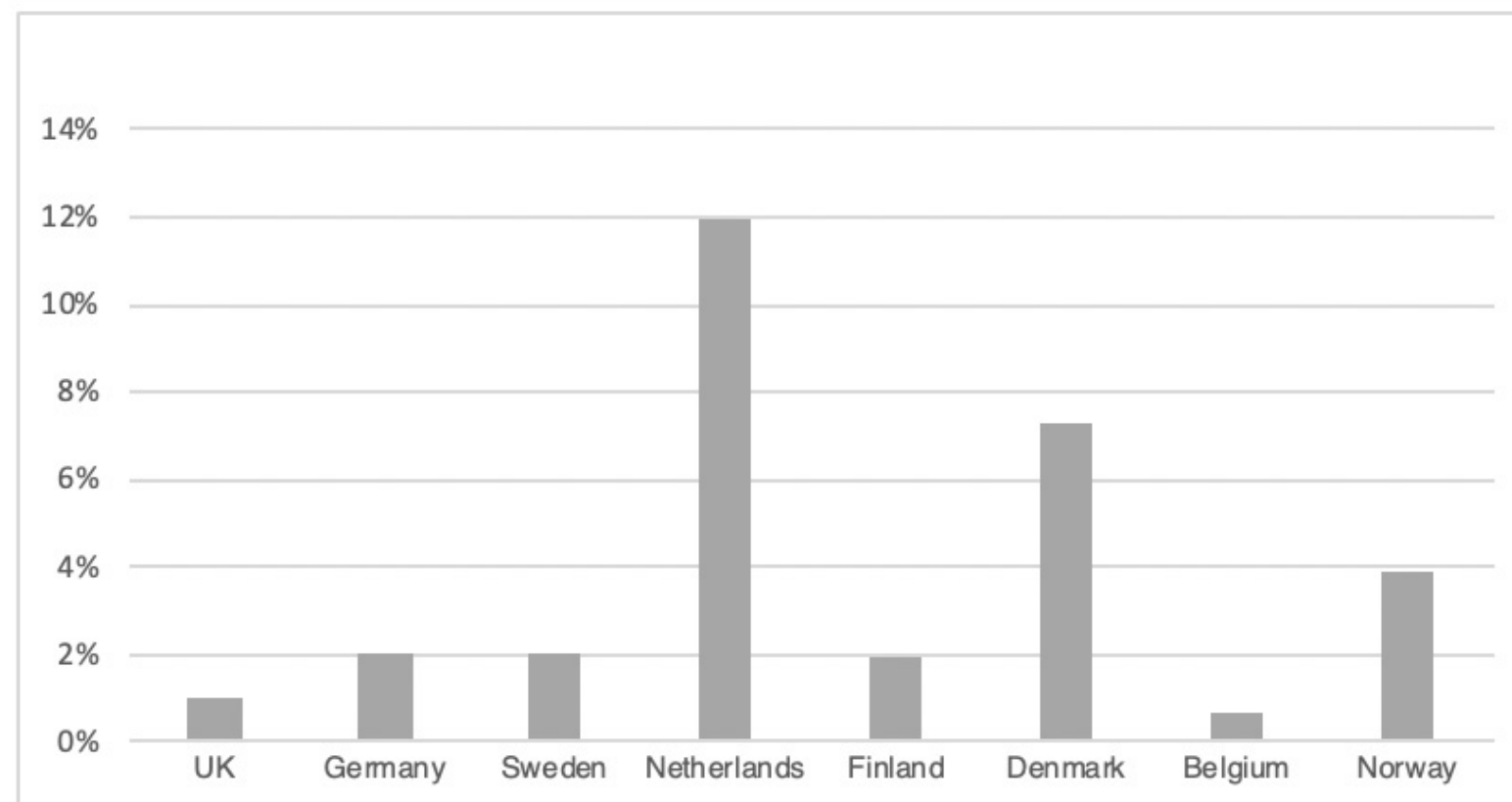
HEALTH AND SAFETY PERCENTAGE

At the company level, Filippa K works proactively to minimise risks of 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 come 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 2019 is followed up and analysed with Filippa K's managers and rehabilitation is in progress.

Absence Due to Illness 2019

Target < 3%



HARASSMENT

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.

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. There were no reported or discovered issues with corruption during 2019.

EMPLOYEE SATISFACTION

At Filippa K, employee satisfaction is measured on a regular basis. Filippa K's results from the employee survey 2019 were 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. The employee net promoter score and Engagement Index will be measured during 2020 in order to gain valuable insights regularly during the year.

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.

7. RESPECT FOR THE ENVIRONMENT

ENVIRONMENTAL INITIATIVES

We believe that collaboration is the key to making our industry better for the environment. Each year we work with a range of initiatives that support our collective goals to reduce the impact of fashion on our planet.

RE.VERSO™ – We are not only sending cutting waste to Re.Verso™ based in Italy, Prato, we also use some of their fabrics: for example, in some of our knitted wool garments during 2018. Re.Verso™ is the identifying trademark of a new and unique 'Made in Italy' textile system, a fully integrated chain that allows the creation of unique and highly valuable wool materials. The supply chain is based on pre-consumer clippings, virgin material conferred by brands/producers of the apparel industry that are then selected and transformed into new high quality yarns and fabrics. This certified system allows great savings: Energy -76% Water consumption -89% CO2 emissions -96% This is in comparison to conventional virgin wool as certified by the LCA (Life Cycle Assessment) done by PRIMA Q. The Re.Verso™ system is also Global Recycling Standard (GRS) , ISO 9001 and SA8000 certified.

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 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. STWI currently has a project in China where we participate with one dyeing mill, and we hope this project will be finalised by 2020.



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 in the Swedish shoe business that support the creation of more common sustainability guidelines. SSEI's aim is to develop business practice 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 in the industry such as this partnership plays an important role in learning from each other 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.

THE SWEDISH TEXTILE INITIATIVE FOR CLIMATE ACTION (STICA) – The purpose of The Swedish Textiles Initiative for Climate Action is to support the apparel and textile industries and their stakeholders in the Nordic region to, at minimum, reduce greenhouse gases in line with 1.5 C warming pathway, as outlined by the United Nations Framework on Climate Change and the Paris Agreement. In 2019 we collaborated with other stakeholders in building up a roadmap for how the Swedish and Nordic apparel and textile industries will reduce their GHG emissions below the 1.5 C warming target in order to become climate positive.

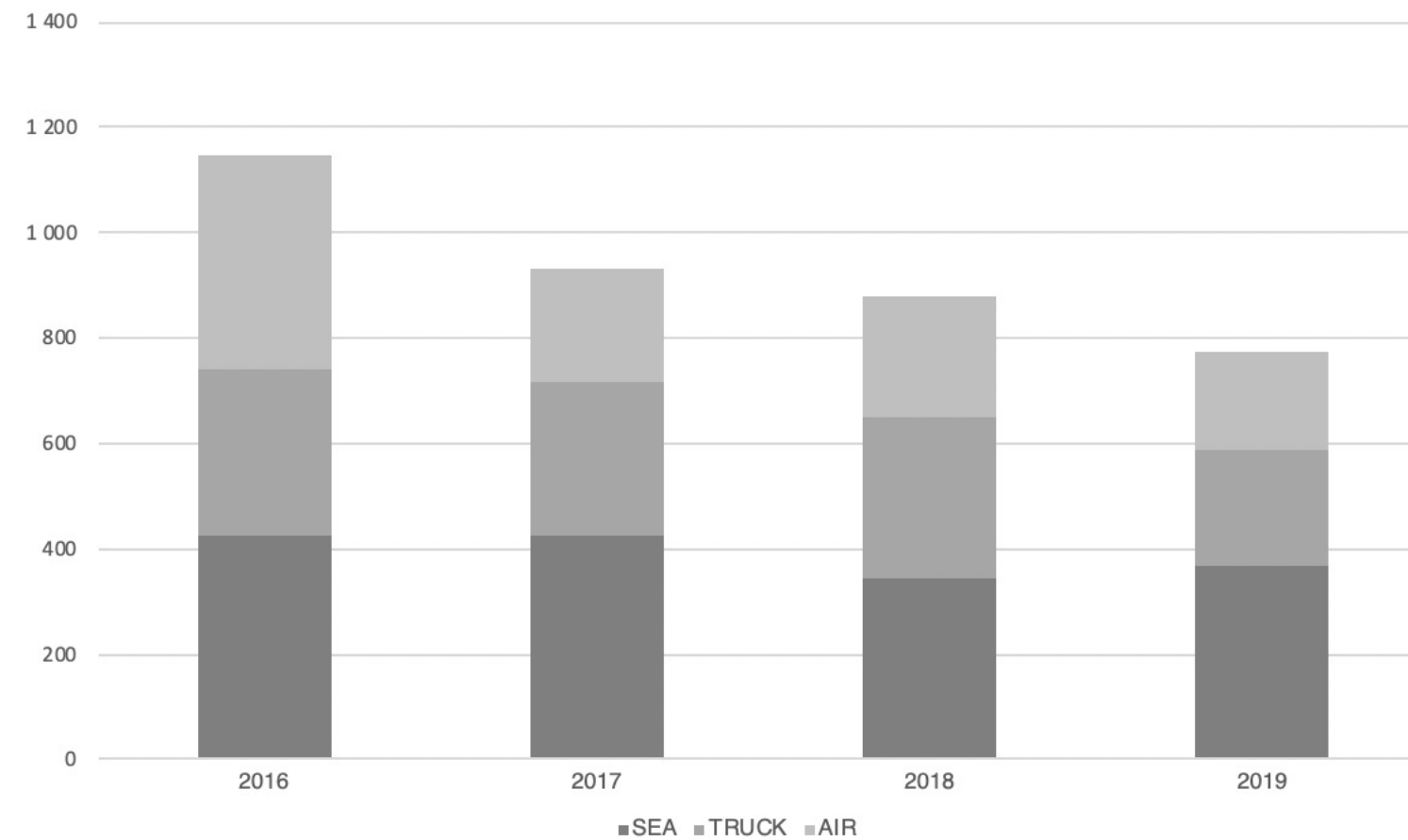
MINSHED – In 2019 we supported the research of MinShed, a three-year research project that investigated ways to reduce the amount of microplastics shed into the ocean from garments and fabrics. The goal is to create knowledge which will help the textile industry create more clothing from synthetic fabrics that don't emit microfibrils.



ENERGY USAGE

We constantly strive to decrease the company's CO₂ emissions as well as costs while maintaining a high service level to our customers. We measure carbon emissions from the electricity used at our Swedish stores and globally from the fuel consumed by our inbound and outbound transports. Our total carbon emissions from these sources has decreased from 883 ton CO₂e in 2018 to 779 ton CO₂e in 2019. This is a decrease of 12% versus the previous year. We changed our standard Ecommerce delivery option from air to truck for our European consumers in order to accelerate this reduction. The following data shows our decrease in energy usage over the past years:

Filippa K Emissions from Transports
Arranged by method, represented in tonnes of CO₂e



8. LOOKING AHEAD

OUR 2030 COMMITMENTS

Each year we work towards our sustainability commitments for 2030, here are some highlights:

1. Only using sustainable materials (FK fibre class 1 and 2) for all products

In 2019, 65% of all our products were made in more sustainable fibres. This is an improvement from 51% in 2018.

2. Full traceability and transparency throughout the supply chain

Our partnership with TrusTrace enables us to get closer to this goal each year. In Autumn 2019, they provided 100% traceability for 10 of our products, a number we will increase with each season.

3. Resource efficiency – only producing what is needed and purchasing exact material quantities

Our Core Collection of permanent pieces that are always available enables us to be more resource efficient because it is not seasonal. We have 200 articles in this collection, and in 2019 that represented 14% of our total articles for the year. The revenue for this collection has increased to 27% of total business, which is an increase from 2018.

4. Good and fair working conditions for all people working with our products

Our partnership with Fair Wear Foundation gives us the resources and tools to achieve this to the highest level possible each year. Without them, we would not be able to have full visibility of our subcontractors. We updated our Code of Conduct for 2019 to ensure all of our suppliers are meeting the standards expected.

5. Long term relationships and profit to invest in the organic growth of Filippa K

Filippa K Group delivered a profit level of 4% Earnings Before Tax (EBT) for 2019. 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. In 2019 we paid 5,5 MSEK in taxes.

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. 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 2019, we paid an extra 52 500 SEK to the Swedish Tax Agency due to this circumstance. We hope that in the future, efforts such as this are recognised in a way that allows all businesses to remain profitable while encouraging mindful consumption.



PROFESSIONAL LONG-TERM PARTNERSHIPS

One key factor for success is long-term partnerships. 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 2019, 52% 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, most of whom we have long-established relationships with. In addition, our external warehouse DHL Texport has been our partner since 2007. By nurturing these long-term relationships we are able to run smooth and efficient processes with a high level of quality.

List of factories we've worked with for more than 5 years:

Pedro Portuguesa since 1997

LCP since 1999

Reistex since 2000

Luis Brito since 2000

Canto Novo since 2002

Bonus since 2003


Zetabi since 2003

Sangar since 2004

Kloteksa since 2008

Tonghui since 2008

Confetil since 2009

A studio photograph of a man and a woman. The man, on the left, has short dark hair and is wearing a white button-down shirt. The woman, on the right, has blonde hair and is wearing a dark blue top. They are both looking towards the camera with neutral expressions. The background is a plain, light grey wall.

THANK YOU FOR READING OUR 2019 SUSTAINABILITY REPORT
We're grateful for your support, and look forward to another year with you of discovering new
and even better paths towards sustainability.



Revisorns yttrande avseende den lagstadgade hållbarhetsrapporten

Till bolagsstämman i Filippa K Group AB, org.nr 556608-3068

Uppdrag och ansvarsfördelning

Det är styrelsen som har ansvaret för hållbarhetsrapporten för år 2019 och för att den är upprättad i enlighet med årsredovisningslagen.

Granskningens inriktning och omfattning

Vår granskning har skett enligt FARs rekommendation RevR 12 *Revisorns yttrande om den lagstadgade hållbarhetsrapporten*. Detta innebär att vår granskning av hållbarhetsrapporten har en annan inriktning och en väsentligt mindre omfattning jämfört med den inriktning och omfattning som en revision enligt International Standards on Auditing och god revisionssed i Sverige har. Vi anser att denna granskning ger oss tillräcklig grund för vårt uttalande.

Uttalande

En hållbarhetsrapport har upprättats.

Stockholm den 15 maj 2020
PricewaterhouseCoopers AB

Anna Rozhdestvenskaya
Auktoriserad revisor