
Sustainability Report
2022

FILIPPA K

SUSTAINABILITY REPORT 2022

INDEX

GRI 2:
GENERAL DISCLOSURES

## 2-1 Organisational details

Filippa K
Headquarters in Stockholm, Sweden

Filippa K operates in Sweden, Norway, Germany, the Netherlands, Denmark, Belgium, Finland, and the United Kingdom.

Filippa K's suppliers are located in China, Hong Kong, Italy, India, Lithuania, Morocco, Portugal, Romania, Spain, Turkey, Vietnam, South Korea, Sweden, and Japan.

## 2-2 Entities included in the organisation's sustainability reporting

Filippa K produces an annual sustainability report that covers different aspects of sustainability such as strategies and goals, policies, initiatives, and performance of the company operations. The 2022 sustainability report includes the operations of the company and retail stores, which are owned by Filippa K.

## 2-3 Reporting period, frequency and contact point

The reporting cycle is annual, and the reporting period is January 2022 to December 2022. Analysis regarding material quantities and scope emissions were calculated for the same period.

## 2-4 Restatements of information

Our carbon footprint of 2022 was calculated by Plan A. While the footprint was analysed based on the GHG protocol, there were changes in the assumptions and emission factors compared to the analysis of 2021, resulting in different emissions results in scope 3, mostly for the purchase of textile products, use phase, and end of life. Consult disclosures 305 in this report for more details.

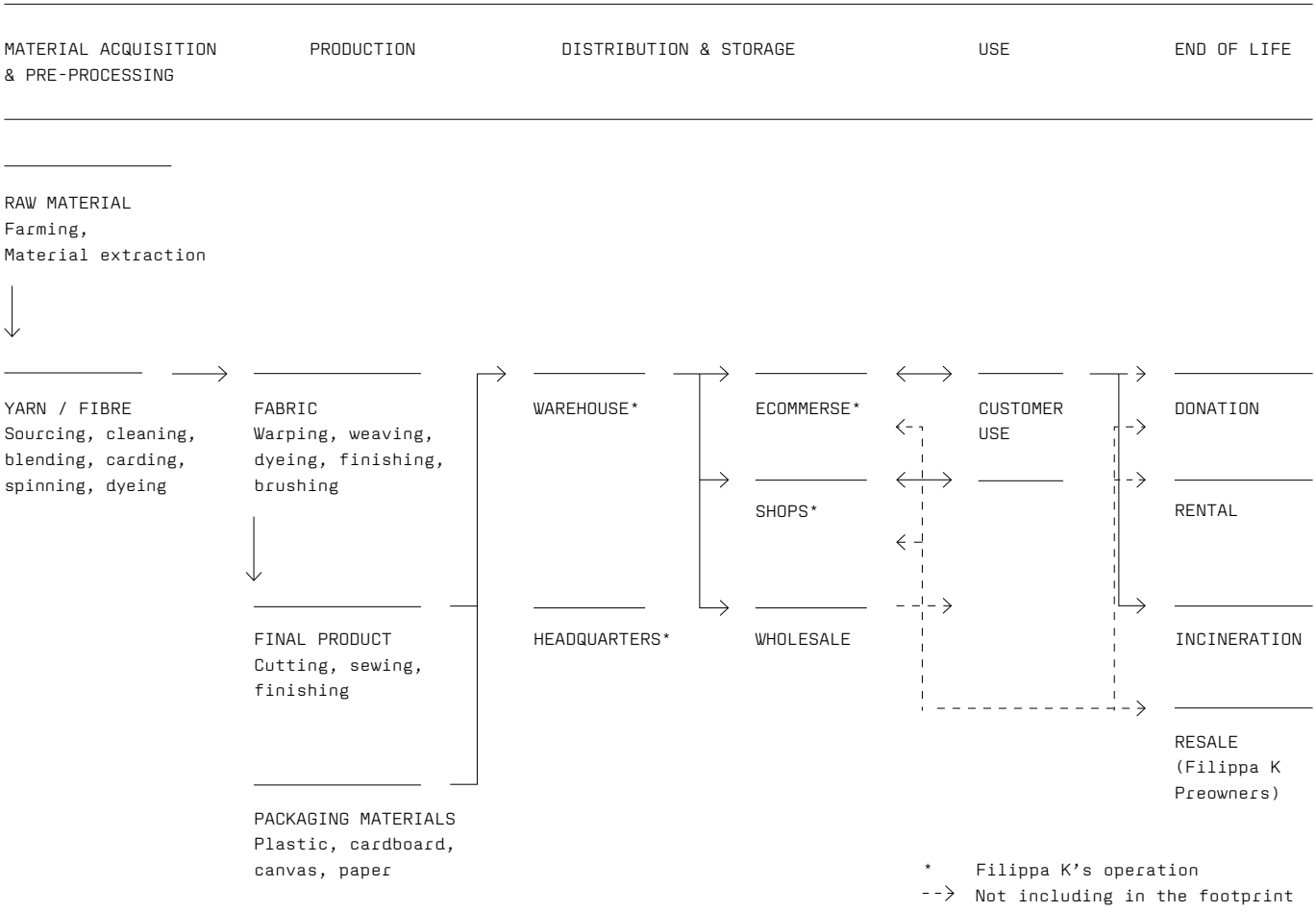
## 2-5 External assurance

Our sustainability report is part of Filippa K's annual financial reporting and PwC confirms that the report meets the legal requirements according to ÅRL (Årsredovisningslag).

2-6 Activities, value chain and other business relationships

Sector: retail of apparel and accessories

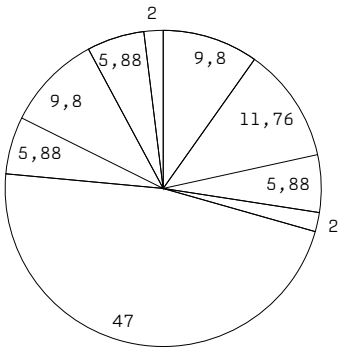
(Figure 1)
FILIPPA K'S VALUE CHAIN




SUPPLIERS:
Approximately 72% of Filippa K production takes place in Europe.

GARMENT MAKERS

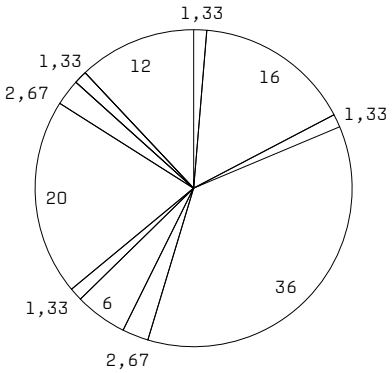
(Table 1)
COUNTRY LOCATIONS OF FILIPPA K'S GARMENT MAKERS




| | | | | | |
|---|---|---|---|---|---|
| 9,80% | China | 1,96% | Morocco | 9,80% | Turkey |
| 11,76% | Italy | 47,06% | Portugal | 5,88% | Vietnam |
| 5,88% | Lithuania | 5,88% | Romania | 1,96% | India |

FABRIC & YARN SUPPLIERS

(Table 2)
COUNTRY LOCATIONS OF FILIPPA K'S FABRIC & YARN SUPPLIERS




| | | | | | |
|---|---|---|---|---|---|
| 1,33% | Belgium | 2,67% | Japan | 2,67% | Spain |
| 16% | China | 5,33% | Korea South | 1,33% | Sweden |
| 1,33% | France | 1,33% | Morocco | 12% | Turkey |
| 36% | Italy | 20% | Portugal | | |

Markets served (main):
Sweden, Germany, Netherlands, Norway, Belgium, Denmark, Poland, Finland, Austria.
Other relevant business relationships: Trustrace, Archive, Fugeetex, other brands (Tiger of Sweden, Houdini, Asket, Woolpower, Klippan), academia and non-profit organisations (Axfoundation, Research Institutes of Sweden).

2-7 Employees

The demographic breakdown of Filippa K employees is as follows:
We have employees located in Sweden, Norway, Denmark, Finland, Belgium, the Netherlands, Germany and UK.

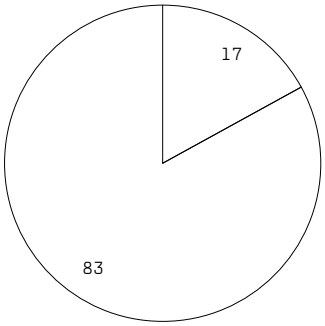
We have 227 employees in total
- 17% are men
- 83% are women
- 37% have an international background (other than Swedish)

Overall age distribution (2023):
- < 29: 43%
- 30-39: 33%
- 40-49: 16%
- 50-59: 7%
- > 60: 2%

Leadership age distribution (2023):
- < 29: 3%
- 30-39: 44%
- 40-49: 36%
- 50-59: 17%
- > 60: 0%

The following departments work with sustainability: Product, Merchandising, Sustainability DTC, Wholesale, Marketing, Finance, IT, Logistics, and HR.

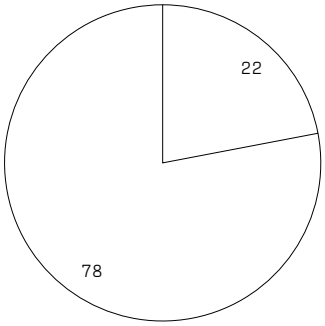
(Figure 3)
WOMEN AND MEN EMPLOYED AT FILIPPA K 2023




83% Women
17% Men

*Target 2025: Women 65% / 35% Men*

(Figure 4)
WOMEN & MEN IN LEADING POSITIONS AT FILIPPA K 2023




78% Women
22% Men

*Target 2025: Women 65% / 35% Men*

2-9 Governance structure and composition

The Filippa K Vice President of Sustainability is represented on the company's leadership team, reports to the CEO and works directly with all departments: Logistics, IT, Sourcing & Production, Design, Merchandising, HR, Marketing, Wholesale, Finance, and Retail & E-commerce.

2-12 Role of the highest governance body in overseeing the management of impacts

The highest governance body is the Board of Directors and its members. The Board of Directors determines the company's strategy objectives including the sustainability strategy. The Board of Directors has assigned the operational management and the implementation of the strategy to the CEO.

The CEO and management team inform the Board of Directors of current business development at bi-monthly board meetings. Between board meetings, the Board of Directors are informed in writing about current business development as well as the financial situation on a monthly basis.

2-13 Delegation of responsibility for managing impacts

The Board of Directors determines the strategic objectives and the resources for achieving these by appointing the CEO as the highest responsible person. The CEO appoints and delegates the responsibility to the management team. Within the management team, responsibility is determined for managing different aspects of the organisation, such as economy, environment, people, etc. The individual responsible reports directly to the CEO. The VP of Sustainability coordinates the development of the sustainability strategy and related activities. However, the responsibility for planning and implementing sustainability initiatives lies within the individual areas.

2-16 Communication of critical concerns

The company has a whistleblowing policy in place to secure a reporting channel that enables anonymous report of concerns. All reports through this channel are investigated within a statutory limited time and reported to the Board of Directors with immediate action.

2-22 Statement on sustainable development strategy

Sustainability has been at the core of Filippa K's DNA since the beginning, with a circularity strategy in place since 2014. The brand takes a holistic approach centred around mindful consumption: the responsible creation of high-quality fashion that promotes a lifestyle of owning fewer, better pieces and keeping them in use for as long as possible.

WE FOCUS ON THREE SUSTAINABILITY PILLARS:

1 – Circularity

We design for the full life cycle of a garment with the intention of reducing, repairing, reusing and recycling.

2 – Traceability

We work towards tracing each material from fibre to garment with transparency and social responsibility throughout the supply chain.

3 – Impact Reduction

We measure our production and organisational impacts in order to actively lower our environmental footprint. These pillars are supported by our partnerships and our scalability efforts.

AND FIVE SUSTAINABILITY GOALS FOR 2030:

1. Circularity
100% of the garments received through claims or collection, as well as materials from garment waste, will be remade, resold or recycled.

2. Traceability
100% of Filippa K styles will be fully traceable and certified (excluding where certification does not exist).

3. Impact reduction
We will have reduced overall emissions by 50% in 2030 and aim to achieve carbon neutrality by 2050.

4. Fibre use
We will use fully recyclable Class 1 and 2 (more sustainable) fibres, based on our Fibre Tool, in 100% of Filippa K styles.

5. Social responsibility
We will ensure there is no exploitative labour or corruption in our supply chain, and that all people are paid a fair and equitable wage and have a safe work environment.

2-23 Policy commitments

Our policies are listed internally on our intranet, which is available to all employees. The policies are as follows:

- INJURIES & INCIDENTS
- CRISIS SUPPORT & HANDLING
- GENDER EQUALITY
- DISCRIMINATION & VICTIMIZATION POLICY
- SEXUAL HARASSMENTS
- DRUG & ABUSE
- STRESS
- REHABILITATION & WORK MODIFICATION
- WHISTLEBLOWING POLICY

2-24 Embedding policy commitments

Policy commitments are approved by the Board of Directors and communicated internally to all employees of Filippa K to signal their importance and help embed them throughout the business. Policies are also communicated externally to business partners and others in the company's value chain, as well as to people who may be affected by the company's operations.

To ensure the policy commitments are truly embedded internally in the organisation, Filippa K has two employees who act as protection agents to ensure that no action or behaviour goes against the policy commitments.

2-25 Processes to remediate negative impacts

Filippa K has an ethical rules policy that states the rules regarding corruption within the company. We also have a gender policy and a discrimination policy.

2-26 Mechanisms for seeking advice and raising concerns

Filippa K conducts several annual employee surveys to identify concerns and issues within the workforce. We have internal safety representatives, as well as a whistleblowing structure that offers a possibility to report suspicions of misconduct in confidence. This is not only an early warning system to reduce risks but also an important tool to foster high business ethics and maintain customer and public trust in our business. Whistleblowing can be made openly or anonymously.

2-27 Compliance with laws and regulations

Operations: There were no instances of non-compliance with laws and regulations during 2022.

2-28 Membership associations

Filippa K is a member of the following associations:

- Fair Wear Foundation (supporting social compliance with suppliers)
- RISE Chemical group (supporting with chemical legislation and restricted substances)
- SSEI (the Swedish Shoe Environmental Initiative) (facilitating collaboration among brands around legal and environmental issues in the shoe industry)
- Textile Exchange (supporting accelerated use of preferred fibres)
- Swedish Wool Initiative (led by Axfoundation, working to increase the use of local wool in Sweden)

2-30 Collective bargaining agreements

Filippa K employees in Sweden and Norway are covered by the collective bargaining agreement (CBA).

In Finland, Denmark, Germany, Belgium and Netherlands and UK, our practices are based on the terms of the CBA in the respective country.

GRI 3:
MATERIAL TOPICS

3-1 Process to determine material topics

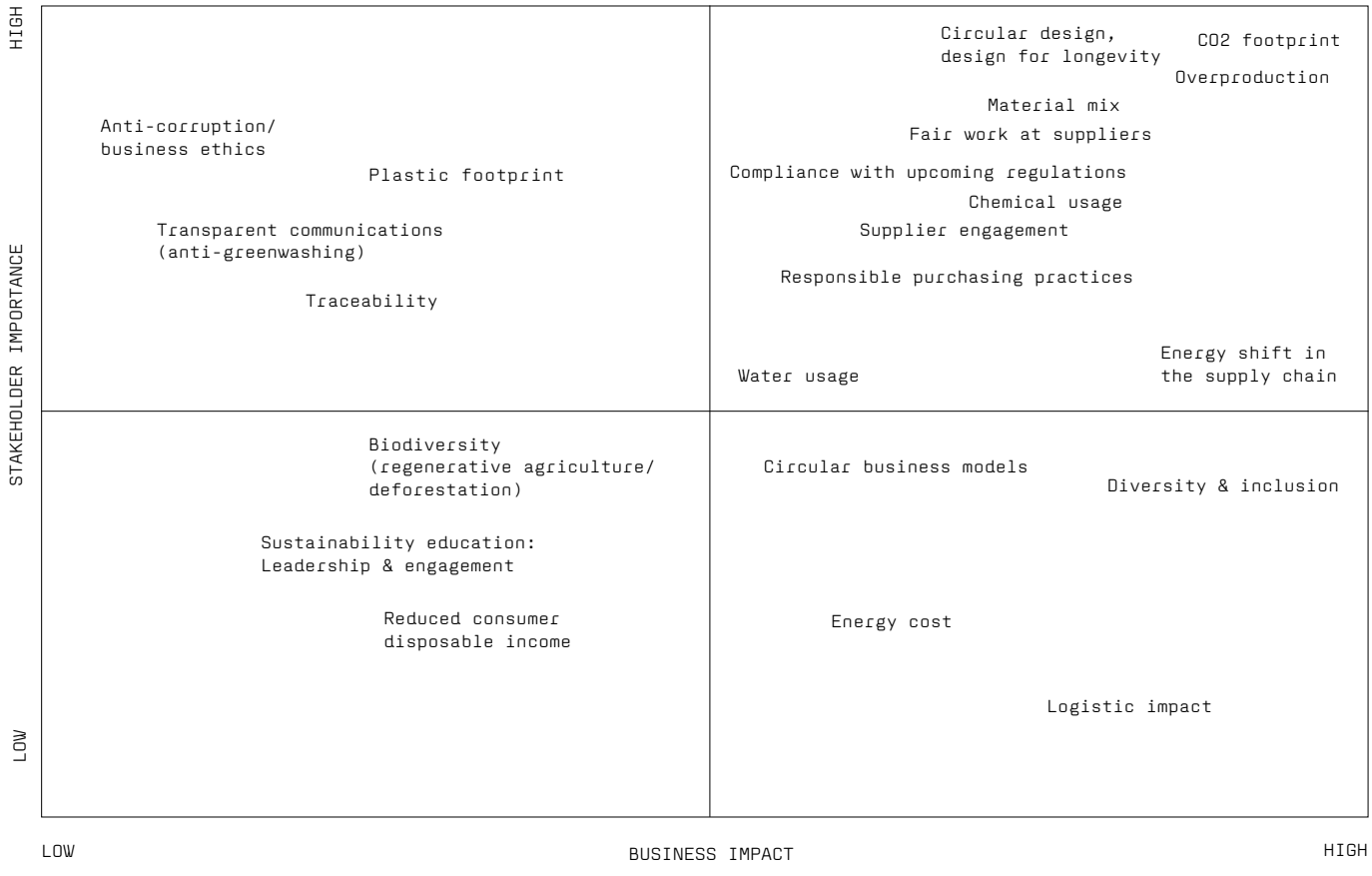
The material topics were submitted by the Sustainability team, after discussion with Customer Care (to consider the customer perspective and input from the suppliers and the Production team. The topics were then presented in a workshop with the Leadership team, to seek additional topics and align on how the topics were prioritised. The final matrix was signed off on in a meeting with the CEO, CFO, and Sustainability team.

3-2 List of material topics

All of the materiality topics we listed in 2021 were updated for 2022, except for “diversity and inclusion” and “anti-corruption/business ethics”. This was primarily so that we could refine our topics in order to be more specific. For example, last year we listed “Respect for human rights (labour practices and fair wages)” and this became “Fair work at suppliers” and “Responsible purchasing practices” for 2022.

Last year, the Filippa K materiality topics were: anti-corruption (ethics), supply chain disruptions, information security and privacy, respect for human rights (labour practices and fair wages), responsible management of suppliers (material sourcing and traceability), geopolitical risk, competitive behaviour, management of legal and regulatory environment, macroeconomic risk, occupational health and work environment, scope 1 & 2 greenhouse gas emissions, scope 3 greenhouse gas emissions, chemical waste management, land use, ecological impacts, water and wastewater, product-level impacts, pandemic impacts.

(Figure 5)
FILIPPA K’S 2023 MATERIALITY MATRIX



(TABLE 3) MATERIALITY ISSUES

| BUSINESS IMPORTANCE | STAKEHOLDER IMPORTANCE | TOPIC | GRI DISCLOSURES |
|---|---|---|---|
| High | High | Circular design (design for longevity) | 201-2 |
| High | High | Climate change | 201-2, 305 |
| High | High | Overproduction | 306 (waste) |
| High | High | Material mix | 301 |
| High | High | Fair work at suppliers | 308, 402, 407, 408, 409, 410, 411, 414 |
| High | High | Compliance with upcoming regulations | 417, 418, 2.27, 2.23, 2.24 |
| High | High | Chemical usage | 308, 416, 417 |
| High | High | Supplier engagement | 2.25, 204, 205, 308, 407, 414 |
| High | High | Responsible purchasing practices | 2.28, 204-1, 301, 306, 308, 414 |
| High | High | Water usage | 303 |
| High | High | Energy shift in the supply chain | 302 |
| High | Medium | Circular business models | 2.22, 201-2, 301 |
| High | Medium | Diversity and inclusion | 405, 406, 2.7 |
| High | Low | Energy cost | 201-2 |
| High | Low | Logistics impact | 305, 201-2 |
| Low | High | Anti-corruption/business ethics | 205, 2.27, 2.23, 2.30, 205-1 |
| Medium | High | Plastic footprint | 301, 306 |
| Medium | High | Transparent communication (greenwashing) | 417-2, 417-3 |
| Medium | High | Traceability | 2.22 |
| Medium | Medium | Biodiversity (regenerative agriculture/deforestation) | 304 |
| Medium | Low | Reduced consumer disposable income | Not available |
| Medium | Low | Sustainability education leadership & engagement | 404-2 |

GRI 201:
ECONOMIC PERFORMANCE

201-2 Financial implications and other risks and opportunities due to climate change

In 2022, we listed a variety of risks and opportunities and evaluated the impact of each one on our company. This analysis has been applied across our own operations and suppliers. Examples of risks identified due to climate change include carbon taxes, upcoming policies for the apparel industry in the EU, price increases of raw materials and energy, and physical risks such as water scarcity, impacts of sea level rise, risks due to extreme rainfall, etc. We identified climate-related opportunities including the use of lower-emission sources of energy, use of more efficient modes of transport, expansion of low emission/circular garments and sustainable business models, and use of supportive policy incentives.

When analysing the risks and opportunities, we focused on the years 2021-2040 as the time horizon as it provides a perspective on the short- and medium-term to ensure strategic relevance. We referred to the AR6 IPCC report to analyse climate-related risks considering two scenarios: SSP1-2.6 “sustainability green road” (which estimates a +1.5°C increase by 2040) and SSP5-8.5 “fossil-fuel development, taking the highway” (which estimates a +1.6°C increase by 2040). Our analysis encompasses the areas in which our own operations and suppliers are located. The analysis can be seen on Tables 4, 5 and 6. We aim to assess our whole supply chain in the next reports.

(Table 4) FINANCIAL IMPACTS OF PHYSICAL RISKS

Physical risks resulting from climate change can be event-driven (acute) or longer-term shifts (chronic) in climate patterns. Physical risks may have financial implications for organisations, such as direct damage to assets and indirect impacts from supply chain disruption. Organisations' financial performance may also be affected by changes in water availability, sourcing, and quality; food security; and extreme temperature changes affecting organisations' premises, operations, supply chain, transport needs, and employee safety

<table>
<tr><th>RAW MATERIALS CULTIVATION AND PROCESSING</th><th>MANUFACTURING AND PACKAGING</th><th>DISTRIBUTION AND RETAIL</th><th>CUSTOMER</th><th>END OF LIFE</th></tr>
<tr><td>Increased costs due to reduced availability of raw materials, changes in agricultural yields, increased energy prices</td><td></td><td></td><td></td><td></td></tr>
<tr><td colspan="3">Increased operating costs in supply chain due to changes in labour productivity</td><td rowspan="2"></td><td rowspan="4"></td></tr>
<tr><td colspan="3">Increased operating costs due to the increase of price of water for own operations and supply chain, given increased water scarcity and drought</td></tr>
<tr><td></td><td></td><td></td><td>Increased retail prices due to increased costs</td></tr>
<tr><td colspan="3">Increased capital costs (e.g., damage to facilities), reduced revenue from decreased production capacity (e.g., transport difficulties, supply chain interruptions) due to coastal, inland flooding and extreme climate events</td><td></td></tr>
</table>

(Table 5) FINANCIAL IMPACTS OF TRANSITION RISKS

Transitioning to a lower-carbon economy may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change. Depending on the nature, speed, and focus of these changes, transition risks may pose varying levels of financial and reputational risk to organisations.

| RAW MATERIALS CULTIVATION AND PROCESSING | MANUFACTURING AND PACKAGING | DISTRIBUTION AND RETAIL | CUSTOMER | END OF LIFE |
|---|---|---|---|---|
| Reduced margins due to increase in production and operating costs (new regulations and policies, e.g. carbon pricing and taxes, EPR, higher material prices) | | | | |
| Cost to transition to lower emissions innovations: innovative fibres/ materials, certified & traceable materials, recycled materials, etc. | | | | |
| Cost due to digital implementation of labelling | | | | |
| | | Cost due to increased infrastructure needed for collection, sorting, repair, as well as new technology needed for textile recycling | | |
| | Eco design might necessitate higher cost of making and new supply chain partners | | | |
| | | Potential loss of sales if reduce expedited shipping to customers | | |
| | | Reduced revenue from negative impacts on workforce management and planning (e.g., employee attraction and retention) | | |
| | | Reduced revenue from traditional sales models | | |
| | | | Reduced revenue from consumers who feel we are not doing enough to reduce our impacts or be transparent | |

(Table 6) CLIMATE RELATED OPPORTUNITIES

Efforts to mitigate and adapt to climate change also produce opportunities for organisations, for example, through resource efficiency and cost savings, the adoption of low-emission energy sources, the development of new products and services, access to new markets, and building resilience along the supply chain.

| RAW MATERIALS CULTIVATION AND PROCESSING | MANUFACTURING AND PACKAGING | DISTRIBUTION AND RETAIL | CUSTOMER | END OF LIFE |
|---|---|---|---|---|
| Use of public-sector incentives: EU strategy for sustainable and circular textiles | | | | |
| | | Use of more efficient modes of transport: low carbon last-mile options, low carbon fuels | | |
| Incentivise more efficient use of natural resources | | | | |
| Use of recycled, upcycled, sustained-sourced materials, decreased use of virgin materials | | | | |
| Enable the use of renewable energy generation in our own operations and supply chain | | | | |
| | | Development and/or expansion of circular garments and business models | | |
| | | | Access to new markets: gen z and new generations are more conscious of their consumption and demand that brands be more transparent and responsible | |

GRI 204:
PROCUREMENT PRACTICES

204-1 Proportion of spending on local suppliers

Production amounts and Swedish krona spent on Swedish suppliers through our production with Swedish wool and with the recycled fibre Circulose® from Swedish scale-up Renewcell.

| | |
|---|---|
| Swedish wool | 560 kg<br>195,000 SEK |
| Circulose® | 190 kg<br>103,300 SEK |

GRI 205:
ANTI-CORRUPTION

205-1 Operations assessed for risks related to corruption

All employees are expected to decline any gifts from suppliers, partners, customers, etc. that might be perceived as bribery, as outlined in our Ethical Rules policy. By principle, we accord to each country's laws and regulations for tax-free gifts. There were no reported or discovered issues of corruption during 2022. The risk of employees not complying with these rules is low due to the nature of our operations in each country.

205-2 Communication and training about anti-corruption policies and procedures

The onboarding process for all employees includes information about corruption.

205-3 Confirmed incidents of corruption and actions taken

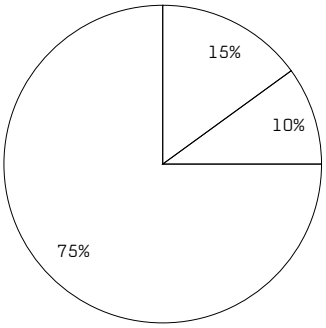
No incidents of corruption were reported within our operations during 2022.

GRI 301:
MATERIALS

301-1 Materials used by weight or volume (including certified products, renewable non renewable, etc)

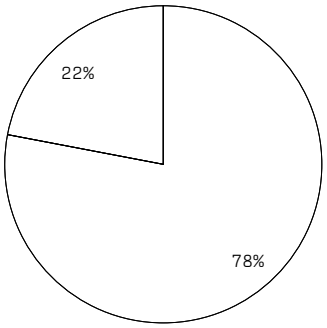
301-2 Recycled input materials used

(Figure 6)
FIBRE DISTRUBUTION BY TYPE



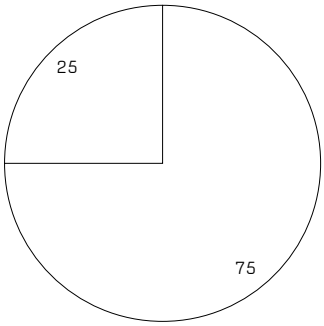

75% Natural
10% Regenerated
15% Synthetic

(Figure 7)
RECYCLED POLYESTER BY ORDER QUANTITY



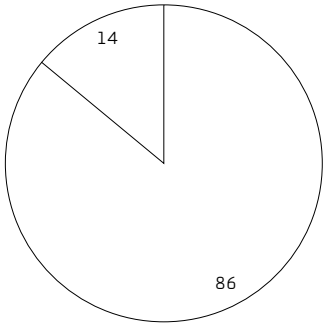

78% Recycled Polyester
22% Non-recycled Polyester

(Figure 8)
CERTIFIED VISCOSE BY ORDER QUANTITY



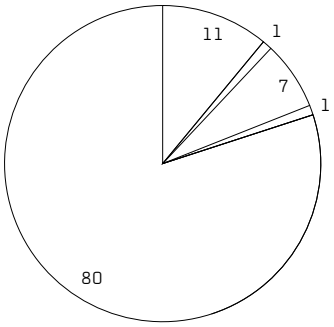

75% Certified Viscose
25% Normal Viscose

(Figure 9)
RECYCLED POLYAMIDE BY ORDER QUANTITY



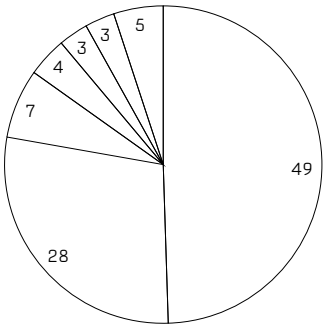

14% Recycled Polyamide
86% Non-recycled Polyamide

(Figure 10)
CERTIFIED FIBRES BY ORDER QUANTITY



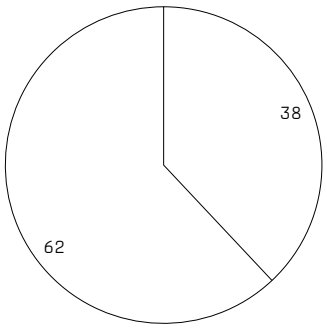

11% GOTS
1% OCS
7% RWS
1% GRS
0% RMS
80% Non-certified Fibres

(Figure 11)
WOOL FIBRES BY ORDER QUANTITY




49% Mulesing-free Merino
28% RWS
7% Recycled Wool
4% Cashmere
3% Recycled Cashmere
3% Yak
5% Other Wool

(Figure 12)
MONO FIBRES BY ORDER QUANTITY




38% Mono Fibre Materials
62% Multiple Fibre Materials

(Table 7) FILIPPA K'S TOTAL FIBRE USE

| FIBRE | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| All Wool | 23,26% | N/A | 20,4% | 18,7% | 18,0% | 16,9% | 15,6% | 17,7% | 25,4% | 16,1% | 17,4% |
| Cotton | 9,08% | N/A | 19,0% | 5,8% | 17,2% | 17,1% | 29,3% | 23,2% | 25,4% | 26,3% | 31,3% |
| All Leather | 1,95% | N/A | 8,3% | 10,1% | 11,9% | 6,2% | 2,5% | 4,5% | 5,0% | 6,1% | 7,4% |
| Polyamide | 5,44% | N/A | 13,9% | 12,3% | 11,3% | 7,6% | 4,6% | 5,6% | 5,5% | 5,8% | 5,2% |
| Recycled Polyamide | 0,92% | N/A | 1,8% | | | | | | | | |
| Organic & More Sustainable Cotton | 36,35% | N/A | 7,1% | 21,5% | 10,4% | 13,3% | 3,4% | 8,7% | 9,3% | 7,9% | 8,4% |
| Polyester | 4,48% | N/A | 5,1% | 4,5% | 6,8% | 6,7% | 7,6% | 6,4% | 8,3% | 6,9% | 3,5% |
| Viscose | 0,36% | N/A | 1,1% | 2,2% | 5,3% | 5,3% | 5,2% | 2,2% | 9,3% | 9,0% | 8,4% |
| Lyocell | 5,48% | N/A | 5,5% | 5,7% | 4,0% | 7,2% | 11,7% | 9,4% | 8,2% | 6,7% | 5,6% |
| Elastane (Lycra And Spandex) | 2,36% | N/A | 3,6% | 2,9% | 2,9% | 2,2% | 1,8% | 1,9% | 1,7% | 2,0% | 1,4% |
| Triacetate | 2,83% | N/A | 3,8% | 3,9% | 2,4% | 1,5% | 1,5% | 1,2% | 1,3% | 0,0% | 0,0% |
| Silk | 1,83% | N/A | 1,9% | 2,8% | 2,2% | 2,3% | 2,1% | 2,7% | 3,7% | 3,2% | 5,2% |
| Viscose (Lenzing) | 1,10% | N/A | 2,3% | 5,2% | 1,9% | 3,9% | 4,4% | 8,3% | 9,3% | 9,0% | 8,4% |
| Recycled Polyester | 1,29% | N/A | 3,4% | 1,3% | 1,6% | | | | | | |
| Linen | 0,95% | N/A | 1,9% | 1,8% | 1,3% | | | | | | |
| Linen (Natural Retting) | 0,72% | N/A | 0,2% | 0,2% | 0,6% | 3,0% | 4,5% | 4,5% | 2,1% | 2,0% | 1,6% |
| Modal | 0,10% | N/A | 0,7% | 1,1% | 0,9% | 1,1% | | | | | |
| Acetate | 0,99% | N/A | | 0,6% | 0,2% | 0,8% | 0,7% | 2,2% | 1,5% | 2,7% | 1,5% |
| Cupro | 0,33% | N/A | 0,1% | 0,4% | 0,2% | | | | | | |
| Other Fibres (Less Than 0.7%) | 0,19% | N/A | | 0,2% | | 4,9% | 5,1% | 1,5% | 2,5% | 4,4% | 3,1% |

301-3 Reclaimed (refers to collecting, reusing, or recycling products and their packaging materials at the end of their useful lives) products and their packaging materials

*Reuse (downstream operations)*

Filippa K has been collecting used Filippa K garments from customers at all retail stores since 2015. During 2022, we were unable to track the amount of garments we collected in all markets.

In 2021, Filippa K partnered with the company Archive to start a peer-to-peer platform where consumers can buy and sell pre-owned Filippa K garments online. Filippa K is able to sell "FK verified" garments that we have collected via our retail stores on this platform, as well. The platform is only functional in Sweden, and during 2022, 308 garments were sold. This number is lower than expected due to an issue linking to the pre-owned site from our own e-commerce platform. Therefore, users were not able to find our pre-owned site until this was fixed, and when it was resolved traffic increased by five times.

Packaging used for these products: paper bags or own packaging selected by the seller.

*Recycle (upstream operations)*

During 2022, 1507 kg of wool cutting scraps from the production of our suiting in Portugal were sent to our fabric mill in Italy – Manteco – to be recycled. Manteco produced a textile made of our wool scraps and of recycled polyamide. This textile will be used in our Autumn/Winter 2023 collection.

GRI 303:
WATER AND EFFLUENTS

303-1 Interactions with water as a shared resource

Our impacts on water consumption and water pollution mostly occur in scope 3 upstream in our supply chain (e.g., fibre and fabric production), as well as downstream during a garment's use stage and end of life. Based on the LCA study by Mistra Future Fashion (2015)1 the main impacts to freshwater consumption of different Swedish garments mostly occur in the fibre production. Impacts to water pollution (e.g., freshwater eutrophication, acidification, ecotoxicity) occur mostly in the fabric production stage, followed by fibre production, use, and end of life stages.

In an analysis based on the WWF Risk Filter (Basin physical risk)2 of our own operations (table x) Tier 1 (table 8) and Tier 2 and 3 (table 9) suppliers (fabric and yarn makers), we assessed the water risks in our supply chain and own operations as follows:

| (Table 8) | Analysis of physical water risks of the locations of Filippa K HQ, retail stores, and warehouse |
|---|---|

| Water risk 2022 | Percentage of total stores and warehouses (2022) |
|---|---|
| Medium-high | 4,76% |
| Medium | 28,57% |
| Low-medium | 57,14% |
| Low | 9,52% |

| (Table 9) | Analysis of physical water risks of the locations of Tier 1 suppliers (garment manufacturers) |
|---|---|

| Water risk 2022 | Percentage of total tier 1 suppliers (2022) |
|---|---|
| Very high | 1,96% |
| High | 9,8% |
| Medium-high | 17,65% |
| Medium | 70,59% |

| (Table 10) | Analysis of physical water risks of the locations of Tier 2 and 3 suppliers (fabric, yarn, leather manufacturers) |
|---|---|

| Water risk 2022 | Percentage of total tier 2-3 suppliers (2022) |
|---|---|
| Very high | 1,43% |
| High | 14,29% |
| Medium-high | 31,43% |
| Medium | 50% |
| Low | 2,86% |

During autumn of 2022 we began developing an assessment for understanding the initiatives of our suppliers to reduce water impacts in their operations. Topics in the assessment included whether our suppliers had water consumption and pollution targets as well as programs to effectively reduce the water consumption relative to previous performance. We hope to implement this assessment during 2023.

(1) Mistra Future Fashion, 2015. Environmental assessment of Swedish fashion consumption. Five garments sustainable futures. Available at: http://mistrafuturefashion.com/output/lca-five-garments/ (Accessed 28 February 2023).

(2) The Water Risk Filter physical risk layer represents both natural and human-induced conditions of river basins. It comprises four risk categories covering different aspects of physical risks: water scarcity, flooding, water quality, and ecosystem services status. Therefore, physical risks account for if water is too little, too much, unfit for use, and/or the surrounding ecosystems are degraded, and in turn, negatively impacting water ecosystem services.

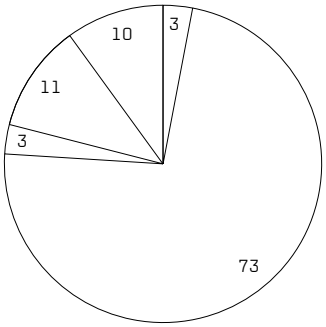
GRI 305: EMISSIONS

305-1 Direct (Scope 1) GHG emissions, 305-2 Energy indirect (Scope 2) GHG emissions, 305-3 Other indirect (Scope 3) GHG emissions

(Table 11) Filippa K 2022 emissions per category

| SCOPE | CATEGORY | EMISSIONS QTY (TON CO2 EQ) | NOTES | DATA SOURCES |
|---|---|---|---|---|
| 1 | Own operations | 0 | No vehicle fleet, no fugitive emissions | Filippa K |
| 2 | Electricity & heating | 229,48 | No owned hosted servers. | Energy providers, Secondary data when not available. |
| 3 | Textiles | 4964,4 | - | Ecoinvent<br>- Idemat<br>- WRAP<br>- Joint research Center<br>- European Commission<br>- EEA |
| 3 | Use phase | 182,6 | - The care instructions for each type of garment provided by the data source<br>- Energy usage for each type of care was defined through research and industry disclosure, together with the country specific energy mix | Secondary data, industry averages. |
| 3 | End of life | 6,41 | Industry averages for textiles waste management together with country specific waste management statistics. | Secondary data, industry averages. |
| 3 | Transportation | 786,62 | – | Transport suppliers data. |
| 3 | Supplier (non-textile) | 275,45 | – | Spend-based approach, purchased goods. |
| 3 | Cloud services | 253,42 | – | Spend-based approach. |
| 3 | Business travel | 94,89 | – | Internal survey, Egencia data. |
| 3 | Employee commute | 19,66 | – | Internal survey. |
| 3 | In person events | 10,09 | – | Internal survey. |
| 3 | Working from home | 4,73 | – | Internal survey. |
| 3 | Waste | 0,43 | The warehouse waste was only considered in this stage due to lack of availability of other sources. | Warehouse partner data. |
| Total | | 6828,18 | | |

(Figure 13)
FILIPPA K 2022 EMISSIONS PER CATEGORY




0% Own Operations
3% Electricity & Heating
73% Textiles
3% Use Phase
0% End of Life
11% Transportation
10% Others (Scope 3)

305-5 Reduction of GHG emissions

Given that there were changes in the assumptions and emissions factors for the carbon footprint analysis of 2022 compared to 2021 (due to our use of a different service provider), it is not possible to compare the results of 2022 and 2021.

GRI 306: WASTE

306-1 Waste generation and significant waste-related impacts, 306-2 Management of significant waste-related impacts, 306-3 Waste generated, 306-5 Waste directed to disposal

UPSTREAM WASTE GENERATED:

Textiles

We are able to recycle our wool and wool mix textile scraps that have less than 5% spandex or other synthetic fibres. We work with the garment makers who manufacture these styles, so that they collect the cutting scraps during garment making in order to send them to Manteco, our fabric mill partner in Italy. Manteco recycles these scraps into a new textile, and we will use this for some Autumn/Winter 2023 styles.

We have tried to collect cutting scraps in other fibre contents (cotton and cellulosics) to send these to textile recyclers, however, our own production does not generate enough volumes to warrant transporting these scraps to another country to recycle. Nor can our garment makers hold enough scraps for us to amount to the volume needed for transport or recycling, so we prefer to let our garment makers recycle these scraps locally. (We are not able to quantify the amount of cotton and other scraps our garment makers send for recycling, but we are working on this and actively engage with them to learn what they do with the cutting scraps.) We are in conversations with Renewcell and Södra and other textile recyclers in Sweden to find a solution for the volume and transport issues associated with recycling these scraps.

Packaging

Plastic: in 2022, we carried out a survey to analyse the type of plastic used in our supply chain. 52% of suppliers responded the survey, out of which, 57% use recycled plastic. With this considered, in total out of all of our suppliers, 21% in tier 1 use recycled plastic for the bags they use to ship Filippa K products to our warehouse.

OWN OPERATIONS WASTE GENERATED:

Offices, stores: most of the packaging materials used go to our customers. Warehouse: most of the packaging materials come from our upstream operations, and we acknowledge the need to have better mechanisms to measure this waste stream.

Table 13 Filippa K main waste flows in upstream, own, and downstream operations

| MATERIAL CATEGORY | TYPE OF WASTE (textile, garment, plastic, paper, metal, organic, glass, etc.) | FLOW FROM (origin) | FLOW TO (destination) | DISPOSAL METHOD (end-of-life) | QTY (yr) | LOCATION (destination) | WASTE MANAGEMENT |
|---|---|---|---|---|---|---|---|
| | | | UPSTREAM OPERATIONS WASTE FLOWS | | | | |
| Textiles | Cutting scraps | Suppliers (tier 1) | Unknown | Unkown | Unknown | Unknown | Unknown |
| Textiles | Cutting scraps | Suppliers (tier 1) | Suppliers (tier 2) | Recycling | 1507kg (woven) | Italy | By a third party, our fabric supplier in Italy, waste diverted as the cutting scraps are used as new fabric |
| | | | OWN OPERATIONS WASTE FLOWS | | | | |
| Plastic | Plastic to protect garments (recycled) [3] | Suppliers (tier 1) | Warehouse | Recycling | Unknown | Sweden | By a third party, municipal waste management in Sweden |
| Plastic | Plastic to protect garments (not recycled) [4] | Suppliers (tier 1) | Warehouse | Recycling | Unknown | Sweden | |
| Plastic | Hangers | Suppliers (tier 1) | Warehouse | Recycling | Unknown | Sweden | |
| Paper | Boxes | Suppliers (tier 1) | Warehouse | Recycling | Unknown | Sweden | |
| Plastic | Glassine | Suppliers (tier 1) | Warehouse | Recycling | Unknown | Sweden | |
| Paper | Boxes | Multiple | Warehouse | Recycling | 36687kg | Sweden | |
| Plastic | Plastic packaging | Multiple | Warehouse | Recycling | 676kg | Sweden | |
| Other | Non-recyclable | Multiple | Warehouse | Energy recovery | 2610kg | Sweden | |
| | | | DOWNSTREAM OPERATIONS WASTE FLOWS | | | | |
| Plastic | Hangers | Warehouse | Ecom customers | Unknown | Unknown | Multiple | Unknown, depending on the customer |
| Paper | Boxes (70% recycling content) | Warehouse | Ecom customers | Unknown | Unknown | Multiple | |
| Paper | Shipping envelopes (FSC mix/Recycled) | Warehouse | Ecom customers | Unknown | Unknown | Multiple | |
| Paper | Retail bags (FSC paper) | Stores | Customers | Unknown | Unknown | Multiple | |
| Paper | Dust bags (for shoes) | Stores | Customers | Unknown | Unknown | Multiple | |
| Paper | Shoeboxes | Stores | Customers | Unknown | Unknown | Multiple | |
| Textiles | Clothes (used) | Customers | Customers (peer to peer) | Re-sell | 308 units (garments) | Multiple | By third party (FK pre-owned platform) Waste diverted as second life for the garments. |
| Textiles | Clothes (unsold) | Warehouse | Outlet | Re-sell | Unknown | Sweden | By FK, waste diverted sold in FK own outlets. |
| Textiles | Clothes (used) | Customers | HQ/retail stores | Donation | Unknown | Multiple | By third party, waste diverted and sent to different organisations to sell or donate. |

DOWNSTREAM WASTE GENERATED:

Packaging

We use packaging materials such as boxes (70% recycled content), shipping envelopes (FSC paper mixed with recycled content), bags (FSC paper), and dustbags (GOTS, GRS or BCI certified) for our E-commerce and retail operations. While we use recycled and certified materials for our packaging, we have no visibility into the end of life, since it falls under the scope of our customers. However, we encourage them to reuse and recycle whenever possible.

Textiles/garments

We have collected back old Filippa K garments at all our retail stores since 2015. During 2023, we are looking into updating our Filippa K Collect concept and putting new partners in place in order to maximise reuse of these garments through repair and resale. In 2021, we saw a need for technical support to capture data on the preowned garments we were collecting, so we received funding for a grant from the Swedish Energy Agency for our C-PLM project (https://resource-sip.se/projekt/cirkular-produktlivscykel-manager-c-plm/?en). Together with our tech partner, Trustrace, and our sorting and repair partner, Fugeetex, we have started digitally tagging our collected garments and are piloting a platform to capture and provide analytics on each garment that will facilitate reuse and resale. This pilot is only running in Sweden currently, but we are looking into how we can scale it. The platform will be open source so that any brand interested in working with more circular business models can eventually use it. We aim to use C-PLM eventually to support us with all our collected (second hand) as well as claims garments or other unsold garments.

Otherwise, we sell unsold garments at our outlet stores, as well as at filippa-k.com in our “Archive” category. We have also partnered with Sellpy in Sweden to sell unsold garments online.

306-4 WASTE DIVERTED FROM DISPOSAL

- From suppliers’ waste (recycled scraps): During 2022 1507kg of wool cutting scraps were sent to Manteco to be recycled
- From customers (pre-owned): 308 units were sold in our preowned platform
- Swedish wool (by-product of the meat industry): 560 kg

In 2022 Filippa K debuted two new pieces made with Circulose®: a recycled branded material made from textile waste by the Swedish sustainable tech scale-up, Renewcell. For the collaboration, we introduced Italian fabric mill Beste to Renewcell, setting into motion a circular production loop that transforms the mill’s textile waste into a new recycled material. The first garments made with the newly established loop are Filippa K’s Cropped Jacket and Henry Unisex Trouser. However, the impact of the collaboration will last far beyond this season as more brands and companies are now able to use this process for their own garments, helping to reduce the need for new materials in fashion.

(3) 52% of suppliers responded the survey, 57% use recycled plastic. In total, out of all of our suppliers, 21% use recycled plastic.

(4) 82% of our suppliers in tier 1 use conventional plastic packaging.

GRI 308:
SUPPLIER ENVIRONMENTAL ASSESSMENT

308-1 New suppliers that were screened using environmental criteria

Number of suppliers: 7

All of our suppliers must comply with our code of conduct. Points 12, 13, and 14 are related to environmental compliance, which state:

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 the 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.

308-2 Negative environmental impacts in the supply chain and actions taken

In 2021 we analysed our carbon footprint for the first time, which helped us to understand where our main sources of emissions were according to the scopes 1, 2, 3. We found that about 76% of our carbon footprint was coming from our upstream operations, including the material acquisition & pre-processing and production steps.

From this analysis and with additional research from the Apparel Impact Institute[5] and McKinsey[6], in 2022 we identified potential sustainability levers to reduce the impacts (mostly of climate change) of our operations, as observed in Figure 14:

(5) Apparel Impact Institute and Fashion for Good, 2021. Unlocking the trillion-dollar fashion decarbonization opportunity report. Available at: https://apparelimpact.org/reports/unlocking-the-trillion-dollar-fashion-decarbonisation-opportunity-report/ (Accessed 1 March 2023)

(6) McKinsey, 2020. Fashion on Climate: How the fashion industry can urgently act to reduce its Greenhouse gas Emissions. Available at: https://www.mckinsey.com/~/media/mckinsey/industries/retail/our%20insights/fashion%20on%20climate/fashion-on-climate-full-report.pdf (Accessed 1 March 2023).

(Figure 14) Identified Sustainability Levers for Filippa K

| | DECARBONISTION LEVERS | OTHER ENVIRONMENTAL LEVERS | SOCIAL / GOVERANCE LEVERS |
|---|---|---|---|
| UPSTREAM PRODUCTION | 1. Energy shift for raw material production<br>2. Energy shift material processing<br>3. Minimised production & manufacturing waste<br>4. Coal phase out/energy shift garment production<br>5. Improved material mix, use of next gen materials | 6. Decreased water usage<br>7. Reduced chemical usage | 8. Ensure fair work at suppliers |
| OWN OPERATIONS | 9. Increased use of lower-impact transport<br>10. Reduced/reusable packaging, lower-impact packaging materials<br>11. Renewable energy for retail operations<br>12. Minimised returns<br>13. Reduced overproduction<br>14. Decreased overdevelopment | 15. Increased circular design | 16. Ensure inclusive work environment |
| USAGE & END-Of-LIFE | 17. Increased use of circular business models<br>18. Reduced washing & drying<br>19. Increased collection & recycling | | |

Despite changes in assumptions and emission factors, our carbon footprint from 2022 revealed that 73% of our emissions is still coming from the upstream operations, specifically from purchased textiles.

As we know that the majority of our carbon footprint lies in our upstream operations and because we do not own or have majority leverage at any of our upstream suppliers, it is essential that we start to engage directly with our suppliers to tackle these together. During autumn of 2022 we developed an assessment for understanding our suppliers' approach to reducing their own scope 1, 2, and 3 emissions. The plan was to know which suppliers have aligned to standard reduction targets and/or have set their own roadmaps, as well as to get a deeper understanding of how our suppliers monitor their energy and water use, which types and how many machines they use, and other factors to help us engage with them more directly to reduce our own scope 3 impacts.

GRI 402:
LABOUR/MANAGEMENT RELATIONS

402-1 Minimum notice periods regarding operational changes

Filippa K employees in Sweden and Norway are covered by the collective bargaining agreement (CBA). We follow this unless the notice period is specified in the employment contract which has more beneficial terms than the CBA. In Finland, Denmark, Germany, Belgium and Netherlands and UK our practices are based on the terms of the CBA in respective country.

GRI 403:
OCCUPATIONAL HEALTH AND SAFETY

403-1 Occupational health and safety management system, 403-5 Worker training on occupational health and safety

EMPLOYEES

We have routines in place to train employees on occupational health and safety management. Training is carried out when onboarding new employees. All information regarding health and safety is available at our internal intranet.

403-6 Promotion of worker health

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.

HEALTH AND SAFETY %

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 HUB. 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 2022 were followed up and analysed with Filippa K's managers and rehabilitation is in progress.

EMPLOYEE SATISFACTION

At Filippa K, employee satisfaction is measured on a regular basis. Engagement Index, leadership index and team effectiveness will be measured during 2023 in order to gain valuable insights regularly during the year.

403-8 Workers covered by an occupational health and safety management system

100% of workers are covered by an occupational health and safety management system.

403-9 Work-related injuries

Employees: one person hurt her hand in store but it was a not serious and did not have any consequences.

403-10 Work-related ill health

We have employee policies in place as part of our occupational health and safety management system. The numbers regarding absence due to illness 2022 is followed up and analysed with our managers and rehabilitation is in progress.

- Belgium: 5,05 %
- Denmark: 2,85%
- Finland: 25,75%
- Holland: 3,76%
- Norway: 3,72%
- Germany: 5,26%
- Sweden: 3,55%
- UK: 0%

GRI 404:
TRAINING AND EDUCATION

404-1 Average hours of training per year per employee

All managers in Sweden attended a work environment training in 2022.

404-2 Programs for upgrading employee skills and transition assistance programs

Through the Performance Development Review process we can identify needs and possibilities for employees to develop competences needed in their role. A Performance Development Review (PDR) is prepared to enable regular conversation between manager and employee focused on performance and personal development.

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 includes both Performance Development Reviews and an audit called People planning.

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.

In 2022, as part of our circularity goal (100% of the garments received through claims or collection, as well as materials from garment waste, will be remade, resold or recycled) we held 4 workshops on circularity for the Fabric, Design, Pattern and Buying teams. Each workshop was followed by a Circularity Toolbox handed out to the teams.

The first workshop was a general introduction to circularity; a circular design road map from how to define a product purpose to how to choose materials, following three different pathways of choosing and prioritising different design strategies. We discussed the prioritisation of the strategies in practice and which product groups would be most interesting work with and why. The road map helped us to transition towards systematically designing products that are "Made from safe, recycled and renewable inputs", "Made to be used more" and "Made to be made again". These are the three pathways to circular design according to Ellen McArthur foundation.

The second workshop handled our workflow around circularity – the Autumn/Winter 2023 collection was the first with which we internally used circularity scores when developing the collection and learned how we can make better choices to increase the circularity of our collections. It also guided us in how to work collaboratively across departments, so we do take actions at the right stage of the process.

Discussion topics included: designing the purpose of the garment in mind, circularity of our permanent Core collection, and the durability and repairability of garments. We looked at our past collections to find examples and discussed what we could improve on, noting the check points when sourcing and choosing material, designing, and making the patterns. We also considered what kind of services we can offer to increase the garment longevity and repairability. We also talked about the importance of using materials known to us and make sure we test new materials we bring into our collections.

The fourth workshop was focused on how to use the Material Circularity Indicator methodology (MCI), methodology developed by The Ellen MacArthur Foundation and Granta Design that allows companies to identify additional, circular value from their products and materials, and mitigate risks from material price volatility and material supply.

404-3 Percentage of employees receiving regular performance and career development reviews

100% of Filippa K employees receive regular performance and career development reviews.

GRI 405:
DIVERSITY AND EQUAL OPPORTUNITY

405-1 Diversity of governance bodies and employees

We have employees from 13 countries, of which 98% are from EU countries and 2% are from non-EU countries.

GRI 406:
NON-DISCRIMINATION

406-1 Incidents of discrimination and corrective actions taken

We also have a non-discrimination policy for employees: Filippa K does not tolerate any direct or indirect disadvantages towards anyone due to the grounds of discrimination stated in law. Any incidents of discrimination shall be reported to HR.

GRI 407:
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk

Employees: Our policy is that 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. Please refer to our Fair Wear Foundation Social Report, published on our website, for further details. Employees In Sweden and Norway we have a collective bargaining agreement (CBA). For Finland, Denmark, Germany, Belgium, and Netherlands, our practices are based on the terms of the CBA.

Suppliers: Our code of conduct has a section relevant to collective bargaining:

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). Worker's 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.

This is verified by social audits. Please refer to our Fair Wear Foundation Social Report, published on our website, for further details.

GRI 408:
CHILD LABOUR

408-1 Operations and suppliers at significant risk for incidents of child labour

Employees: Filippa K does not hire anyone younger than 18 years old.

Suppliers: Our code of conduct has a section relevant to child labour:

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)

This is verified by social audits. There was no incident of child labour reported in 2022. Please refer to our Fair Wear Foundation Social Report, published on our website, for further details.

GRI 409:
FORCED OR COMPULSORY LABOUR

409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour

Suppliers: Our code of conduct has a section relevant to forced and compulsory labour:

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. 47% of our vendors are located in risk countries (i.e. Romania, Turkey, China, and Vietnam). China represents 10% of our vendors and this is the major risk country of forced labour.

Please refer to our Fair Wear Foundation Social Report, published on our website, for further details.

Employees: Filippa K has direct operations in countries where there is a low risk of forced or compulsory labour.

GRI 413:
LOCAL COMMUNITIES

413-1 Operations with local community engagement, impact assessments, and development programs

At Filippa K, we realise we can't change the industry alone – we need to engage with non-profit organisations, researchers and academics, other brands, our suppliers, and with start-ups and innovators who are working in new ways. We see partnerships as an enabler to our sustainability work.

SOME OF THE KEY COLLABORATIONS AND PARTNERSHIPS DURING 2022 WERE:

– Swedish Wool Initiative: Cross-sectorial project aimed to reduce wool waste in Sweden to zero

  Description: Vinnova-funded project. Sweden imports over 1700 tons of wool annually, while less than 50% of all wool produced by Swedish farmers is used. Axfoundation project leads the SWI to facilitate collaboration between a diverse group of stakeholders in order to build a resilient value chain for Swedish wool.

  Project partners: Including Tiger of Sweden, Fjällraven, Klippan Yllefabrik, Smart Textiles/Science Park Borås, IVL Swedish Environmental Institute, Chalmers Industrieteknik, Circularist, LE Ullkonsult, Norrby Gård, Västkustens Ullinsamling, Ullkontoret, Svenska Fårklipparförbundent, LRF, Trustrace

– Research Institutes of Sweden (RISE) project: Closed-loop recycling of wool/synthetic blend textiles into high-end textile fibres

  Description: Vinnova-funded project
  Project partners: Woolpower, Südewolle, and Paulo di Oliveria

– RISE project: Favorite Wardrobe

  Description: Vinnova-funded project. Using a custom-built app, we asked selected consumers to track what they wore over a 100-day period. The aim is to increase awareness among both companies and consumers around circular thinking in the fashion industry and explore strategies to inspire individuals to value their garments more.

  Project partners: Asket, Houdini

– Circular Product Lifecycle Manager (C-PLM) project

  Description: Funded by the Swedish Energy Agency, C-PLM is a technical platform enabling brands to incorporate circular business models around repair/resale of garments by enabling a technical platform to capture unique product information for each second hand garment. This information is aggregated on a platform that allows sorting and repair partners to for collect data (e.g., on defects, condition, repairs, pricing) on second hand garments to not only facilitate resale of these products but to create a feedback loop for brands to improve their new collections by increasing the longevity and durability of their products.
  Project partners: Trustrace, Fugeetex

– KTH Royal Institute of Technology project: Transitioning to Renewable Energy in our Supply Chain

  Description: Through a literature review and information provided by Filippa K this report aimed to examine what actions Filippa K could perform to lower their emissions originating from their wool acquisition process. This was done by comparing and analysing two countries which are large suppliers of wool to Filippa K; these countries are China and Portugal. The two countries' wool material acquisition process was examined. Differences in production and energy consumption were mapped to suggest possible actions for Filippa K.

  Project partners: Master's students from KTH Royal Institute of Technology, School of Architecture and the Built Environment

— RISE project: Development of Biobased Scandinavian Vegan “Leather”

Description: Vinnova-funded project. Pilot project to start development of a bio-based and biodegradable or recyclable leather alternative material from Swedish waste streams from the apple cider and forestry industries.

Project partners: Irma’s Fabric

— BCome project: Impact Measurement on 18 fully traceable products

Description: In 2022 Filippa K participated in a pilot project with BCome to calculate different environmental impacts (water use, climate change, eutrophication, abiotic depletion) at the product level. About 18 fully traceable (to tier 4) styles were analysed.
Project partner: BCome

— Plan A: Annual Carbon Emissions Measurement

Description: Analysis of Filippa K Carbon footprint (2022), considering scopes 1, 2, and 3.
Project partner: Plan A

413-2 Operations with significant actual and potential negative impacts on local communities

About 3% of our total carbon footprint (from 2022 carbon assessment) comes from our scope 1 and 2 emissions, which represents a small percentage of our total impact to climate change. As for water impacts, over 95% of our own operations (HQ, retail stores, warehouse) are in low-medium water risk locations, the rest are in medium-high water risk locations.

We will continue to assess other environmental impacts in our operations to understand how we can reduce our impacts in the locations we operate.

GRI 414:
SUPPLIER SOCIAL ASSESSMENT

414-1 New suppliers that were screened using social criteria

Percentage of new suppliers that were screened using social criteria: 100%. All our new suppliers need to confirm and sign our code of conduct and are evaluated against our social criteria.

414-2 Negative social impacts in the supply chain and actions taken
REQUIREMENTS

Number of suppliers assessed for social impacts: 4

Our country risk rating is based on information from NGOs and Fair Wear Foundation, and is updated at least once per year. Countries that we classify as high-risk and major risk factors are listed below:

China – Major risks are low wages, excessive overtime and lack of social insurance. Freedom of association remains restricted by law; no independent unions are allowed and there is no right to collective bargaining or strike.

India – Major risks are low wages, excessive overtime and lack of social insurance. Sexual harassment is common and there is a significant gender wage gap.

Italy – Major risks are forced labour and excessive working hours for migrant workers.

Romania – Major risks are corruption and low wages.

Turkey – Major risks are lack of freedom of association and the right of collective bargaining. Usage of sub-contractors are common, where there is a risk for unregistered employment and lack of labour rights, especially for migrant workers.

Vietnam – Major risks are high employee turnover, gender discrimination, excessive overtime and low wages.

We work with 28 factories in countries that are classified as high-risk for potential negative social impact. During this year, we have assessed 14% of them on our own behalf and 3% have been assessed by others using the same supplier. During these assessments, 9 findings of potential negative social impact of very high concern were detected. We work closely with all factories to make sure that negative social impacts are addressed and improved with support from us. 100% of our tier 1 suppliers have signed our code of conduct and are responsible for ensuring that their sub-contractors comply with the requirements.

We have not ended any relationships with suppliers due to negative social impacts. Please refer to our Fair Wear Foundation Social Report, published on our website, for further details.

GRI 416:
CUSTOMER HEALTH AND SAFETY

416-1 Assessment of the health and safety impacts of product and service categories

We do not have any products that we assess having high risk health and safety impacts for our customers.

416-2 Incidents of non-compliance concerning the health and safety impacts of products and services

There were no non-compliance incidents reported in 2022.

GRI 417:
MARKETING AND LABELLING

417-1 Requirements for product and service information and labelling

We communicate product country of origin on e-commerce and on physical product labels. We communicate the names of our tier 1 supplier on 100% of our products online.

417-2 Incidents of non-compliance concerning product and service information and labelling

There were no non-compliance incidents reported in 2022.

417-3 Incidents of non-compliance concerning marketing communications

There were no non-compliance incidents reported in 2022.

GRI 418:
CUSTOMER PRIVACY

418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data

There were no incidents reported regarding GDPR in 2022. Our privacy policy can be consulted at:

www.filippa-k.com/en/privacy-policy

APPENDIX I

GRI Index

Statement of use: Filippa K has reported the information cited in this GRI content index for the period January to December 2022 with reference to the GRI Standards.

GRI 1 used: GRI 1: Foundation 2021
Applicable GRI Sector Standard(s): Not applicable

| GRI STANDARD | DISCLOSURE | | MATERIALITY TOPIC | NOTES |
|---|---|---|---|---|
| GRI 2: General Disclosures 2021 | 2-1 | Organisational details | – | |
| | 2-2 | Entities included in the organisation's sustainability reporting | – | |
| | 2-3 | Reporting period, frequency and contact point | – | |
| | 2-4 | Restatements of information | – | |
| | 2-5 | External assurance | – | |
| | 2-6 | Activities, value chain and other business relationships | – | |
| | 2-7 | Employees | Diversity and inclusion | |
| | 2-8 | Workers who are not employees | – | Omitted: not relevant to materiality |
| | 2-9 | Governance structure and composition | – | |
| | 2-10 | Nomination and selection of the highest governance body | – | Omitted: not relevant to materiality |
| | 2-11 | Chair of the highest governance body | – | Omitted: not relevant to materiality |
| | 2-12 | Role of the highest governance body in overseeing the management of impacts | – | |
| | 2-13 | Delegation of responsibility for managing impacts | – | |
| | 2-14 | Role of the highest governance body in sustainability reporting | – | Omitted: not relevant to materiality |
| | 2-15 | Conflicts of interest | – | Omitted: not relevant to materiality |
| | 2-16 | Communication of critical concerns | – | |
| | 2-17 | Collective knowledge of the highest governance body | – | Omitted: not relevant to materiality |
| | 2-18 | Evaluation of the performance of the highest governance body | – | Omitted: not relevant to materiality |
| | 2-19 | Remuneration policies | – | Omitted: not relevant to materiality |
| | 2-20 | Process to determine remuneration | – | Omitted: not relevant to materiality |
| | 2-21 | Annual total compensation ratio | – | Omitted: not relevant to materiality |
| | 2-22 | Statement on sustainable development strategy | Circular business models | |
| | 2-23 | Policy commitments | Compliance with upcoming regulations, anti corruption/ business ethics | |
| | 2-24 | Embedding policy commitments | Compliance with upcoming regulations | |
| | 2-25 | Processes to remediate negative impacts | Supplier engagement | |
| | 2-26 | Mechanisms for seeking advice and raising concerns | – | |
| | 2-27 | Compliance with laws and regulations | Compliance with upcoming regulations, anti corruption/ business ethics | |

| | | | | |
|---|---|---|---|---|
| | 2-28 | Membership associations | Responsible purchasing practices | |
| | 2-29 | Approach to stakeholder engagement | – | |
| | 2-30 | Collective bargaining agreements | Anti-corruption/ business ethics | |
| GRI 3: Material Topics 2021 | 3-1 | Process to determine material topics | – | |
| | 3-2 | List of material topics | – | |
| | 3-3 | Management of material topics | – | |
| GRI 201: Economic Performance 2016 | 201-1 | Direct economic value generated and distributed | – | Omitted: not relevant to materiality |
| | 201-2 | Financial implications and other risks and opportunities due to climate change | Circular design, $Co^2$, circular business models | |
| | 201-3 | Defined benefit plan obligations and other retirement plans | – | Omitted: not relevant to materiality |
| | 201-4 | Financial assistance received from government | – | Omitted: not relevant to materiality |
| GRI 202: Market Presence 2016 | 202-1 | Ratios of standard entry level wage by gender compared to local minimum wage | – | Omitted: not relevant to materiality |
| | 202-2 | Proportion of senior management hired from the local community | – | Omitted: not relevant to materiality |
| GRI 203: Indirect Economic Impacts 2016 | 203-1 | Infrastructure investments and services supported | – | Omitted: not relevant to materiality |
| | 203-2 | Significant indirect economic impacts | – | Omitted: not relevant to materiality |
| GRI 204: Procurement Practices 2016 | 204-1 | Proportion of spending on local suppliers | Supplier engagement responsible purchasing practices | |
| GRI 205: Anti-corruption 2016 | 205-1 | Operations assessed for risks related to corruption | Supplier engagement anti corruption/ business ethics | |
| | 205-2 | Communication and training about anti-corruption policies and procedures | Supplier engagement anti corruption/ business ethics | |
| | 205-3 | Confirmed incidents of corruption and actions taken | Supplier engagement anti corruption/ business ethics | |
| GRI 206: Anti-competitive Behavior 2016 | 206-1 | Legal actions for anti-competitive behavior, anti-trust, and monopoly practices | – | Omitted: not relevant to materiality |
| GRI 207: Tax 2019 | 207-1 | Approach to tax | – | Omitted: not relevant to materiality |
| | 207-2 | Tax governance, control, and risk management | – | Omitted: not relevant to materiality |
| | 207-3 | Stakeholder engagement and management of concerns related to tax | – | Omitted: not relevant to materiality |
| | 207-4 | Country-by-country reporting | – | Omitted: not relevant to materiality |

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|---|---|---|---|---|
| GRI 301: Materials 2016 | 301-1 | Materials used by weight or volume | Material mix, responsible purchasing practices, circular business models, plastic footprint | |
| | 301-2 | Recycled input materials used | | |
| | 301-3 | Reclaimed products and their packaging materials | | |
| GRI 302: Energy 2016 | 302-1 | Energy consumption within the organisation | Energy shift in the supply chain | Omitted: not relevant to materiality |
| | 302-2 | Energy consumption outside of the organisation | Energy shift in the supply chain | Omitted: information unavailable |
| | 302-3 | Energy intensity | Energy shift in the supply chain | Omitted: information unavailable |
| | 302-4 | Reduction of energy consumption | Energy shift in the supply chain | Omitted: information unavailable |
| | 302-5 | Reductions in energy requirements of products and services | | |
| GRI 303: Water and Effluents 2018 | 303-1 | Interactions with water as a shared resource | Water usage | Omitted: information unavailable |
| | 303-2 | Management of water discharge-related impacts | Water usage | Omitted: information unavailable |
| | 303-3 | Water withdrawal | Water usage | Omitted: information unavailable |
| | 303-4 | Water discharge | Water usage | Omitted: information unavailable |
| | 303-5 | Water consumption | Water usage | Omitted: information unavailable |
| GRI 304: Biodiversity 2016 | 304-1 | Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas | Biodiversity (regenerative agriculture/ deforestation) | Omitted: information unavailable |
| | 304-2 | Significant impacts of activities, products and services on biodiversity | | Omitted: information unavailable |
| | 304-3 | Habitats protected or restored | – | Omitted: information unavailable |
| | 304-4 | IUCN Red List species and national conservation list species with habitats in areas affected by operations | – | Omitted: information unavailable |
| GRI 305: Emissions 2016 | 305-1 | Direct (Scope 1) GHG emissions | Climate change | |
| | 305-2 | Energy indirect (Scope 2) GHG emissions | Climate change | |
| | 305-3 | Other indirect (Scope 3) GHG emissions | Climate change | |
| | 305-4 | GHG emissions intensity | Climate change | Omitted: information unavailable |
| | 305-5 | Reduction of GHG emissions | Climate change | |
| | 305-6 | Emissions of ozone-depleting substances (ODS) | Climate change | |
| | 305-7 | Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions | Climate change | Omitted: information unavailable |
| GRI 306: Waste 2020 | 306-1 | Waste generation and significant waste-related impacts | Overproduction plastic footprint, responsible purchasing practices | |
| | 306-2 | Management of significant waste-related impacts | | |
| | 306-3 | Waste generated | | |
| | 306-4 | Waste diverted from disposal | | |
| | 306-5 | Waste directed to disposal | | |
| GRI 308: Supplier Environmental Assessment 2016 | 308-1 | New suppliers that were screened using environmental criteria | Climate change, chemical usage, supplier engagement, responsible purchasing practices, water usage, biodiversity | |
| | 308-2 | Negative environmental impacts in the supply chain and actions taken | | |

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|---|---|---|---|---|
| GRI 401: Employment 2016 | 401-1 | New employee hires and employee turnover | – | Omitted: information unavailable |
| | 401-2 | Benefits provided to full-time employees that are not provided to temporary or part-time employees | – | Omitted: not relevant to materiality |
| | 401-3 | Parental leave | | Omitted: not relevant to materiality |
| GRI 402: Labor/Management Relations 2016 | 402-1 | Minimum notice periods regarding operational changes | Business ethics | |
| GRI 403: Occupational Health and Safety 2018 | 403-1 | Occupational health and safety management system | – | |
| | 403-2 | Hazard identification, risk assessment, and incident investigation | – | Omitted: not relevant to materiality |
| | 403-3 | Occupational health services | – | Omitted: not relevant to materiality |
| | | | – | |
| | 403-4 | Worker participation, consultation, and communication on occupational health and safety | – | Omitted: not relevant to materiality |
| | 403-5 | Worker training on occupational health and safety | – | |
| | 403-6 | Promotion of worker health | | |
| | 403-7 | Prevention and mitigation of occupational health and safety impacts directly linked by business relationships | – | Omitted: not relevant to materiality |
| | 403-8 | Workers covered by an occupational health and safety management system | | |
| | 403-9 | Work-related injuries | | |
| | 403-10 | Work-related ill health | | |
| GRI 404: Training and Education 2016 | 404-1 | Average hours of training per year per employee | Sustainability education Leadership & engagement | |
| | 404-2 | Programs for upgrading employee skills and transition assistance programs | | |
| | 404-3 | Percentage of employees receiving regular performance and career development reviews | | |
| GRI 405: Diversity and Equal Opportunity 2016 | 405-1 | Diversity of governance bodies and employees | Diversity and inclusion | |
| | 405-2 | Ratio of basic salary and remuneration of women to men | | Omitted: not relevant to materiality |
| GRI 406: Non-discrimination 2016 | 406-1 | Incidents of discrimination and corrective actions taken | Diversity and inclusion | |
| GRI 407: Freedom of Association and Collective Bargaining 2016 | 407-1 | Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk | Fair work at suppliers, supplier engagement, business ethics | |
| GRI 408: Child Labor 2016 | 408-1 | Operations and suppliers at significant risk for incidents of child labor | Fair work at suppliers, business ethics | |
| GRI 409: Forced or Compulsory Labor 2016 | 409-1 | Operations and suppliers at significant risk for incidents of forced or compulsory labor | Fair work at suppliers, business ethics | |
| GRI 410: Security Practices 2016 | 410-1 | Security personnel trained in human rights policies or procedures | Fair work at suppliers, business ethics | Omitted: not applicable. |
| GRI 411: Rights of Indigenous Peoples 2016 | 411-1 | Incidents of violations involving rights of indigenous peoples | Fair work at suppliers, business ethics | Omitted: information unavailable |

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|---|---|---|---|---|
| GRI 413: Local Communities 2016 | 413-1 | Operations with local community engagement, impact assessments, and development programs | | |
| | 413-2 | Operations with significant actual and potential negative impacts on local communities | | |
| GRI 414: Supplier Social Assessment 2016 | 414-1 | New suppliers that were screened using social criteria | Fair work at suppliers, supplier engagement, responsible purchasing practices | |
| | 414-2 | Negative social impacts in the supply chain and actions taken | | |
| GRI 415: Public Policy 2016 | 415-1 | Political contributions | Chemical usage, business ethics, compliance with regulations | Omitted: not relevant to materiality |
| GRI 416: Customer Health and Safety 2016 | 416-1 | Assessment of the health and safety impacts of product and service categories | Chemical usage, business ethics, compliance with regulations | |
| | 416-2 | Incidents of non-compliance concerning the health and safety impacts of products and services | | |
| GRI 417: Marketing and Labeling 2016 | 417-1 | Requirements for product and service information and labeling | Chemical usage, business ethics, compliance with regulations | |
| | 417-2 | Incidents of non-compliance concerning product and service information and labeling | | |
| | 417-3 | Incidents of non-compliance concerning marketing communications | | |
| GRI 418: Customer Privacy 2016 | 418-1 | Substantiated complaints concerning breaches of customer privacy and losses of customer data | Compliance with regulations, business ethics | |

| APPENDIX II | | PHYSICAL RISKS | |
|---|---|---|---|
| Analysis of climate risks and opportunities | | (Physical risks resulting from climate change can be event driven (acute) or longer-term shifts (chronic) in climate patterns. Physical risks may have financial implications for organisations, such as direct damage to assets and indirect impacts from supply chain disruption. Organisations' financial performance may also be affected by changes in water availability, sourcing, and quality; food security; and extreme temperature changes affecting organisations' premises, operations, supply chain, transport needs, and employee safety) | |
| SHORT-TERM/ACUTE | EUROPE: | River and pluvial flooding (level of risk increasing from moderate to high by increasing 1.5–1.6°C above pre-industrial levels)<br><br>Heat stress mortality (level of risk increasing from moderate to high by increasing 1.5–1.6°C above pre-industrial levels)<br><br>Heat and drought extremes projected to become more frequent and widespread already by mid-century. | – Change in agricultural yields: Increased costs due to reduced availability of raw materials, changes in agricultural yields, increased energy prices<br><br>– Change in labor productivity: Increased operating costs in supply chain due to changes in labour productivity.<br><br>– Damage due to water scarcity and drought: Increased operating costs due to the increase of price of water for own operations and supply chain, given increased water scarcity and drought.<br><br>– Damage to infrastructure due to coastal, inland flooding and extreme climate events: Increased capital costs (e.g., damage to facilities), reduced revenue from decreased production capacity (e.g., transport difficulties, supply chain interruptions) due to coastal, inland flooding and extreme climate events. |
| | MEDITERRANEAN: | Wildfires (level of risk increasing from moderate to high by increasing 1.5–1.6°C above pre-industrial levels)<br><br>Intense and more frequent heat waves and storms | |
| | ASIA: | Increased flooding in coastal cities and settlements<br><br>Flood risk projected to become more frequent and severe (mostly in East and Southeast Asia) by the middle of the 21st century, due to more intense rainfall events.<br><br>Storm surge and high wave by tropical cyclones of higher intensity are high risk for many Asian megacities facing the ocean. | |
| LONG-TERM/CHRONIC | EUROPE: | Water scarcity in SEU (level of risk increasing from moderate to high by increasing 1.5–1.6°C above pre-industrial levels), which affects multiple sectors such as agriculture, livestock, energy production.<br><br>Water scarcity in WCE (moderate level of risk by increasing 1.5–1.6°C above pre-industrial levels), which affects multiple sectors such as agriculture, livestock, energy production.<br><br>Coastal flooding (level of risk increasing from moderate to high by increasing 1.5–1.6°C above pre-industrial levels), which can increase substantially damages and losses. | |
| | MEDITERRANEAN: | Water quality and availability (level of risk increasing from moderate to high by increasing 1.5–1.6°C above pre-industrial levels).<br><br>Coastal risks (level of risk increasing from moderate to high by increasing 1.5–1.6°C above pre-industrial levels)<br><br>Impacts of sea level rise to infrastructures and communities (level of risk increasing from moderate to high/very high by increasing 1.5–1.6°C above pre-industrial levels), for example sea level rise may disrupt Mediterranean port operations, freshwater resources are vulnerable to sea-level rise and associated salinization. | |

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|---|---|---|
| | Risk of erosion and flooding amplified with climate change.<br><br>Reduced crop yields (due to higher temperatures).<br><br>Sea water intrusion is projected to cause further impacts on agricultural productivity.<br><br>Labor productivity loss (2% under 2°C) | |
| ASIA: | Risk to water security due to increased temperatures extremes, rainfall variability and drought.<br><br>Population vulnerable to impacts related to water is going to increase progressively at 1.5°C, 2°C and 3°C of global warming.<br><br>Aggravating drought condition is projected in Central Asia.<br><br>Future warmings will cause more frequent temperature extremes and heat waves (especially South Asian cities).<br><br>Risks due to extreme rainfall and sea level rise are exacerbating in vulnerable Asia.<br><br>The likelihood of adverse impacts to agricultural security in many parts of developing Asia will progressively escalate with the changing climate.<br><br>Human exposure to coastal hazards projected to increase in the next decades (20% under SSP1 and 50% under SSP5), under low adaptation a projected increase in annual damage by a factor of at least 20 for 1.5°C–2°C increase. | |

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TRANSITIONAL RISKS

Scenarios: According to the AR6 by IPCC: SSP1-2.6 (+1.5°C increase by 2040 (best estimate) sustainability green road), SSP5- 8.5 (+1.6°C increase by 2040 (best estimate) fossil-fueled development “taking the highway”) time horizon: 2021–2040 (short-medium term)

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| RISK | RISK DESCRIPTION | POTENTIAL FINANCIAL IMPACTS |
|---|---|---|
| | Transition risks | |
| | *Transitioning to a lower-carbon economy may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change.*<br><br>*Depending on the nature, speed, and focus of these changes, transition risks may pose varying levels of financial and reputational risk to organisations.* | |
| POLICY AND LEGAL | – Carbon pricing and tax.<br>– EU digital product passport: product labeling regulations, product performance information (footprint, recyclability, microplastic release, waste generation).<br>– EU Extended Producer Responsibility: Stricter regulations on textile waste.<br>– EU Eco design: Stricter regulation on design, circular rather than throw-away clothes become the norm.<br>– EU Green Deal: Strict enforcement of rules on energy performance of buildings | – Reduced margins from increased production and operating costs (carbon pricing and taxes, EPR, higher material prices).<br>– Increased costs to align with sorting partner/infrastructure for take-back/ repair/recycling.<br>– Potential loss of sales if reduce expedited shipping to customers.<br>– Eco design might necessitate higher cost of making and new supply chain partners. |

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|---|---|---|
| | – EU Green Deal: 90% reduction greenhouse gas emissions in transport by 2050 | |
| TECHNOLOGY | – Substitution of existing garments with lower emissions options: garments made with 3d printing, rental models, repair, remake and secondhand models.<br>– Feasibility to transition to lower emissions innovations: innovative fibres and materials, biodegradable materials, recycled materials, etc.<br>– New infrastructure needed for collection and sorting; new technology/ MOQs needed for recycling of fibre blends. | – Cost to transition to lower emissions innovations: innovative fibres/ materials, certified & traceable materials, recycled materials, etc.<br>– Cost due to increased infrastructure needed for collection, sorting, repair, as well as new technology needed for textile recycling.<br>– Costs to integrate into ecommerce platform.<br>– Cost due to digital implementation of labelling. |
| MARKET | – Changing customer behavior: preference of rental, secondhand business models, full transparency of supply chain, lower consumption of clothes, increased longevity through repair and care. Opportunity to offer service-based model to reduce consumption.<br>– Increased cost and lower availability of raw materials; supply chain and shipping disruptions; energy price increases. | – Reduced revenue from traditional sales models<br>– Increased production costs due to reduced raw material supply, changing input prices (e.g., energy, water) and output requirements (e.g., waste textile treatment). Increased quantities and longer lead times necessary to secure lower impact materials.<br>– Abrupt and unexpected shifts in energy costs. |
| REPUTATION | – Greenwashing claims<br>– Increased stakeholder concerns for both environmental and social issues<br>– Clear brand values in regard to sustainability<br>– Transparent public reporting and tracking toward goals | – Reduced revenue from decreased demand for garments<br>– Reduced revenue from consumers who feel we are not doing enough to reduce our impacts or be transparent<br>– Reduced revenue from negative impacts on workforce management and planning (e.g., employee attraction and retention) |

CLIMATE-RELATED OPPORTUNITIES

| OPPORTUNITY | CLIMATE-RELATED OPPORTUNITIES | POTENTIAL FINANCIAL IMPACTS |
|---|---|---|
| RESOURCE EFFICIENCY | – Use of more efficient modes of transport: low carbon last-mile options, low carbon fuels.<br>– Use of more efficient production, on demand production: incentivize more efficient use of natural resources in our supply chain, especially for energy use and water use.<br>– Use of recycled, organic, upcycled materials. Decreased use of virgin materials.<br>– Implement technologies to create more efficient buildings.<br>– Reduced packaging and plastic footprint. | – Reduced operating costs (e.g., through efficiency gains and cost reductions).<br>– Reduced transport costs.<br>– Reduced material costs. |
| ENERGY SOURCE | – Use of lower-emission sources of energy<br>– Use of supportive policy incentives: EU Green deal<br>– Enable the use of renewable energy generation in our own operations and supply chain. | – Reduced operational costs<br>– Reduced exposure to GHG emissions and therefore less sensitivity to changes in cost of carbon.<br>– Returns on investment in low-emission technology.<br>– Increased capital availability (e.g., as more investors favor lower-emissions producers).<br>– Reputational benefits resulting in increased demand for goods/services. |

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| PRODUCTS AND SERVICES | – Development and/or expansion of low emission/circular business models.<br>– Shift in consumer preferences: increase the offer of product-as-a service models, circular options.<br>– Increased offer of secondhand and repaired/remade garments.<br>– Increased offer of rental garments. | – Increased revenue through demand for lower emissions garments and circular business models.<br>– Better competitive position to reflect shifting consumer preferences, resulting in increased revenues<br>– Increased margin % when offering secondhand garments (no new production/ CMT costs).<br>– Potential to earn revenue multiple times on same garment through rental. |
| MARKETS | – Access to new markets: gen z and new generations are more conscious of their consumption and demand that brands be more transparent and responsible.<br>– Use of public-sector incentives: EU strategy for sustainable and circular textiles. | – Increased revenues through access to new and emerging markets.<br>– Potential to trailblaze. |