

# Kappahl

## SUSTAINABILITY COMMITMENT - KAPPAHL AND ALL BUSINESS PARTNERS

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| DOCUMENT OWNER | VERSION | DATE         |
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| Sandra Roos    | 4.1     | July 5, 2023 |

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# 1. Introduction

Dear Kappahl supplier,

At Kappahl we believe that we have an important role to play in the development of a sustainable society. We want to ensure respect of the human rights of the people whose work is contributing to our business; respect of the environment; and good governance in all our business relationships and throughout our value chain. Kappahl is committed to be a fair partner and work with transparent, responsible, and sustainable partners. We strive to work with suppliers that share our values and ambition, so that by collaboration we can reach far further than what is required by law.

This Sustainability Commitment<sup>1</sup> informs about:

- Chapter 2 Current legal requirements and international standards applicable to Kappahl's products and its operations.
- Chapter 3 Supplier obligations due to Kappahl's membership in industry collaborations.
- Chapter 4 Stakeholders' expectations on Kappahl.
- Chapter 5 Kappahl's governance structure for sustainability, including business incentives, monitoring, corrective action and non-compliance.

Annexes:

- I. Current legal requirements in Kappahl's sales markets
- II. Supplier obligations related to Labor and Working Conditions
- III. Animal welfare policy
- IV. Kappahl's Ethical Guidelines

By signing this document, the supplier consents to comply with these requirements and commits to working proactively to meet these requirements within its operations, business relationships and in its supply chain.

Signing our Sustainability Commitment is mandatory for all business partners.

Kind regards,



**Elisabeth Peregi**  
President and CEO

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<sup>1</sup> This Sustainability Commitment replaces our previous Code of Conduct for Suppliers as well as Ethical Guidelines for Suppliers and is based on the same or higher standards.

## 2. Current legal requirements and international standards

### SUMMARY REGULATION AND STANDARDS

- ❖ Below requirements apply to:
  - **All tiers** in Kappahl's value chain and logistics operations
  - Suppliers' and sub-suppliers' **owned and/or sub-contracted** factories and/or services
- ❖ Includes compliance with:
  - Operations-related legal requirements **in the respective country** (Annex I)
  - Product-related legal requirements in **all Kappahl's sales countries** (Annex I)
  - **International labor standards** (Annex II)

Several legal requirements and international standards apply to Kappahl's products and its operations in different parts of our **value chain**, see Figure 1.

We ask of our suppliers to take the **value chain** perspective, be transparent and proactively work to meet all of these requirements. We expect our suppliers to work with sub-contractors and sub-suppliers<sup>2</sup> that are transparent, and that Kappahl can publish traceability information about each product's supply chain.

We also ask our suppliers to actively strive to work with sub-suppliers which follow international standards and comply with the laws of their respective countries, and which in their turn put such requirements on the next tier in the supply chain.

While Kappahl recognizes that there are different legal and cultural environments in which our suppliers and their factories operate, we expect all our suppliers to follow the internationally accepted labor standards, i.e. the conventions of the International Labour Organization (ILO). Further we expect our suppliers to continuously work on improving the labor conditions for those involved in the production of our garments and other products as well as any other operation throughout our and their value chain. A short version of Kappahl's supplier obligations related to labor and working conditions is found in Annex II.

All Kappahl's suppliers and sub-suppliers should keep themselves updated with and operate in compliance with the laws of their respective countries and with applicable rules and regulations for the products in Kappahl's sales countries. This requirement applies also to owned and sub-contracted factories. Where there are differences between the provisions of this commitment and national laws or other applicable standards, suppliers and sub-suppliers shall adhere to the higher or more stringent requirements.

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<sup>2</sup> Sub-contractor means a company or individual contracted or engaged by the supplier that provides specific services or labor on a contractual basis. Sub-supplier means a company or individual that provides materials or auxiliaries.



### Sub-supplier production countries

#### Operations requirements:

- operate in compliance with the laws of their respective countries
- follow international standards, e.g. the ILO convention

### Production countries and logistics

#### Operations requirements:

- operate in compliance with the laws of their respective countries
- follow international standards, e.g. the ILO convention

### Kappahl's sales countries

#### Operations requirements:

- operate in compliance with the laws of their respective countries
- follow international standards, e.g. the ILO convention
- *EU Due Diligence for human rights, the environment and good governance in business relationship or in their value chains (coming)*

#### Product requirements:

- Product regulation: PSD, Fibre labelling regulation etc.
- Chemical regulation: REACH, POP, biocides etc.

Figure 1. Example of a value chain perspective where compliance with legal requirements and international standards are governed in all tiers, regardless of the country where the activity is on-going. A more extensive list is provided in Annex I.

### 3. Supplier obligations due to Kappahl's membership in industry collaborations

#### SUMMARY INDUSTRY COLLABORATION

- ❖ Supplier need to:
  - Follow requirements on **labor and working conditions** (Annex II)
  - Report on **climate emissions** and work to reduce climate emissions
  - Agree to that Kappahl publicly **share transparency data**, i.e. address, parent company, type of products and number of workers at each site
  - Follow Kappahl's **animal welfare policy**
- ❖ Key suppliers of garments need to:
  - Adopt the **Higg Index** tools

Kappahl is active and involved in several partnerships and industry initiatives with sustainability focus. We see a need to work for closer partnership and greater transparency to build capacity and bring about a system shift to tackle the major problems in societies where textiles are produced. Our engagements often implicate that Kappahl commits to set stricter sustainability requirements than what legislation demands.

#### Ethical Trading Initiative (ETI)

ETI is a leading alliance for businesses, trade unions and NGOs campaigning for workers' rights. Kappahl has been a member since 2016. We comply with the ETI guidelines and engage within its network for joint action on manufacturing-chain challenges such as fair wages, social dialogue, grievance mechanisms, the right to collective bargaining, diversity, equity and inclusion and the rights of migrant workers. The ETI Base Code constitutes minimum standards and is found here: <https://www.ethicaltrade.org/>. A short version of supplier obligations related to labor and working conditions is found in Annex II.

#### Swedish Textile Initiative for Climate Action (STICA)

STICA is an initiative jointly launched by Kappahl, Sustainable Fashion Academy, and three other renowned Swedish brands in 2018. Today, STICA has more than 50 members in the Nordic Countries. **All members commit to reducing their greenhouse gas emissions in line with the 1.5°C target and the Paris Agreement.** At Kappahl, we have produced a roadmap for our strategy to reduce carbon emissions in our value chain by half by 2030. With the lion part of our emissions occurring in the supply chain, we need to cooperate with suppliers that have ambitious climate targets and can report on reductions.

#### Sustainable Apparel Coalition (SAC)

SAC sets industry standards to facilitate transparent communication of environmental and social performance in the textile value chain. We are a member of SAC since 2018 and use the Higg Index suite of tools<sup>3</sup> and encourage our suppliers to do that too. **Being a member of SAC requires an increase in suppliers' adoption of the Higg suite of tools over time.** Therefore, Kappahl will prioritize collaboration with garment suppliers that use the Higg tools for social and environmental performance in their value chain.

#### Transparency Pledge

Transparency Pledge is a wide-ranging coalition of large global organizations (Human Rights Watch, IndustryAll, Clean Clothes Campaign and more) that works to promote transparency in the fashion industry's

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<sup>3</sup> <https://app.worldly.io/login>

supply chains. Kappahl has published a list of our supplier factories on our website since 2013 and they are also published at the Open Apparel Registry. To make our commitment clear, we joined Transparency Pledge in autumn 2019. ***The Pledge requires member companies to publish a list naming all sites that manufacture its products on a regular basis, including address, parent company, type of products and number of workers at each site.*** Therefore, Kappahl suppliers need to share this updated data from their own as well as subcontractor factories.

### The Swedish Trade Federation

Kappahl's policy for animal welfare is based on our collaboration with the Swedish Trade Federation and their animal welfare policy. Our Animal Welfare Policy is found in Annex III.

### Canopy

At Kappahl, we are committed to protecting the world's forests and have partner up with the CanopyStyle initiative since 2016. Canopy is a non-profitable organization with a mission to protect the world's forests, species, and climate, and to help advance Indigenous communities' rights. By using Canopy's Hot Button Ranking Report<sup>4</sup>, Kappahl commit to not using dissolving pulp coming from ancient and endangered forests in man-made cellulosic fabrics. ***We do so by exclusively purchase our supply from producers ranked with a "dark green shirt" without any high-risk alert.*** Should we find that any of our fibers are being sourced from ancient and endangered forests, endangered species habitat or illegal logging, we will engage our suppliers to change practices and/or re-evaluate our relationship with them.

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<sup>4</sup> Link to: Hot Button Report – Detailed Matrix of Viscose Producer Performance (2022 Edition) ([canopyplanet.org](https://canopyplanet.org))

## 4. Stakeholders' expectations on Kappahl

### SUMMARY KAPPAHL'S COMMITMENT

❖ Kappahl commits to:

- Inform our strategic sustainability work via **stakeholder dialogue**
- Work for **fair partnership**
- Operate a strict **Code of Ethics** for our own employees
- Work for increased traceability, fair wages and accountability **in the value chain**
- We strive to create a **business incentive** for suppliers to respect our Sustainability Commitment

Kappahl strives for dialogue with stakeholders that to a large extent have impact on or are impacted by our business. The key stakeholders are Kappahl's customers, owners, suppliers and employees. Other stakeholders include governments, trade unions, media and Non-Governmental Organizations (NGOs). The insights from the stakeholder dialogue are used to inform our strategic sustainability work, in addition to guidelines and principles from international bodies and the challenges and opportunities we identify in our value chain.

#### Fair partnership

Kappahl's standpoint regarding fair partnership is informed by ETI and other external parties. We are aware that communicating our forecasting and planning to our garment suppliers are examples of areas vital to develop a fair partnership and we welcome feedback from our suppliers on our performance.

#### Code of Ethics

Kappahl operates a strict ethical policy that all our employees have undertaken to respect, covering issues including but not limited to avoiding bribery and corruption, safeguarding company property and information, and alcohol and drugs policy. We ask for our partners' cooperation and ask that Kappahl's Ethical Guidelines, see Annex IV<sup>5</sup>, are read and understood in full. We take for granted that, within the scope of our business relationship with our partners, cooperation and approach do not involve offering any benefits to our employees. By signing this Sustainability Commitment our partners undertake to respect Kappahl's Ethical Guidelines.

#### Other

Kappahl is committed to work for increased traceability, fair wages and accountability in the value chain. We strive to create a business incentive for suppliers to respect our Sustainability Commitment.

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<sup>5</sup> Kappahl's previous separate requirement on Ethical business conduct is part of the Sustainability Commitment from v4.1 and forward.

## 5. Kappahl's governance structure for sustainable business relationships

### SUMMARY GOVERNANCE STRUCTURE

- ❖ The **supplier is responsible** for and shall strive towards continuous improvement in its sustainability work
- ❖ The supplier's **governance structure** shall include:
  - Clearly communicated roles and responsibilities
  - Implemented policies and routines
  - Functioning control systems
- ❖ The supplier shall introduce and maintain a **management system** to ensure that social conditions are, as a minimum, within legal standards
- ❖ The supplier shall introduce and maintain a suitable **environmental management system**
- ❖ Kappahl and the supplier shall **cooperate in a transparent manner** to ensure fulfilment of this Sustainability Commitment

Kappahl strives to work with transparent, responsible, and sustainable partners. While we recognize that there are different legal and cultural environments in which our suppliers and their factories operate, we cannot tolerate that partners show negligence when it comes to sustainability aspects that may jeopardize our business either in the short or the long run. Therefore, we strive to create a business incentive for suppliers to respect our Sustainability Commitment. We want to work with suppliers that share our values and ambition and to award partners who themselves are drivers in the sustainability work.

#### Good governance structure in place at all suppliers

Kappahl expects our suppliers to take own responsibility and strive towards continuous improvement in their work to comply with this Sustainability Commitment. Further, we expect our suppliers to convey the requirements throughout the supply chain, and take ownership of the potential risks as well as remedial actions.

Good governance including clearly communicated roles and responsibilities, implemented policies and routines, along with functioning control systems, is the foundation for a successful implementation of the Sustainability Commitment and successful business operations.

We encourage our suppliers to implement the Sustainability Commitment into an existing management system or to introduce a management system in the workplaces being used in the production of goods for Kappahl, at own or subcontracted factories.

#### Environmental Management System

The supplier should introduce and maintain a suitable environmental management system (EMS) or equivalent to minimize environmental impact and risks, and continuously improve the company's environmental performance<sup>6</sup>. The supplier should have ambitious climate targets<sup>7</sup> and report annually to

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<sup>6</sup> Environmental performance is the measurable results of an organization's management of its environmental aspects such as use of resources such as energy, water, materials and auxiliaries, emissions to air, water and soil, impact on biodiversity, waste generation, transport work etc. Please see ISO 14001 for a full description of an EMS.

<sup>7</sup> Preferably the supplier's climate targets should be in line with the Paris Agreement.



Kappahl on climate emission reductions, either via the Higg Index Facility Environmental module or equivalent reporting template.

All Kappahl's suppliers' and sub-suppliers' factories should comply with existing environmental legislations and obtain all legally required permits, licenses and registrations applicable for their business. The documentation should be prepared to be shown to Kappahl on request.

The EMS should cover chemicals management assuring that delivered goods do not contain any unwanted substances according to the Kappahl's Restricted Substance List -RSL, as well as supplier's operations are in compliance with the applicable laws of their respective countries. Any waste, wastewater, or emissions with the potential to adversely impact human or environmental health should be appropriately stored, managed, controlled and disposed of or appropriately treated prior to release into the environment.

### **Monitoring, Corrective Action and Non-Compliance**

Signing our Sustainability Commitment is mandatory when signing a contract with Kappahl.

By signing this Sustainability Commitment the supplier commits to respect the Sustainability Commitment and to actively do the utmost to fulfil Kappahl's requirements in their own organization and throughout their supply chain. This should be done by cooperating in a transparent manner, by for example granting Kappahl access to relevant documentation and premises.

Kappahl reserves the right to carry out announced and unannounced inspections of all premises producing our goods at any time, either by Kappahl or by an independent third party of our choice.

If Kappahl determines that a supplier or its factory is violating this Sustainability Commitment, we will address the supplier to take immediate corrective actions.

# UNDERTAKING TO RESPECT KAPPAHL'S SUSTAINABILITY COMMITMENT

I/We hereby confirm that I/We have carefully read and fully accept the Kappahl Sustainability Commitment including Annexes I-IV. I/We have had time and opportunity to ask questions about and discuss the contents. I/We undertake to respect the Kappahl Sustainability Commitment.

Place:

Date:

Supplier name:

Signature of supplier representative

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Name in print

Supplier representative title

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# Annex I. Current legal requirements in Kappahl's sales markets

All Kappahl's suppliers and sub-suppliers should keep updated with and operate in compliance with the laws of their respective countries.

Below is a list of legal sustainability requirements in Kappahl's sales countries with relevance for Kappahl's supply chain operations. The European Union, United Kingdom and Norway all put legal sustainability requirements for Kappahl as a company, as well as legal sustainability requirements for putting textile and leather products on the market. **The list is for information and guidance only, and Kappahl does not guarantee neither its completeness nor that it is kept updated at all times.**

## *Product-related legislation (garments and store merchandise):*

### EU

- General Product Safety Directive 2001/95/EC (GDPS)
  - Legal requirements on the safety of consumer products including child safety, use of the CE mark and other product-related obligations.
  - The requirements relevant for Kappahl's garments and store merchandise are covered by the Kappahl's Production Quality Standard (PQS) and General Terms.
- Regulation (EC) No 1907/2006 (REACH)
  - EU's general chemicals legislation Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH).
  - The requirements relevant for textile and leather products are covered by the Kappahl's Restricted Substance List - RSL<sup>8</sup>.
- Regulation (EC) No 2019/1021 (POP)
  - EU's implementation of the global convention on Persistent Organic Pollutants (POP), the Stockholm Convention.
  - The requirements relevant for textile and leather products are covered by the Kappahl's Restricted Substance List -RSL<sup>9</sup>.
- Biocidal Products Regulation EU 528/2012 (BPR)
  - EU's legislation on biocidal products and biocide-treated articles.
  - Kappahl has a ban on biocide-treated articles for all garments and store merchandise.

### United Kingdom

United Kingdom continues to follow the European legislation until new national legislation is in place.

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<sup>8</sup> See Master Agreement.

<sup>9</sup> See Master Agreement.

## Norway

Norway is part of the European Economic Area (EEA) and EU product-related legislation applies also to Norway. In addition, Norway has own national legislation.

- Internal Control Regulations [Internforskriften] FOR-1996-12-06-1127.
  - The Internal Control Regulations includes a requirement on Norwegian enterprises to introduce and maintain an internal control system to ensure compliance with product-related legislation.

### ***Operations-related legislation:***

## Norway

- Transparency Act Prop. 150 L (2020–2021)
  - The Transparency Act obliges large and mid-size companies to conduct human rights and decent work due diligence not only throughout their supply chain, but throughout all business relationships in their value chain.

## The United Kingdom

- Modern Slavery Act 2015
  - The UK Modern Slavery Act obliges Certain commercial organisations to publish an annual statement setting out the steps they take to prevent modern slavery in their business and their supply chains

### ***Coming legislation:***

Kappahl is preparing also for coming legislation that is expected to enter into force within the next years.

- *EU: EU Strategy for Sustainable and Circular Textiles*
  - *The EU textile strategy is not a legislative piece but an informative summary of all coming legislation that concern textiles.*
- *EU: Corporate Sustainable Due Diligence Directive (CSDDD)*
- *EU: Ecodesign for Sustainable Products Regulation (ESPR)*
- *EU: Forced Labour Regulation*
- *EU: Packaging and Packaging Waste Regulation (Revision of the existing Packaging Directive)*
- *EU: Revision of the existing Textile Labelling Regulation*

# Annex II. Supplier obligations related to Labor and Working Conditions

## Labor

### ***Forced Labor***

The supplier and any subcontractor shall not use any form of forced labor, and should refrain from using prison labor or bonded labor unless explicitly permitted according to the ILO conventions 29 and 105.

The supplier and any subcontractor shall not require their employees to pay any kind of deposits, nor may they retain their employees' identity documents.

### ***Child Labor***

The supplier and any subcontractor shall not use or accept child labor.

A child is defined as a person younger than 15 years of age, or as an exception, 14 years of age in countries referred to in article 2.4 of the ILO convention 138. If the national legal age for working is higher than 15 years of age, the supplier must adhere to the higher requirement.

The supplier shall establish and implement a child labor policy ensuring that no child is employed.

If child labor is detected in the production of goods for Kappahl the supplier is obliged to offer a sustainable solution in the best interest of the child.

Young employees (below the age of 18 years) may only be employed in non-hazardous work, if they are above the country's legal age for working.

### ***Freedom of Association and Collective Bargaining***

All employees must be able to exercise their legal right to form or join a trade union and participate in collective bargaining without threat of reprisal, intimidation or harassment (ILO conventions 87, 98 and 135).

In countries where freedom of association is restricted the supplier and any subcontractor is obligated to create an environment in which the company management and employees can discuss salaries and working conditions in a non-threatening manner.

### ***Humane Treatment***

The supplier and any subcontractor is obliged to treat all employees with respect and dignity. Physical punishment or the threat thereof, sexual or racial harassment, gender-based violence, verbal abuse or power abuse or any other form of harassment or intimidation is unacceptable under any circumstances (ILO convention 190).

### ***Discrimination***

The supplier and any subcontractor shall not apply any type of discriminatory practice as regards the recruitment, compensation, promotion or the termination of an employment agreement based upon race, caste, ethnicity, social origin, marital status, sexual orientation, disability, religion, nationality, age, gender and/or union membership or political affiliation (ILO conventions 100 and 111 and the UN CEDAW convention).

### ***Wages and Benefits***

The supplier and any subcontractor is obligated to pay its employees at least minimum wage or the prevailing industry standard, whichever highest. The amount should be sufficient to cover basic needs for the employee and their family as well as provide some additional income.

Wages and overtime premiums and any incentive (or piece) rates should be paid directly to the employee on time and in full.

The supplier and any subcontractor is obligated to provide their employees with paid sick leave, maternity leave annual leave and statutory holidays as required by law or the prevailing industry standard, whichever highest.

To make unfair or illegal deductions from wages or the removal of benefits as a disciplinary measure are not permitted.

### ***Working Hours***

The supplier and any subcontractor is obligated to set working hours in compliance with applicable laws and regulations.

The total hours worked in any 7-day period shall not exceed 60 hours.

Employees should have at least one day off in seven and employees should be permitted to refuse overtime without any threat of penalty, punishment or dismissal.

### ***Labor Contract***

All employees are entitled to a written labor contract in accordance with the law.

Obligations to employees under labor or social security laws and regulations arising from the regular employment relationship shall not be avoided through the use of labor-only contracting, sub-contracting, or homeworking arrangements, or through apprenticeship schemes where there is no real intent to impart skills or provide regular employment, nor shall any such obligations be avoided through the excessive use of fixed-term contracts of employment.

## **Working Conditions**

### ***Occupational Health and Safety***

The supplier and any subcontractor is obligated to comply with applicable laws and regulations and provide the employees with a safe and healthy workplace.

Employees should be provided with sufficient personal protection equipment for the work performed and receive regular and recorded health and safety training. The employer is encouraged to introduce a health and safety policy for its operations.

### ***Dormitory***

When dormitory facilities are provided, these should meet all applicable laws and regulations related to health and safety, including fire safety and electrical and structural safety.

## Annex III. Animal welfare policy

Kappahl works to ensure that we do not use any leather, animal hair, down or feathers, that come from animals that are mistreated, or under threat of extinction, at any point in our entire production chain. Our values regarding animal welfare are based on our collaboration with the Swedish Trade Federation and their animal welfare policy.

### Leather and skin

Kappahl only sells leather from cattle, buffalo, sheep, goats and pigs and we only use leather that is residual product from meat production. We do not accept leather from Indian cows, calves or oxen.

### Fur

Kappahl is listed on the Animal Rights Fur Free List, under the Fur Free Retailer Program, an international alliance in which companies guarantee that they do not sell garments or accessories made with animal fur. This does not include sheepskin or synthetic fur.

### Animal hair and wool

Kappahl does not accept mulesing (the cutting away of hide skin from merino sheep to prevent fly attacks). Nor do we accept the clips that are used as an alternative to mulesing.

Kappahl does not sell products that contain angora wool or angora hair.

Kappahl allows only mohair sourced from farms that fulfil the Responsible Mohair Standard (RMS) and has phased out all cashmere products.

### Down and feathers

Kappahl does not accept down that is plucked from living birds in our products. We allow only down and feathers that are residual products from meat production.

### Animal testing

Kappahl does not permit products tested on animals, either during production or as finished products.

### Products of animal origin

If a product contains material of animal origin, this will be stated on the care label.

# Annex VI: Kappahl's Ethical Guidelines

Code of conduct rules for employees of Kappahl

## OUR WAY OF WORKING

### 1. FOLLOW THE LAW

Kappahl's employees must comply with laws, regulations and ordinances in force in the countries in which the company operates. Kappahl sets a high value on the company's integrity. We are mindful of our reputation. We regard honesty and fair play as one of our most valuable assets. The Ethical Guidelines establish what is expected of us as employees of Kappahl and provides guidance on our working methods. They are to help us to recognise and react to situations that may involve ethical issues. These Guidelines are also to ensure that we all "do what is right" in our day-to-day work.

To maintain Kappahl's ethical code we must always:

- Act with integrity.
- Do business in an honest and honourable way.
- Take responsibility for our actions.

The Ethical Guidelines do not claim to be comprehensive. We can get into situations in which the Guidelines do not provide us with sufficient guidance. We all have a responsibility to always act in accordance with the Kappahl spirit. If we are uncertain about how to act in accordance with our Guidelines, we must seek advice and guidance from the line manager.

All employees of Kappahl have a personal responsibility to maintain and follow the Ethical Guidelines. Infringement of the Guidelines will not be tolerated and can lead to disciplinary measures or dismissal.

### 2. COMBAT BRIBERY AND CORRUPTION

Offering or accepting bribes is unlawful and can lead to prosecution.

#### 2.1 Benefits

Kappahl's employees are strictly forbidden to request, accept, receive, offer or give, directly or indirectly:

**any benefit that may influence, or may be thought to influence, the objectivity of the recipient in the performance of his or her duties.**

This includes, but is not limited to, all forms of gift of money, "kickbacks", commission, loans, travel, discounts, gift vouchers, certificates of value, tickets for events, bonuses and services. It also includes gifts and entertainment other than described below (2.2, 2.3). Benefits given as a sign of appreciation after a transaction is completed are also included.



No distinction is made between the recipient as beneficiary, or a party related to the recipient (for example relatives or friends).

Any demand, offer or receipt of such a benefit must be refused and immediately reported to the line manager.

## **2.2 Gifts**

It is allowed to accept occasional gifts of a certain kind, provided that a refusal may be seen as impolite:

- Minor advertising giveaways in connection with a company visit.
- Minor presents in connection with special occasions/celebrations, of no more than USD 15.
- Other non-monetary gifts of minor market value, such as flowers, ornaments.

**The line manager must always be informed about receipt of a gift.**

## **2.3 Meals and entertainment**

Kappahl is not a company that entertains, but it is allowed to take care of visitors on home ground by buying lunch or dinner of a moderate nature. (See also 6.2)

It is allowed to accept occasional work-related meals and entertainment in accordance with normal business practice and cannot be perceived as in any way obligating. (See also 3)

In cases of uncertainty concerning the appropriateness of meals and entertainment, the employee must seek guidance from the line manager.

## **3. AVOID CONFLICTS OF INTEREST**

Kappahl's employees must avoid situations in which their personal interests can encroach, or can be regarded as encroaching, on the company's interests. Consequently, Kappahl's employees must refrain from work-related meals and entertainment where the employee is the sole representative of Kappahl. The line manager must always be informed of any situation that can create, or be regarded as creating, a conflict of interests.

### **3.1 Employment/appointments and investment outside the company**

Kappahl's employees are forbidden to take up employment/appointments (for example directorships), invest or otherwise involve themselves outside the company in any way that can encroach, or be regarded as encroaching, on their judgment on behalf of the company.

### **3.2 Personal relations**

Kappahl's employees must inform their line manager of any relation other than business-related relations (for example relatives or friends) with a business partner of the company, or a person seeking to do business with the company.

## **4. SAFEGUARD COMPANY PROPERTY**

Kappahl's employees must treat the company's property with responsibility and with care. Stealing or using the company's property for personal gain is strictly forbidden. Non-authorized removal of the company's equipment, products and/or working documents from the workplace will be regarded as theft and can lead to prosecution.

## **5. PROTECT COMPANY INFORMATION**

Kappahl's employees are obliged to protect confidential and non-public information that the company has entrusted them with. Misuse or non-authorized distribution of such information is forbidden. Kappahl's employees are also obliged to protect confidential information entrusted to them by the company's business partners.

### **5.1 Insider information**

Employees who are in possession of information about the company, which is not available to the public – material non-public information –, are strictly forbidden to use this information for personal gain, including trading in the company's shares. It is also forbidden to pass on such information to others. Insider trading is both unethical and illegal and can lead to prosecution.

### **5.2 Company accounting**

Kappahl's employees must account for and document all the company's business and financial transactions correctly and fairly. False or misleading reports, unregistered transactions or secret accounts are strictly forbidden.

## **6. OTHER**

### **6.1 Gambling and nightclubs**

Kappahl's employees are forbidden to participate in any type of gambling or amusement at nightclubs with business partners of the company.

### **6.2 Alcohol and drugs**

Kappahl's employees are strictly forbidden to be under the influence of alcohol or drugs when working.

In connection with entertainment, it is particularly important that the employee shows discernment and great moderation in alcohol consumption.

### **6.3 Political contributions**

Kappahl's employees are forbidden to give financial contributions in the name of Kappahl to political parties or individual politicians.

## **6.4 Harassment and victimisation**

Kappahl's employees must treat both external and internal contacts with respect regardless of gender, ethnicity, religion or other belief, disability or sexual orientation. This means that we do not tolerate any form of discrimination, victimisation or harassment of any kind, whether explicit, implicit or in the form of passively standing by.

## **7. COMPLIANCE WITH THE GUIDELINES**

### **7.1 Seeking guidance and raising problems**

Kappahl's employees must seek advice and guidance from the line manager if they are uncertain as to how they should act in accordance with applicable law or the Ethical Guidelines.

Employees who become aware of possible infringement of applicable law or the company's Guidelines, from Kappahl's employees or a party the company is involved in business with, must immediately report this to one of the following:

- The Line manager.
- The Human Resources Department.
- CFO
- The Whistleblower, <https://report.whistleb.com/en/kappahl>