

# KAPPAHL SUSTAINABILITY REPORT

## 2019/2020



KappAhl

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## KappAhl

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## ABOUT THE SUSTAINABILITY REPORT

*2021-04-21*

The Board of Directors and the President of KappAhl AB (publ), corporate identity number 556661-2312, with its registered office in Mölndal, hereby submit the sustainability report for the period September 2019 to December 2020. The previous sustainability report was published on 11 November 2019.

The sustainability report was prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core and the Swedish Annual Accounts Act. The contents are based on our [sustainability strategy](#) and [materiality analysis](#). The report covers KappAhl AB and all its subsidiaries, see page 44 for governance structure.

The sustainability information presented in the annual report was prepared with the help of a GRI consultant but has not been reviewed by a third party. For the auditor's statement on the statutory sustainability report according to the Swedish Annual Accounts Act, please see page 43.

This report was developed by KappAhl. Layout and edit by Malin Viola Wennberg.

[The report can also be found at our website.](#)

# THIS IS KAPPAHL

KappAhl was founded in 1953 in Gothenburg and is today one of the leading fashion chains in the Nordic region. The Group consists of around 370 stores under the brands of KappAhl and Newbie Store in Sweden, Norway, Finland, Poland and the United Kingdom. Furthermore, our Shop Online is available in all our sales markets, with the addition of Denmark in 2020.

At KappAhl we are about 4,000 colleagues at 400 workplaces in ten countries. KappAhl is a fashion brand that designs clothes for lots of people and lifestyles – made for living. We promise our customers “Fashion fit for life”. We offer affordable and responsible fashion for our customers in an easy and inspiring way. Our sustainability strategy Responsible Fashion aims to take us to a point where we have a sustainable business model. Today 70 percent of our products are labeled as more sustainable.

In 2019/2020 our sales were SEK 6.0 billion and profit after tax was 199 million SEK. The total capitalization was 4,013 million SEK, whereof total liabilities 2,222 million SEK and total equity 1,791 million SEK.

KappAhl is since 30 October 2019 fully owned by Mellby Gård AB, a family-owned, long-term investor based in Malmö, Sweden, managed by Johan Andersson.

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*At KappAhl we offer affordable and responsible fashion for our customers in an easy and inspiring way. We exist to celebrate diversity in everyday life.*

## OUR VALUES

**INCLUSIVE • COURAGEOUS • JOYFUL**

## OUR PRESENCE

Last year's values are presented in parenthesis. The large difference compared to last year is due to the COVID-19 pandemic, which led to that staff were put on furlough. Please note that the reporting period spans over 16 months (1 September 2019 – 31 December 2020).

### SALES COUNTRIES

#### SWEDEN

Net sales, million SEK: 3,280 (2,672)  
KappAhl's presence: 167 (171) stores including Shop Online  
Newbie's presence: 9 (9) stores  
KappAhl Kids presence: 1 (1) store  
Average number of full-time positions<sup>1</sup>: 723 (1 578)

#### NORWAY

Net sales, million SEK: 1,656 (1,314)  
KappAhl's presence: 92 (94) stores including Shop Online  
Newbie's presence: 6 (6) stores  
Average number of full-time positions<sup>1</sup>: 154 (555)

#### DENMARK

Net sales, million SEK: 0.6 (0)  
KappAhl's presence: Shop Online.

#### FINLAND

Net sales, million SEK: 673 (583)  
KappAhl's presence: 57 (59) stores including Shop Online  
Newbie's presence: 2 (3) stores  
Average number of full-time positions<sup>1</sup>: 80 (248)

#### POLAND

Net sales, million SEK: 380 (294)  
KappAhl's presence: 28 (25) stores including Shop Online  
Newbie's presence: 5 (5) stores  
Average number of full-time positions<sup>1</sup>: 180 (233)

#### UNITED KINGDOM

Net sales, million SEK: 58 (38)  
Newbie's presence: 4 (6) Newbie Stores including newbiestore.com  
Average number of full-time positions<sup>1</sup>: 25 (19)

### PRODUCTION COUNTRIES

#### ROMANIA

Share of production<sup>3</sup>: 1 (1) %

#### TURKEY

Share of production<sup>3</sup>: 7 (6) %  
Number of employees<sup>4</sup>: 7 (9)

#### INDIA

Share of production<sup>3</sup>: 4 (4) %  
Number of employees<sup>4</sup>: 14 (16)

#### SRI LANKA

Share of production<sup>3</sup>: 2 (2) %

#### PAKISTAN

Share of production<sup>3</sup>: <1 (<1) %

#### BANGLADESH

Share of production<sup>3</sup>: 44 (45) %  
Number of employees<sup>4</sup>: 50 (51)

#### MYANMAR

Share of production<sup>3</sup>: 5 (4) %  
Number of employees<sup>4</sup>: 3 (4)

#### CHINA

Share of production<sup>3</sup>: 35 (35) %  
Number of employees<sup>4</sup>: 64 (69)

#### BULGARIA

Share of production<sup>3</sup>: 1 (1) %

1) Total number of services restated as full-time positions.

2) Apart from store staff also includes all employees at KappAhl's head office and distribution centre in Mölndal, Sweden.

3) Based on order value. Excluding production at agents and importers.

4) Refers to employees of the KappAhl Group working at our production offices.



# YEAR IN SUMMARY

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*We are very proud of the exceptional teamwork here at KappAhl, despite trying times. It makes it all possible!*

## COVID-19

The year 2020 was dominated by the COVID-19 pandemic, which put the global economy in a state of shock. The personal losses of loved ones, economic turmoil and uncertainty has put increased focus on health and sustainability issues at a global level.

At KappAhl, we have worked hard to act and adapt in accordance with the pandemic situation. We have tackled the challenges with a combined effort in everything from staffing to costs and reduced investments. We have managed to adjust the assortment to offer desirable products for this period of social distancing. We have seen the Shop Online grow at a considerable rate and thus expanded our Shop Online services, for example through offering last mile delivery to the home. At KappAhl's stores, offices and the distribution centre, we have adjusted to prevailing guideline. For example, by bolstering our hygiene practices and reducing our handling of cash.

COVID-19 has created very challenging situations for our suppliers and their employees. When shops were temporarily closed by the authorities, declining customer spending meant reduced or cancelled orders for the workers in countries like Bangladesh, China and India.

KappAhl has worked to co-operate as much as possible, finding constructive solutions that help everyone. We have not cancelled any orders that were ready, and we have made payments as agreed.

In addition, KappAhl is taking part in ILO's "Call to Action" initiative, through which the textile industry is working together to help the most vulnerable suppliers.

[Read more about KappAhls engagement in "Call to Action"](#)

# YEAR IN SUMMARY

Online sales share  
increased from  
6% to 14% in 2020

54.7 million  
products sold

## SALES IN NUMBERS

6,048 million SEK in sales  
(1 Sep 2019 to 31 Dec 2020)

199 million SEK profit after tax

27 Newbie stores  
5 markets • Shop  
Online 6 markets

345 KappAhl  
stores 4 markets  
• Shop Online 5  
markets

## IMPORTANT EVENTS

- New Brand Strategy developed for launch during 2021
- Our Shop Online increased by 91 percent in 2020 compared with the previous year
- We started offering last mile delivery to the home
- Our sustainability labelled fashion range increased its share to 70 (58) percent
- Sandra Roos is our new Head of Sustainability

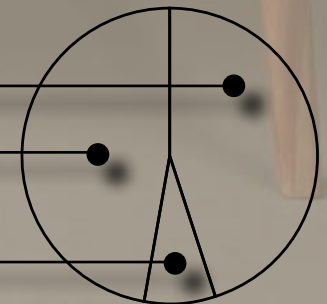
3,935 employees  
in 10 countries

%  
OF  
SALE  
2020

WOMEN 45%

KIDS 47%

MEN 8%





# YEAR IN SUMMARY

## A CHALLENGING YEAR SHOWCASING THE IMPORTANCE OF TEAMWORK

2020 was a challenging year for everyone with the COVID-19 pandemic overshadowing most other events. Despite trying times, at KappAhl we are proud to say that we fulfilled all agreements with suppliers and continued our sustainability work. Thanks to solid teamwork we can present a stable result securing future responsible growth.

### HOW DOES KAPPAHL'S OVERALL COMPANY STRATEGY RELATE TO SUSTAINABILITY?

**Elisabeth:**

In 2020 we adopted an elevated company strategy which includes a stronger sense of responsibility throughout our entire operations. This year we focused on further understanding our customers' needs to make sure we are moving in the right direction. We aim to produce relevant clothing in a responsible manner ensuring future growth for the company.

At KappAhl sustainability is an inherent part of the company. For almost 70 years, KappAhl has been a trusted fashion destination for women of all shapes and ages. By offering clothes that are affordable and produced in a more sustainable way, welcoming all shapes and ages, we lower the threshold for consumers wanting to act more sustainably without bending over backwards. Our higher purpose is to celebrate diversity in everyday life.

Elisabeth Peregi, President and Chief Executive Officer in conversation with Sandra Roos, Head of Sustainability on last year's events, how sustainability is an inherent part of the KappAhl brands, as well as what lies ahead.

### CAN YOU GIVE AN EXAMPLE OF HOW THE OVERALL STRATEGY IS VISIBLE IN THE SUSTAINABILITY WORK?

**Sandra:**

Our active sustainability work is bearing fruit and in 2020 we reached a great milestone. In the fall season, 70 percent of our products were made using more sustainable materials. In 2015 it was 19 percent, and our goal is that in 2025 it shall be 100 percent. At KappAhl we use the term "more sustainable". When talking about sustainability we only want to make claims that we can prove. Until we can say for sure that a material or a process is in fact 100% sustainable, we will use the term "more sustainable" in our communication.

In 2020 we reached further milestones in our sustainability strategy. 100 % of the energy that we purchase under own agreements stems from renewable sources. In addition, 100% of the cotton we use comes from more sustainable sources.



Elisabeth Peregi, President and Chief Executive Officer at KappAhl AB

### 2020 HAS BEEN A CHALLENGING YEAR, WHAT EFFECTS HAS THE COVID-19 PANDEMIC HAD ON THE COMPANY?

**Elisabeth:**

It has for sure been a challenging year for all our operations. From a company perspective I want to take the opportunity to thank all our employees and suppliers in being such strong team players in these trying times. Despite the pandemic, we delivered a stable result and it is truly a product of admirable teamwork.

If we look beyond, delivering a stable result in 2020 truly showcase our strengths as a company going forward. We are getting ready for future growth.

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*Despite the pandemic, we delivered a stable result - and it is truly a product of admirable teamwork*

- Elisabeth Peregi, CEO

## WHAT WERE YOU ESPECIALLY PROUD OF DURING 2020?

### **Elisabeth:**

In these trying times, at KappAhl we are proud to have fulfilled our agreements towards all our suppliers. For us, it is important to take responsibility and follow up on our promises. Despite a challenging year, we also continued our work in integrating sustainability into the overall company strategy ensuring a future strong and reliable company.

### **Sandra:**

I want to emphasize Elisabeth's words here. I'm very proud to say that we were able to keep up the good work and delivered without cutting corners in terms of sustainability. Our actions during 2020 is a real proof of KappAhl's high sense of responsibility throughout the entire company and towards our partners.

## BEYOND THE PANDEMIC, DO YOU OBSERVE ANY LARGER TRENDS IN SUSTAINABLE FASHION?

### **Sandra:**

Consumers are increasingly aware and concerned about the sustainability aspects of consumption. The relationship between suppliers and buyers is turning to build on partnership instead of competition. There is also a slow fashion trend towards selecting materials with high durability, comfort and quality. Garments not optimized for the purchase event but optimized for the service life. Rent and resale put new product advantages in focus: the lasting value of the product.

## WHAT OPPORTUNITIES DO YOU SEE GOING FORWARD?

### **Elisabeth:**

The KappAhl group stands before several exciting developments. During the next couple of years, we will further develop our five brands KappAhl, Newbie, Minories, kay/day and XLNT, ensuring an individual identity for each of them.

In addition, we are actively working on how to expand our business model to incorporate circular principles. In a future scenario, it should be equally easy to choose a second-hand garment or rent, next to the option of buying a newly produced high-quality product. This type of growth will also require an elevated technical level to ensure scalability on multiple markets.

## IN TERMS OF SPECIFIC SUSTAINABILITY DEVELOPMENT, WHAT DOES THE FUTURE HOLD?

### **Sandra:**

This upcoming year we will increase the focus on extending the lifetime of our clothes. We will launch and curate the "Care for your Clothes" concept inspiring our customers to take care of and mend their beloved garments.

Furthermore, we will continue working with our ongoing partnerships.



Elisabeth Peregi, CEO with Dr. Sandra Roos, Head of Sustainability

# RESPONSIBLE FASHION KEY ACHIEVEMENTS

**New Climate Strategy: reduce our climate impact with 50 % until 2030**

KappAhl follows the Paris Agreement.

**70 % of our products are labeled as More Sustainable\***

\* More Sustainable means better than conventional materials. A full list of more sustainable materials in KappAhl's products [can be found here](#).

**Factories representing 51% of our business volume report environmental data via the Higg Facility Environmental Module**

## **Transparency Pledge Reporting**

We publish a [list](#) with all our suppliers, their addresses and number of employees.

**377 tons of old textiles collected for reuse**

We lowered our greenhouse gas emissions by 19% measured against a 2017 baseline







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### 100% OF OUR COTTON IS MORE SUSTAINABLE\*

\* More Sustainable cotton is either certified organic cotton or cotton sourced through the Better Cotton Initiative (BCI)

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### 100% MORE SUSTAINABLE DENIM\*

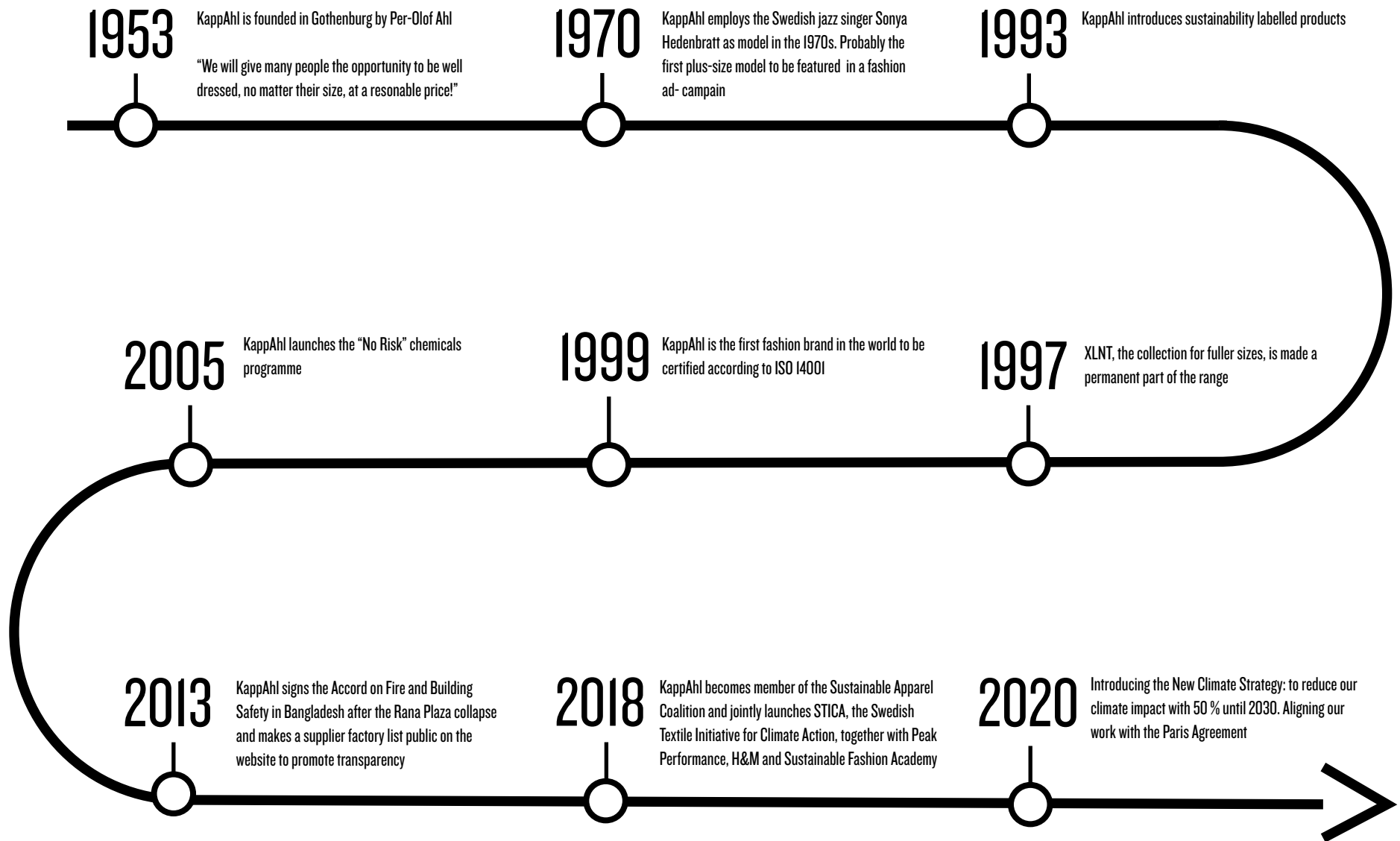
\* More Sustainable Denim is produced using an improved washing process that reduces water, energy and chemical consumption. Moreover, all cotton in KappAhl's denim is more sustainable cotton.

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### 100% OF OUR PURCHASED ENERGY IS RENEWABLE\*

\*In 2020, all electricity and district heating that we purchase under own agreements are from renewable sources.

## TIME LINE - SELECTED SUSTAINABILITY HIGHLIGHTS



## NEW CLIMATE STRATEGY

During 2020, KappAhl has launched a new Climate Strategy. We have committed ourselves to reduce absolute carbon emissions, in our entire value chain, by half by 2030 compared to 2017 levels. With this goal we reduce climate emissions in line with the Paris Agreement to limit global warming to 1.5°C.

We have also produced a roadmap for how to reach that goal. We will reduce by 80 % in Scope 1 and 2 according to the Greenhouse Gas Protocol. For Scope 3 our goal is to reduce 49 %.

The strategy involves actions such as improved energy efficiency, more renewable energy, increased use of more sustainable materials, and a ban on air freights.

The Greenhouse Gas Protocol is the global standard for accounting and reporting emissions from private and public sector operations, value chains and climate actions. The standard is divided into three scopes, further explained below.

Today seven percent of our value chain emissions lie in Scope 1 and 2 according to the Greenhouse Gas Protocol, processes

which we have a direct influence on. 93 percent stems from Scope 3 which is our supply chain and our customers' activities. This year's climate calculation shows a reduction in KappAhl's total emissions of 19 percent, compared with the base year 16/17. We have made a step in the right direction, but still have a lot to do to reach our climate goal. KappAhl does not purchase carbon offset credits to reduce our emissions.

Climate change poses a fundamental threat to humanity and have impacts outside the direct control of any single company. We need to create partnerships

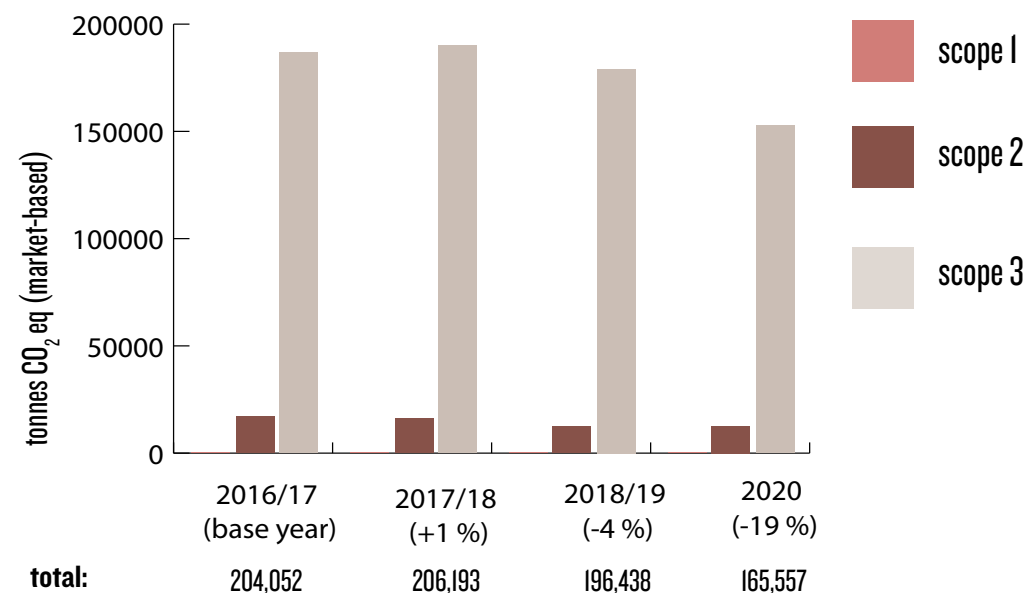
with suppliers, governments, financial organizations, consumers and other brands if we are to make a difference.

KappAhl is one of the funders of the Swedish Textile Initiative for Climate Action (STICA). All the member companies of STICA have undertaken to reduce their climate impact in line with the Paris Agreement and the 1.5 degree goal. [Read more about STICA here.](#)

**Scope 1:** Direct GHG emissions from sources that are operated by the company. Examples are company operated cars and refrigerant leakage.

**Scope 2:** Indirect GHG emissions from the generation of electricity or heat purchased by the company.

**Scope 3:** Indirect GHG emissions that occur in the value chain of the company. Examples are upstream production, transportation of goods and customer electricity usage for laundry.





## IN-DEPTH INFORMATION: CLIMATE CALCULATION

Every year KappAhl maps the climate impact in our value chain through a climate calculation covering the organization's total value chain emissions in one year<sup>1</sup>. We want to better understand how and where emissions of greenhouse gases occur to be able to take action to reduce them.

Calculation and reporting of emissions are made in accordance with the Greenhouse Gas Protocol's "Corporate Accounting and Reporting Standard" and "Corporate Value Chain (Scope 3) Accounting and Reporting Standard" as well as the guidelines of the Swedish Textile Initiative for Climate Action (STICA). Our emissions are reported broken down into scopes 1, 2 and 3 according to the Greenhouse Gas Protocol. We try as far as possible to use actual measurements from our operations as reference data for the calculation. Where there are data gaps we use generally accepted standard values. KappAhl does not purchase carbon offset credits for carbon emissions. Our focus lies on reducing emissions in line with the Paris Agreement and the 1.5 degree goal.

KappAhl has reported our climate emissions since 2014/15 but we have set 2016/2017 as the base year after some major changes in the methodology in 2017.

1) The reporting period for this sustainability report is 16 months, however the climate emissions have been calculated for the year 2020, 12 months, to be comparable with previous as well as future reporting.



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*Our focus lies on reducing emissions in line with the Paris Agreement and the 1.5 degree goal.*



## IN-DEPTH INFORMATION :

### CIRCULAR FASHION CONSUMPTION

From linear to circular - embracing a circular approach to fashion allows us to create new business value and move away from old unsustainable patterns. By using new innovative techniques and solutions we can create fashion that's enabled from the design stage to circulate, reducing our reliance on constant resource extraction, making it easier to increase the use and recycling of what's already in circulation.

KappAhl believes in responsible fashion and to design for circularity. We use our Sustainability Product Scorecard that guides us through the product development process and which encourages us to be creative, innovative and to evaluate our choices. By

designing fashion for longevity and with more sustainable utilization of materials, chemicals, water, and energy, we can avoid waste, reduce the environmental impact, and contribute to a more sustainable and circular fashion consumption.

[Further information about our circular approach](#)

### MORE SUSTAINABLE MATERIALS

The transition to more sustainable materials are one of the keys for fashion to become more sustainable, a necessary transition for the industry and a step closer towards more sustainable and circular fashion.

KappAhl's efforts to contribute to a circular fashion industry are showing good results. At present, 70 percent of our assortment is made from more sustainable materials. Five years ago, this figure was 19 percent, and the target of 100 percent by 2025 is within reach.

To make this happen we identified the challenges and opportunities for each season and product group, to be able to take small but important steps towards the long-term goal. We are always looking for

new innovative material solutions with less impact compared to conventional and exploring new materials are also an important part of our design and product development. After we reached the goal of only using more sustainably sourced cotton we started the transition to more sustainable alternatives for viscose (wood-based fibers). We can proudly see that we have moved ourselves forward also here, with currently 58 percent more sustainable wood-based fibers. We also move towards an increased use of recycled fibers which has a positive effect on our environmental impact by reducing waste and the need to produce new virgin fibers.

[Further information about our more sustainable materials](#)



## OUR COLLABORATIONS

Collaborations are essential when it comes to driving change in the global fashion value chain. The main part of KappAhl's social and environmental impact lies in the supply chain. For example, only seven percent of our climate emissions lie in Scope 1 and 2 according to the Greenhouse Gas Protocol, and are processes which we have direct influence on.

One example of an essential collaboration is to increase the percentage of more sustainable cotton. To contribute to this, we collaborate with the Better Cotton Initiative (BCI), that educate cotton farmers in more sustainable farming methods and the Organic Cotton Accelerator (OCA), which promotes the increase in the share of organic cotton globally and the improvement of the living conditions of cotton farmers.

[A full list of our commitments is found at our website](#)

## LIVING WAGES

One of our industry's more notable challenges is the issue of living wages for employees in the fashion industry in developing countries. In these countries, the statutory minimum wage is often insufficient for factory workers to support their families. This leads to many people working a lot of overtime to increase their income. KappAhl supports the principle that those who work in our supply chain must have a basic salary that is sufficient for basic needs such as food and children's schooling and provide opportunities

for savings; so-called living wages. An important element for achieving living wages is functioning social dialogue between employers and employees at national level and in the workplace. We want wages to be negotiated in a democratic process where agreements are concluded between workers and employers.

An important partner for us in the work for social dialogue and living wages is the organization [Ethical Trading Initiative](#) (ETI) which brings together companies, unions and stakeholder organizations that work to improve working conditions for factory workers in many different industries and different parts of the world. KappAhl has been a member since 2016. In early 2021, the ETI, together with the [Fair Wear Foundation](#) launched the "[The Industry We Want](#)" initiative. The initiative aims to define a collective purpose for our industry, improve collaborations between companies, trade unions and employers' organizations and ensure accountability. We see collaboration in multi-stakeholder initiatives as the most effective way forward for us to achieve better conditions for those who work in our supply chain.

## TRANSPARENCY PLEDGE

We believe that being transparent with our supply chains leads to creating better conditions for the people who work in the fashion industry's factories. KappAhl is therefore one of the companies that has joined [Transparency Pledge](#), an initiative that works for increased transparency in the fashion industry's supply chains.







## RESPONSIBLE ACTIONS

KappAhl wants to help to support the civil society, both locally and globally. We want to create opportunities for long-term positive progress on sustainable development and diversity issues. We gather our activities under the term Responsible Actions.

The funds donated via Responsible Actions are raised from different parts of KappAhl's operations. Our education centre for disadvantaged women in Bangladesh is one example, and we are also campaigning for more sustainable cotton farming via the Organic Cotton Accelerator (OCA) program.

Our customers' contributions play a decisive role. Together with our customers, via the One Bag Habit and the "Fine as I am" campaigns, we donated 6.2 (5.5) million SEK during the financial year to local sustainability projects.

Read more about all the organisations we support through Responsible Actions at our website under the heading ['Our Commitments'](#).

## EDUCATION CENTRE FOR WOMEN IN BANGLADESH

Bangladesh is one of the most poverty-stricken countries in the world. Women are often very disadvantaged here, with few rights and they typically lack education. Many of them live in poverty and suffer from malnutrition. But one way out of poverty is education and employment. To that end, we established an education centre for women on the outskirts of Dhaka, the capital, daily run by the TCM Foundation. They receive wage compensation during their months with us, and after their education they are all offered employment. Here the women learn how to sew and get weekly class training in reading and writing, financial issues as well as female rights issues.

All get healthy lunch and we include the whole family in the programme. Almost 1000 women have completed our education programme to date, and as soon as they are able to start providing for themselves, not only their lives, but also the lives of their family members are changed. And in many cases, their dream comes true about starting a new life for themselves and their family back at the home village and being able to leave the poor situation in Dhaka.

6  
SALES  
MARKETS

3,935  
EMPLOYEES

9  
PRODUCTION  
COUNTRIES



## DIVERSITY AT KAPPAHL

We are currently 3,935 persons employed by KappAhl. We are found in six sales markets and in nine production countries. The tables with in-depth information below show the estimated maximum number of employees on a given date during the financial year and include employees on fixed-term contracts. Data are not restated to the number of full-time equivalents.

Today, KappAhl is not able to obtain figures for employees broken down in different categories, such as by employee type, seasonal employees, consultants etc. in accordance with the GRI requirements. We are in the process of introducing a new system support for HR which is planned to launch during 2021. This will enable us to conform with the GRI requirements in the future.

Employee data has been collected through the payroll and time reporting system. There are some seasonal variations during the year regarding needs for employees and hours in stores, for example during the Christmas season and the summer holiday period.

### IN-DEPTH INFORMATION: DIVERSITY AND GENDER EQUALITY AT BOARD LEVEL

Gender breakdown of the Board, %	2019/2020	2018/2019	2017/2018
Women	50	64	67
Men	50	36	33

Age breakdown of the Board, %	2019/2020	2018/2019	2017/2018
Under 30 years	-	-	-
30-50 years	38	18	22
Over 50 years	62	82	77



## EMPLOYEESHIP IN FOCUS



Anna Andihn, Vice President, HR, Corporate Communications and Sustainability

## ADAPTING TO SPECIAL CIRCUMSTANCES

2020 was a challenging year. The ongoing COVID-19 pandemic truly affected all parts of our organisation. However, despite the pandemic and several major reorganizations, we still see a strong level of engagement among our employees at KappAhl. During this trying year, I feel especially proud and happy to be working among such engaged colleagues.

In the yearly KappAhl Attitude Survey (KAS), we can see that the loyalty and motivation among our employees is at an overall high. Nonetheless, there has been challenges in adopting to new pandemic rules and regulations. At KappAhl we have taken several actions in order to ensure both employee and customer safety. Some of the concrete actions taken in our stores is plexiglass screens at the cashiers, hand sanitizer stations for customers and staff as well as new hygiene guidelines for all employees. For those of our employees working in an office setting, we encouraged working from home when possible and to avoid unnecessary travel. Going forward we are monitoring the developments closely, making decisions on an ongoing basis following the WHO and local government recommendations.

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*During this trying year, I feel especially proud and happy to be working among such engaged colleagues.*

## MEASURING EMPLOYEE ENGAGEMENT

Measuring our employee engagement and attitude is an important matter that is performed yearly via the KappAhl Attitude Survey (KAS). In January 2021, about 67% of our employees answered the survey, which is a somewhat lower response

rate compared to 2019. However, due to COVID-19 we closed more than 20 stores in Norway just when the KAS was sent out, and Poland was in lock-down for most of the survey period, which can explain the slightly lower response rate.

In this year's KAS, we could see that 3 out of 4 employees give their manager a high score, and the results are on a par with 2019. It feels very reassuring that confidence in our managers has remained high through a period of great change and previously unencountered situations. In addition, we measure the employee net promoter score, i.e., how likely our employees are to recommend KappAhl as a workplace to friends. Our score is 31, which is clearly over the external benchmark. Even if we declined by 2, (last time it was 33) we feel proud about the results. Satisfaction & Motivation scored a 75 which as well is a high result and higher than the external benchmark. Loyalty reached 83 which is a small increase as well as on par with Top in Class!

## DEVELOPING OUR CORE VALUES

At KappAhl, our greatest asset is our employees. Therefore, when working with our new brand strategy during 2020, input from our employees was important. We held several cross functional workshops in an effort to include all perspectives. Colleagues from our head office, production offices, distributions centres and retail in all our sales countries participated in these workshops, contributing different insights and knowledge. As a part of the brand strategy development, we also concluded

on a new set of values. These values should be an inherent part of our entire operation as a company and be reflected in every conversation with our customers. These core values are: inclusive, joyful and courageous.

**EMPLOYEE SURVEY SCORE**  
**HIGH SCORE: 75-100**  
**MEDIUM SCORE: 60-74**  
**LOW SCORE: 0-59**

83

LOYALTY

75

SATISFACTION  
& MOTIVATION



## IN-DEPTH INFORMATION: DIVERSITY AND GENDER EQUALITY: EMPLOYEES<sup>1</sup>

Female managers, %	2019/2020	2018/2019	2017/2018
Management team	71	71	67
Head office, Sweden	82	88	79
Stores, Sweden	95	91	88
Distribution centre, Sweden	37	44	13
Total, Norway	95	96	96
Total, Finland	93	93	93
Total, Poland	88	84	83
Total, United Kingdom	100	100	100
Total, production offices	87	87	74

Number of employees by region and gender	2019/2020		2018/2019		2017/2018	
	Women	Men	Women	Men	Women	Men
Number of employees, Sweden	2,047	190	1,834	159	1,910	208
Number of employees, Norway	934	9	972	15	989	15
Number of employees, Finland	366	4	448	5	458	5
Number of employees, Poland	216	7	269	12	243	15
Number of employees, United Kingdom	25	0	35	1	28	0
Number of employees, production offices	116	19	81	64	83	62
Total for Group	3,705	229	3,639	256	3,710	306

Number of employees by gender and type of contract	2019/2020		2018/2019		2017/2018	
	Women	Men	Women	Men	Women	Men
Number of employees on full-time contracts, Group	1,054	197	1,110	180	1,097	258
Number of employees on part-time contracts, Group	2,652	32	2,529	76	2,613	48

1) The tables with in-depth information below show the estimated maximum number of employees on a given date during the financial year and includes employees on fixed-term contracts. Data are not restated to the number of full-time equivalents.

## IN-DEPTH INFORMATION: EMPLOYEES<sup>1</sup>

Percentage of employees by type of contract and region	2019/2020	2018/2019	2017/2018
Employees on full-time contracts, Group, %	33	33	36
Employees on full-time contracts, Sweden, %	30	35	38
Employees on part-time contracts, Sweden, %	70	65	62
Employees on full-time contracts, Norway, %	17	17	16
Employees on part-time contracts, Norway, %	83	83	84
Employees on full-time contracts, Finland, %	28	23	22
Employees on part-time contracts, Finland, %	72	77	78
Employees on full-time contracts, Poland, %	80	81	81
Employees on part-time contracts, Poland, %	20	19	19
Employees on full-time contracts, United Kingdom, %	60	32	40
Employees on part-time contracts, United Kingdom, %	40	68	60
Employees on full-time contracts, production offices, %	98	98	100
Employees on part-time contracts, production offices, %	2	2	0

Age and staff turnover	2019/2020	2018/2019	2017/2018
Average age, Group, years	40	38	37
Staff turnover, Group, %	10	14	13
Staff turnover, Sweden, %	3	9	8
Staff turnover, Norway, %	24	15	17
Staff turnover, Finland, %	16	18	15
Staff turnover, Poland, %	27	42	45
Staff turnover, United Kingdom, %	27	24	10
Staff turnover, production offices, %	6	8	13

Key ratios, employees	2019/2020	2018/2019	2017/2018
Training hours per employee	28.7	6.7	9.2
Sickness absence, %	6.2	5.2	5.8
Percentage covered by collective bargaining agreements	85	89	91

## IN-DEPTH INFORMATION: NON-DISCRIMINATION

All cases of bullying or victimization at KappAhl must be promptly followed-up by responsible manager and with support by HR and treated with confidentiality. It is important to take into account and act in respect of the victim's perception of the incident. The managers concerned are to be informed and involved parties should have their say before any decision to act is taken. It is important to take into account and act in accordance with the wishes of the victim. All planning for organization and work is to take into consideration that a good atmosphere is created, with clear norms for behavior towards each other, so that victimization does not arise. Managers and supervisors play a key role in shaping the atmosphere and the norms that are to prevail at KappAhl, regardless of whether it is colleagues, leaders, subordinates, customers or suppliers who expose the employee.

The number of incidents of discrimination in the context of the GRI reporting framework during the reporting period is not available in detail. This information is expected to be available in the planned reporting system, implemented in 2021. Routines and templates for reporting incidents of discrimination are available and it is well known how to make remediation plans in all parts of the organization. We have no known cases that remain subject to action. The yearly KappAhl Attitude Survey (KAS) is an indication on the occurrence of discrimination. However, the KAS survey is anonymous and does not necessarily refer to formally reported cases.

Discrimination stated in the annual KappAhl Attitude Survey	2019/2020	2018/2019 <sup>1</sup>	2017/2018 <sup>1</sup>
Number of employees who state that they have been harassed at their workplace due to gender (sexual harassment)	0	0	-
Number of employees who state that they have been harassed at their workplace due to ethnicity, religion or other belief	0	0 <sup>4</sup>	-
Number of employees who state that they have been victimised (bullied) at their workplace, in word or deed, due to disability	0	0	-
Number of employees who state that they have been victimised (bullied) at their workplace, in word or deed, due to sexual orientation	0	0	-
Number of employees who state that they have been victimised (bullied) at their workplace, in word or deed, for other reasons	29 <sup>2</sup>	47 <sup>4</sup>	
Number of employees who state that they have been exposed to discrimination at their workplace	50 <sup>3</sup>	96 <sup>4</sup>	
Total	79	143 <sup>4</sup>	-

1) Data unavailable due to revision of the employee survey during the year.

2) 1 % answered yes, 2 % chose to not answer. 97 % answered no.

3) 2 % answered yes (1% due to age, 1% due to other reason), 2 % chose to not answer. 96 % answered no.

4) Corrected figures from last year's report.



# RESPONSIBLE FASHION

## FOUR FOCUS AREAS

Our sustainability strategy is called Responsible Fashion. KappAhl is on the market to offer affordable and responsible fashion for our customers in an easy and inspiring way.

Our sustainability strategy Responsible Fashion aims to take us to a point where we have a sustainable business model. It is based on the challenges we see in our value chain, our stakeholder dialogue as well as guidelines and principles from international bodies such as the United Nations, Ethical Trading Initiative and the Science-Based Targets initiative. KappAhl applies the Precautionary Principle, works proactively and participates in industry collaborations to achieve long-term sustainable development. The sustainability strategy covers four focus areas with specific commitments and goals.

## DESIGN

*Creating more sustainable\* fashion for a sustainable and lasting wardrobe*

### COMMITMENTS

- Develop our products based on sustainability performance
- Transition to more sustainable materials
- Design for circularity

### CHALLENGES

- Development of new, more sustainable fibers and production technologies
- Development of technology that enables fiber-to-fiber recycling
- Access to reliable data that shows sustainability performance for different fibers and processes

>> Read more on page [21](#), [28](#), [33](#)



## ORGANISATION AND STORES

*Working from sustainability when developing our stores and caring for our co-workers*

### COMMITMENTS

- Work for diversity and equality
- Educate and support all coworkers on sustainability
- Create sustainable store concepts

### CHALLENGES

- Our industry's lack of inclusive fashion with sound ideals
- Create effective tools and training to enable every employee's contribution to sustainability work
- Need for cooperation for example with property owners on sustainability issues such as energy, waste and transport
- A sustainable transition to more online purchases

>> Read more on page [25](#), [31](#), [33](#)



## SUPPLY CHAIN

*Choosing the right suppliers and leading by example in the communities affected by our business*

### COMMITMENTS

- Contributing to the advancement of human rights
- Working with responsible and transparent partners
- Transitioning to more sustainable production processes
- Building a sustainable logistics setup

### CHALLENGES

- Promote progress on human rights such as living wages and gender equality
- Promote transparency in all tiers of the supply chain to achieve a transparent supply chain
- Dependency on fossil energy in the supply chain

>> Read more on page [23](#), [29](#), [33](#)



## CONSUMPTION

*Guiding and inspiring our customers while delivering norm challenging and results rewarding solutions for sustainable consumption*

### COMMITMENTS

- Creating solutions for a more sustainable consumption
- Being guiding and transparent in our communication

### CHALLENGES

- Create simple and attractive solutions for more sustainable fashion consumption
- Harmonisation of sustainability communication to enable consumers to choose where and what they buy
- Extend the life of garments and ensure they are used more often

>> Read more on page [26](#), [32](#), [33](#)





# RESPONSIBLE FASHION

## OUR SUSTAINABILITY ORGANIZATION

Sustainability is a part of all employees' daily work at KappAhl. Around a dozen employees work full time with a defined area of responsibility in the field of sustainability and are part of a matrix organization led by the Head of Sustainability.

The Head of Sustainability is part of the department that includes HR, Corporate Communications and Sustainability and reports regularly on sustainability work to the KappAhl Executive Management Team and KappAhl's Board of Directors that deals with the issues at board meetings.



### DESIGN

*Creating more sustainable\* fashion for a sustainable and lasting wardrobe*



### SUPPLY CHAIN

*Choosing the right suppliers and leading by example in the communities affected by our business*



### ORGANISATION AND STORES

*Working from sustainability when developing our stores and caring for our co-workers*



### CONSUMPTION

*Guiding and inspiring our customers while delivering norm challenging and results rewarding solutions for sustainable consumption*



# ENVIRONMENTAL SUSTAINABILITY

## DESIGN

Sustainability starts in the design studio. The choices we make here affect every step of the production process and supply chain.

KappAhl produced about 53 million products, and sold about 55 million products during the financial year. Our customers' needs and wishes are the starting point, always focusing on quality and sustainability.

A great challenge in the fashion industry is the transition to a circular economy.

KappAhl can contribute by designing garments for a long life, made in more sustainable materials and production processes and a circular flow of textile products. Consequently, one of our focus areas in our sustainability strategy Responsible Fashion is to design fashion for a sustainable wardrobe. Read more about how we design a garment to increase the number of times our products are used on [page 26](#).

Today 70 percent of our products are labeled as more sustainable. The total weight of materials that were used to produce and package KappAhl's primary products was 10,471 tonnes during the reporting period. 73 percent were renewable materials and 27 percent were non-renewable.

## WHAT DOES "MORE SUSTAINABLE" MEAN?

Until we can say for sure that a material or a process is in fact 100% sustainable, KappAhl uses the term "more sustainable". We only make promises we can keep! At our website you can find information on the materials that we currently list as [more sustainable](#).

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*Our customers' needs and wishes are the starting point, always focusing on quality and sustainability.*



RESPONSIBLE FASHION KPIS FOR PRODUCT ENVIRONMENTAL PERFORMANCE	2020 <sup>1</sup>	2018/2019	2017/2018
100% more sustainable production processes by 2030, %	8	3	<sup>2</sup>
100% more sustainable denim by 2020, %	100	100	<sup>2</sup>
100% more sustainable materials by 2025, %	70	58	54
100% more sustainable cotton by 2020, %	100	93	86
50% of synthetic fibers from recycled sources by 2022, %	17	8	<sup>2</sup>
50% of products recyclable by 2025, %	12	11	<sup>2</sup>
50% of all wood-based fibers from more sustainable sources by 2022, %	58	10	<sup>2</sup>

1) The environmental performance reporting provides figures for calendar year 2020.

2) New KPI for 2018/19.



## SUSTAINABILITY PRODUCT SCORECARD

Our designers are guided in the work to develop more sustainable garments by our Sustainability Product Scorecard (SPS) which is developed internally at KappAhl and implemented in the PLM system. It is based on five criteria: choice of more sustainable materials, circular design, design for longevity, efficient raw material use and more sustainable production processes. Implementation of the scorecard in all design and range departments has continued and this year we were able to measure sustainability performance for over 70 percent of our range.

Our share of sustainability labelled garments is increasing all the time and we are constantly evaluating different solutions for materials and processes that show a better sustainability performance compared to conventional methods. This year, for example, we have added Birla viscose to the list of more sustainable materials.

## MORE SUSTAINABLE MATERIALS

In 2020, we reached our goal that 100 percent of the cotton we use is either certified organic cotton, or cotton sourced through the Better Cotton Initiative. All essentials for women, children and men are made of organic cotton, grown entirely without the use of chemical pesticides and artificial fertilizers. As a member of Organic Cotton Accelerator (OCA), KappAhl promotes the increase in the share of organic cotton globally and the improvement of the living conditions of cotton farmers.

During the year we have also made substantial progress in the use of more sustainable synthetic fibers and wood-based fibers. In 2020, we reached the goal for 2022 that 50% of all wood-based fibers should be sources from more sustainable sources, the share is now 58 % compared to 10 % in 2019. The share of synthetic fibers from recycled sources doubled from 8 % to 17%. We continue to draw closer to our goal of having 100 percent more sustainable material in our range by 2025.

## CIRCULAR DESIGN

The fashion industry's transition to a circular economy challenges us to design clothes that are fit for circular business models. They need to be designed to have as long a life as possible via rent, resale and repair and then be able to be recycled into new materials when they cannot be used as a garment any longer. One goal we set in this transition is that 50 percent of our garments must meet the criteria for circular design by 2025. In 2020 the figure was 12 percent. At present we are limited by the lack of recycling technology, enabling only clothes that mainly consist of one single fiber type to meet the criterion.

Another important aspect of circularity is the availability of recycled material, that pass the KappAhl's quality criteria to ensure a long life. To promote the increase in recycled fibers, KappAhl is a partner in the textile recycling company Renewcell. Their recycling technology dissolves used cotton and other cellulose fibers and transforms them into a new raw material: Circulose® pulp. The pulp can then be used to make virgin quality

viscose or lyocell textile fibers and be used to make new garments. During 2020, KappAhl has also participated in different research projects to promote recycling, for example the Swedish Environmental Research Institute's SIPTex project (Swedish innovation platform for textile sorting) which is to establish the world's first automated textile sorting facility on an industrial scale in Malmö.

## DESIGN FOR MORE SUSTAINABLE PRODUCTION PROCESSES

The transition to more sustainable production processes is one of the major critical questions for the fashion industry. What we mean by a more sustainable production process is a method that can show a documented reduction in the use of water, energy and/or chemicals compared with a conventional method. Our goal is to use only more sustainable production processes by 2030 (see Responsible Fashion KPIs table), which poses a great challenge, as the list of methods that are proved to lead to reduced environmental impact is at present short. Our goal for denim for 2020 was reached already in 2019. Today, all denim is More Sustainable Denim, produced using an improved washing process that reduces water, energy and chemical consumption. 2. Moreover, all cotton in KappAhl's denim is more sustainable cotton.



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## 2 SUPPLY CHAIN

By setting high standards and making sustainable decisions, we can influence suppliers and communities affected by our business to push forward and choose sustainable solutions.

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### CLIMATE IMPACT

The fashion and textile industry accounts for a considerable proportion of the world's greenhouse gas emissions. Cooperation is key to lower the emission. KappAhl is one of the initiators and board member of the Swedish Textile Initiative for Climate Action (STICA), which support the Swedish fashion and textile industry to reduce its climate impact in line with the 1.5-degree pathway. KappAhl's climate target is to reduce our absolute carbon emissions, in our entire value chain, by 50 percent by 2030. The target refers to scope 1–3 with 2016/2017 as the base year. [Read more on page 11.](#)

Since 2018, we are a member of the Sustainable Apparel Coalition (SAC). SAC has developed the Higg Index, a series of tools that measure and evaluate the sustainability performance of factories, brands and products. During 2019, we began implementing the Facility Environmental Module (FEM) tool. FEM measures the environmental performance of the factories and is now used at factories corresponding to 51 (51) percent of KappAhl's order value.

### WATER CONSUMPTION

The water consumption in the textile supply chain is dominated by cotton cultivation, but the manufacturing processes in factories do also consume water. KappAhl's transition to more sustainable materials and production processes means documented water savings, and we are only working with suppliers that have water purification and environmental management systems in place. We also see a need to collaborate with other stakeholders to increase knowledge of resource-saving measures, for example for water, in factories. KappAhl did, via the Swedish Textile Water Initiative (STWI), take part of capacity-building initiatives to increase suppliers' efficiency in the use of resources.

### BIODIVERSITY

The fashion industry impacts animal life and biodiversity, particularly in the production of fiber. Our work with Organic Cotton Accelerator (OCA) promotes the increase of organic cotton cultivation, which excludes gene-modified crops, use of chemical pesticides and artificial fertilizers. Biodiversity is also affected by for example climate change, water scarcity and emissions of toxic substances. The work at KappAhl to select more sustainable materials and use more efficient processes is also vital to reduce the pressure on endangered species.

### CHEMICALS, QUALITY AND SAFETY

Securing that no harmful chemicals are present in our products is the topic that

has highest priority by our customers. KappAhl aim for continual improvement and always apply the precautionary principle in our chemicals program "No Risk" that started already in 2005. We participate in the Swedish Chemicals Group at RISE to be proactive in our work with chemicals and set stricter demands than legislation in many cases. Several new chemical restrictions related to textile products entered or will enter into force during 2020 and 2021 and we have proactively included them in our chemicals program "No Risk" to give our suppliers the means to phase them out in good time before they are restricted. In 2019/2020 we carried out 911 (942) chemicals tests and 98.4 (99.5) percent of the garments were approved according to the KappAhl requirements. No garments had restricted chemicals present above the legal limits.

KappAhl has also high demands when it comes to quality and child safety. These are defined in the KappAhl Product Quality Standard, and we carry out regular quality and safety tests throughout the production process. During the reporting period, two baby jogging pants did not meet KappAhl's requirements concerning child safety. Even though a formal recall was not necessary, the products were stopped from sales and we recommended those customers that had already bought the pants to remove the faulty plastic sleeves at the end of the drawstring, or to return the product. A total of 2,641 products were returned, which is less than 0.01 percent of our total sales.

For the products that are deemed to be potentially harmful to humans or

the environment, we have no other option than incineration with energy recovery. During the financial year (16 months) we sent 18,277 (14,650) products for incineration for health, safety or environmental reasons. Products that have non-hazardous faults, such as incorrect sewing, are sent to our partner partner Fretex International/ Myrorna for reuse at other markets. 7,811 (9,874) products were sent for reuse via Myrorna in 2019/2020.

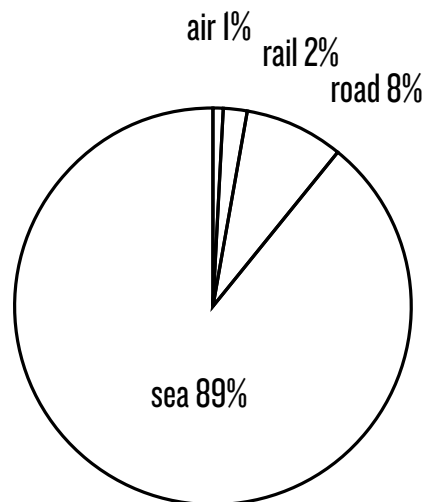
### MICROPLASTICS

Microplastics are very small pieces of plastic, some even too small for our eyes to see. Microplastics have been observed in the environment worldwide and are considered a concern as they are suspected to transfer toxic substances to plants and animals, especially in oceans, lakes and watercourses. The current knowledge of the scale of the impact is very low. It is likely that any content of toxic substances increases the risk of damage but there might also be particle effects. Microplastics in the oceans probably originate from the breakdown of larger plastic litter, but synthetic textiles are also a source. In addition, research has shown that cellulosic and protein fibers are found to generate micro-sized particles. KappAhl follows the latest findings to act accordingly. Although the data gaps are huge, we see that our work with preventing harmful chemicals from occurrence in our products is one action that is important. We always apply the precautionary principle in relation to chemicals and safety and carry out regular quality and safety tests throughout the production process, in our chemicals program "No Risk".

## TRANSPORTATION

In terms of a product's life cycle, transportation accounts for a relatively small proportion of climate emissions, provided that air transport is avoided. In 2020, KappAhl decided to put a ban on air freights.

As increased online shopping contributes to more transport, we are working to streamline our logistics chain to achieve our goal of reducing climate emissions from our transportation. We have no online markets to which we send products via air freight. Deliveries from the distribution center to mortar and brick stores are usually by road. We also impose environmental and social requirements on all carriers, regardless of mode of transport. In 2019/2020 transportation contributed greenhouse gas emissions of 121 (125) grammes per garment, which is a decrease of 3 percent compared with the previous year and 38 percent compared with the base year 2016/17.



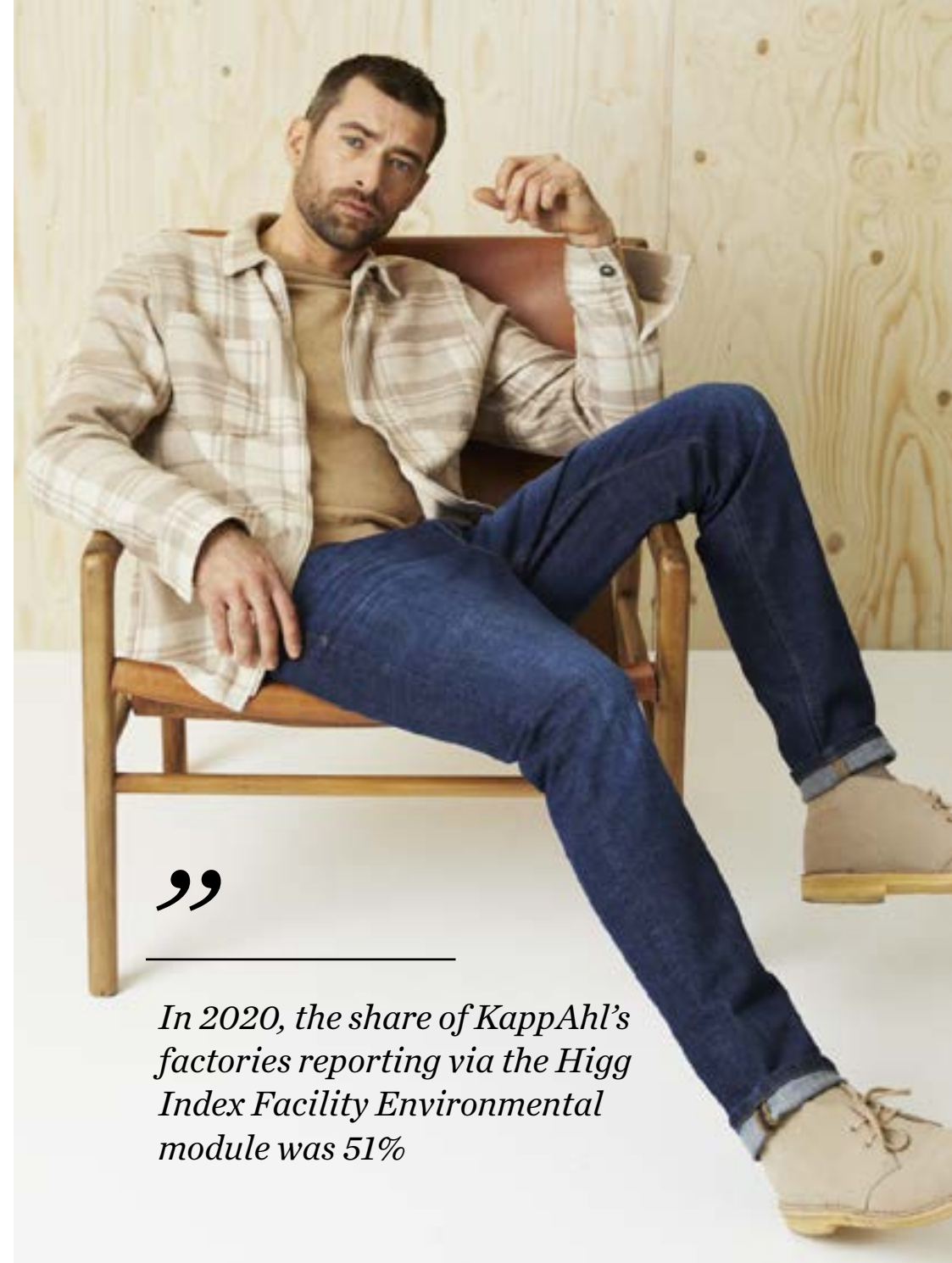
### RESPONSIBLE FASHION KPIS FOR VALUE CHAIN ENVIRONMENTAL PERFORMANCE

	2020 <sup>1</sup>	2018/2019	2017/2018
Share of factories (based on order value) reporting via the Higg FEM, %	51	51	<sup>2</sup>
Reduction in climate emissions compared to base year <sup>3</sup> , %	19	6	<sup>1</sup>
Annual reduction of climate emissions from our transportation, %	3	9	-10

1) The environmental performance reporting regarding climate provides figures for the twelve month period of the calendar year 2020.

2) New KPI for 2018/19.

3) Base year is 2016/17, refers to scope 1-3.



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*In 2020, the share of KappAhl's factories reporting via the Higg Index Facility Environmental module was 51%*

# 3 ORGANISATION AND STORES

Working from sustainability when developing our stores and caring for our co-workers.

## MORE SUSTAINABLE STORES

We continuously develop our store concepts in terms of sustainability, both in terms of energy use and use of more sustainable materials in our store fittings and other indirect materials. This year we reached our goal that 100 percent of the energy purchased under own agreements should be renewable by 2020. We have also reduced our electricity consumption by 18 percent compared with 2018. Especially the transition to LED lighting and avoidance of escalators in our stores contributed to that result.

## SHOP ONLINE

The most important environmental aspect of online shopping is the return rates and management of the returned goods. KappAhl tries to keep the return rate low via good fitting. All our garments are designed at KappAhl and tried on live models.

We have deliberately chosen to only offer free returns in our stores. If the customer returns the garments to the store they are put for sale there.

## PACKAGING

KappAhl's shopping bags are made from recycled plastic, which gives a lower climate impact than paper bags. A life cycle assessment in which we compared recycled plastic bags with bags made from virgin plastic, recycled paper and virgin paper respectively, guided us when we selected the option with lowest footprint. The growing online shopping is a challenge that not only entails more transportation but also more packaging. It is important that we reduce the amount of packaging and ensure it does not end up in nature. The packaging we use is made from recycled plastics and can be reused and recycled many times. Today we have come a long way in terms of labels, hangers and customer bags, which are all in more sustainable material, such as recycled plastic or FSC labelled paper. In Sweden we have a fully circular flow for our plastic hangers, which are mended or recycled in cooperation with our supplier in Lidköping.

## WASTE

We try to minimize our own waste, for example by using only indirect materials for stores that can be reused or recycled. We have reusable boxes for the transport from our distribution center to the stores.

All packaging materials are recyclable. During the financial year (16 months) a

total of 1,015 (892) tonnes of waste was generated, of which 94 (94) percent was sent for recycling, 5 (6) percent for energy recycling and 0.75 (<0.1) percent for landfill via our waste disposal contractor. In addition, 1.8 (1.6) tonnes of hazardous waste was generated, in the form of

electronics and fluorescent tubes, which was either handled by the landlords or via our waste disposal contractor.

RESPONSIBLE FASHION KPIS FOR ORGANIZATION AND STORES ENVIRONMENTAL PERFORMANCE	2020 <sup>1</sup>	2018/2019	2017/2018
Share of energy under own agreements from renewable sources, %	100	96	98
Yearly reduction in electricity consumption, %	18	13	7
Share of indirect material, including packaging, circular by 2030, %	-2	-2	-2
Share of packaging material in more sustainable and recyclable materials, %	100	100	-3
Share of store base & campaign material in more sustainable and recyclable materials, %	88	89	-3
Share of store fittings in more sustainable and recyclable materials, %	42	42	-3
Share of visual merchandising material in more sustainable and recyclable materials, %	55	47	-3
All employees feel they contribute to KappAhl's sustainability work, %	87	88	85

1) The environmental performance reporting provides figures for calendar year 2020.

2) No method available for monitoring this goal yet. The criteria are (1) produced in more sustainable materials, (2) can be recycled, and (3) is produced with renewable energy. The last criteria has not been able to measure.

3) New KPI for 2018/19.

INTERNAL ENERGY CONSUMPTION <sup>1</sup>	2020 <sup>2</sup>	2018/2019	2017/2018
Electricity, kWh	17,580,322	21,348,911	-18 %
Heating, kWh	1,350,222	1,324,659	+2 %
Fuel <sup>3</sup> , MJ	2,414,533	3,010,710	-30 %
Energy per square meter/open hour in stores and warehouses, Wh	30.5	33.3	38.2

1) See page 45 for details on energy and climate calculations

2) The environmental performance reporting provides figures for calendar year 2020.

3) Fuel refers to diesel for KappAhl's company cars.



# 4

## CONSUMPTION

Inspiring our customers to make sustainable choices is at the heart of what we do. We want them to know that there are many solutions for a more sustainable fashion consumption, and we keep all our communication honest and transparent.

### SOLUTIONS FOR SUSTAINABLE CONSUMPTION

One of the most important actions for improving the sustainability of fashion is to increase the number of times our products are used. We see that the fashion industry and our customers have a joint responsibility to get there. Victoria Beckham's famous quote that "the most expensive dresses are the ones I only wear once" actually applies rather well to environmental impact too. The environmental burden per use of a garment is very high for the garments that are only used a few times before they are considered waste. Our job at KappAhl is to make clothes that are designed for a long life, both in terms of style and quality.

### REUSE AND RENT

To make it simple for customers to do their bit, all KappAhl's stores offer textile collection. For 2020, we exceeded our target of collecting 250 tonnes of textiles

per year in our stores. We landed on 347 (309) tonnes which is quite astonishing in the light of 2020 being a year when some of our stores were in lock-down due to the pandemic. The textiles collected are sent to our partner Myrorna, to optimize their life through primarily reuse at the local markets. Of the textiles sent to Myrorna, 85% were sold for reuse, either at the local markets or in other countries.

During 2020, we have also developed our concept "Care for your clothes" with inspiration and guidance for garment care that prolongs the life of the garments, which is presented at [page 38](#). Further, we have piloted a rental service, starting with a baptizing gown from Newbie. The timing for festive garments with the pandemic could have been better, but for KappAhl this has been an important step in acquiring competence for the move towards circular business models.

### ONE BAG HABIT

With life cycle assessment it is shown that our recycled plastic bag - produced using post-consumer material in Spain - has a lower impact in a series of environmental impact categories, compared to a paper bag. However, even more environmental burden is avoided if fewer bags are used. Through the One Bag Habit initiative, launched together with Lindex and H&M in 2017 we want to increase awareness of this. Consequently, KappAhl charge for all bags in our stores and the surplus from these sales goes to sustainable development projects. Originally, our target was to reduce bag use by 50 percent by 2020. This year (2020) we are down at a 78 (67) percent reduction.

RESPONSIBLE FASHION KPIS FOR CONSUMPTION	2020 <sup>1</sup>	2018/2019	2017/2018
Annually collect 250 tonnes of textiles by 2020, tonnes	347	309	232
Reduction of bag use compared to 2016/2017, %	78	67	57
Average share of customers who agree that KappAhl shows variation in ethnicity, body shape and age in the marketing <sup>2</sup>	47	43	35
Average share of customers who has great trust in KappAhl's work with environmental and social issues <sup>2</sup>	26	22	21
Average share of customers who agree that KappAhl guides and helps in making more sustainable choices <sup>2</sup>	16	15	14

1) The environmental performance reporting provides figures for calendar year 2020.

2) Average share of customers on all markets who reply 6 OR 7 on the statement (1 = strongly disagree, 7 = strongly agree).



# ONE BAG HABIT

## INSPIRING AND TRANSPARENT CUSTOMER COMMUNICATION

It is important to us at KappAhl to be both inspiring and transparent in our sustainability communication. In the customer survey from February 2021, there is scale between 1-7 (1 = strongly disagree, 7 = strongly agree), and if the score is 6 or 7 we have assumed that the respondent agree with the statement. 47 (43) percent of our customers agree that KappAhl shows variation in ethnicity, body shape and age in the marketing. 26 (22) percent of our customers answered that they have great confidence in our sustainability work and 16 (15) percent feel that KappAhl inspires them to make more sustainable choices. Our goal is that by transparent and courageous reporting, where we also show the challenges that we stand before, we will improve so that by 2025 70 percent of our customers will answer 6 or 7 on these questions.

On the [sustainability pages at our website](#) we publish information about anything from our sustainability labelling to the factories we buy from. KappAhl has published our supplier lists on our website since 2013 and we joined the Transparency Pledge in Autumn 2019. We are eager to start using the Higg Index Product Module developed by the Sustainable Apparel Coalition. It will be launched during 2021 and is the first Higg Index module for on-product information directed towards consumers.

We take seriously on the complaint by the Norwegian Consumer Council against our marketing of more sustainable products

at the online store in 2020. They are right in that the percentage of recycled content has not been clear, and we have added that information. Also, a consumer using the sorting function for the range with more sustainable materials, was still receiving “matching advise” without a sustainability label, which can be misleading. We have temporarily withdrawn the sorting function for the range with more sustainable materials to find a solution that avoids such misunderstandings.

We continue to develop our customer guidance towards more sustainable choices. For the garments that have the “Responsible Fashion” label, we approve only more sustainable solutions that can demonstrate documented sustainability improvements, which usually also have been certified by a third party. A green label means a more sustainable raw material, a white label means a more sustainable production process. We sincerely aim for this to be a clear guide for customers who want to make a more sustainable choice.

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*We are eager to start using the Higg Index Product Module developed by the Sustainable Apparel Coalition.*



# SOCIAL SUSTAINABILITY

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## DESIGN

Sustainability starts in the design studio. The choices we make here affect every step of the production process and supply chain.

## SOUND IDEALS

Inclusive and sound ideals have been a core issue for KappAhl since the start and this is to inform our range and communication. For close to 70 years, KappAhl has been a trusted fashion destination for women of all shapes and ages. We launch many collections and campaigns that indicate gender equality and diversity, such as the new children's collection Minorities, with a unisex theme and XLNT that honors all body shapes. We also work in accordance with the Swedish Ethical Fashion Charter's guidelines for the fashion industry's ideal body image and diversity.

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*For close to 70 year,  
KappAhl has been a  
trusted fashion destination  
for women of all shapes  
and ages.*





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## 2 SUPPLY CHAIN

By setting high standards and making sustainable decisions, we can influence suppliers and communities affected by our business to push forward and choose sustainable solutions.

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To drive the development in the production countries, we are active and involved in several partnerships and industry initiatives. It is also important to identify the competence building projects that may bring about a system shift and tackle the major problems in societies where textiles are produced.

### PARTNERSHIP FOR A SUSTAINABLE SUPPLY CHAIN

KappAhl's impact on people and the environment is in all parts of our value chain, but we identify the most significant actual and potential negative environmental as well as social impacts in our supply chain. The textile supply chain is generally divided into four tiers: Tier 1: final product manufacturing, Tier 2: finished material manufacturing (fabric mills, dye houses etc.), Tier 3: raw material processing, and Tier 4: agriculture, ranching, forestry and extraction. The most important issues are safety at work, wages and working hours, but also environmental issues such as climate, water and chemicals. Both the risks and

the lack of transparency are greatest early in the supply chain (tier 2-4).

Above all we see a need to work for greater transparency and partnership to increase our suppliers' capacity. We are since 2018 a member of the industry initiative Sustainable Apparel Coalition (SAC) where industry standards are set to facilitate transparent communication of environmental and social performance in the textile value chain. We use the Higg Index set of tools and encourage our suppliers to do that too.

### TRANSPARENCY PLEDGE

The Transparency Pledge is a coalition of a number of large global organizations (Human Rights Watch, IndustryAll, Clean Clothes Campaign, etc.) to improve transparency in the fashion industry's supply chains. KappAhl has published our supplier lists on our website since 2013 and are also working on a number of different solutions for increased transparency. To be clear with our commitment, we joined the Transparency Pledge in Autumn 2019 and follow their requirements for transparency linked to the supply chain.

### HUMAN RIGHTS

KappAhl publicly commits to respecting human rights in our Human Rights Policy. We recognize our responsibility to protect human rights and our ability to contribute to the advancement of human rights in the world. We work to protect and promote human rights, for example via our binding Code of Conduct for suppliers, training for

factory workers and building awareness of these matters, both internally and among our suppliers. By signing our Code of Conduct, our suppliers agree to support rights to exercise freedom of association, collective bargaining and other basic rights.

KappAhl's policy follows the International Bill on Human Rights (consisting of the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights, and the International Covenant on Economic, Social and Cultural Rights) as well as the International Labor Organization's Declaration on Fundamental Principles and Rights at Work. Our policy is also informed by the Ethical Trading Initiative's Base Code, which applies to KappAhl as a member of the organization. It also covers modern slavery, as defined in the UK Modern Slavery Act 2015. On our Newbie site for the UK, we have published our Modern Slavery Statement.

### STRATEGIC SELECTION OF SUPPLIERS

To have a positive impact, we work to ensure that we collaborate with responsible suppliers. We see transparent dialogue as essential for our Code of Conduct to be followed, and we will continue our close relationship with suppliers that also see such a future.

Apart from our sustainability strategy and Ethical guidelines, our supplier strategy, binding Code of Conduct for suppliers and regular supplier evaluation are important policy instruments in that work. All suppliers undertake to comply with the Code of Conduct, which forbids forced

and child labor, and imposes requirements concerning freedom of association and organization, minimum wages and working hours, safety at the workplace, as well as environmental aspects throughout the supply chain. In addition, all suppliers need to meet the requirements regarding chemicals and product quality that we have set in the KappAhl Product Quality Standard. [Read our Code of Conduct and the Modern Slavery Act statement.](#)

During 2020, we started to work towards having our suppliers also reporting in the Higg Index Facility Social and Labor Module (FSLM) tool. Being a member of the SAC means that we have to increase the share of suppliers using the FEM as well as the FSLM tools for every year.



## MONITORING THE CODE OF CONDUCT

Employees at our local production offices monitor the suppliers' and factories' compliance with KappAhl's Code of Conduct in three steps: 1) identify non-conformances, 2) initiate improvement measures, and 3) support the work of improvement. Another important task is to coordinate and cooperate with the purchasing organization to ensure production at factories that live up to our requirements.

We conduct an ongoing dialogue about sustainability with our suppliers, with the ambition that our inspections and follow-up visits will encourage increased

own responsibility, for example for social conditions and environmental impact. We conduct regular inspections at the factories and suppliers we cooperate with. Year 2020 has been a real challenge due to the pandemic, which in certain countries and periods has hindered us from physical visits at the factories. During the reporting period (16 months) we carried out 302 (365) inspections and follow-up visits at suppliers' factories. The factories that are inspected in the agents and importers category are in countries where the risk of deficiencies in the work environment and safety conditions are estimated to be higher.

MONITORING THE CODE OF CONDUCT	2019/2020	2018/2019	2017/2018
Share of PO supplier factories approved for social conditions, % <sup>1</sup>	100	100	100
Number of factories	312	330	357
Number of inspections	127	199	228
Number of follow-up visits	175	166	254
Approved, %	51	54	64
Temporarily approved, %	28	31	36
Unsatisfactory, %	0	0	7
Not inspected, % <sup>2</sup>	21	15	12
Number of inspections, new factories	12	50	37

1) PO Supplier factories deliver 95.3 percent of our goods. Agents/importers are not included.

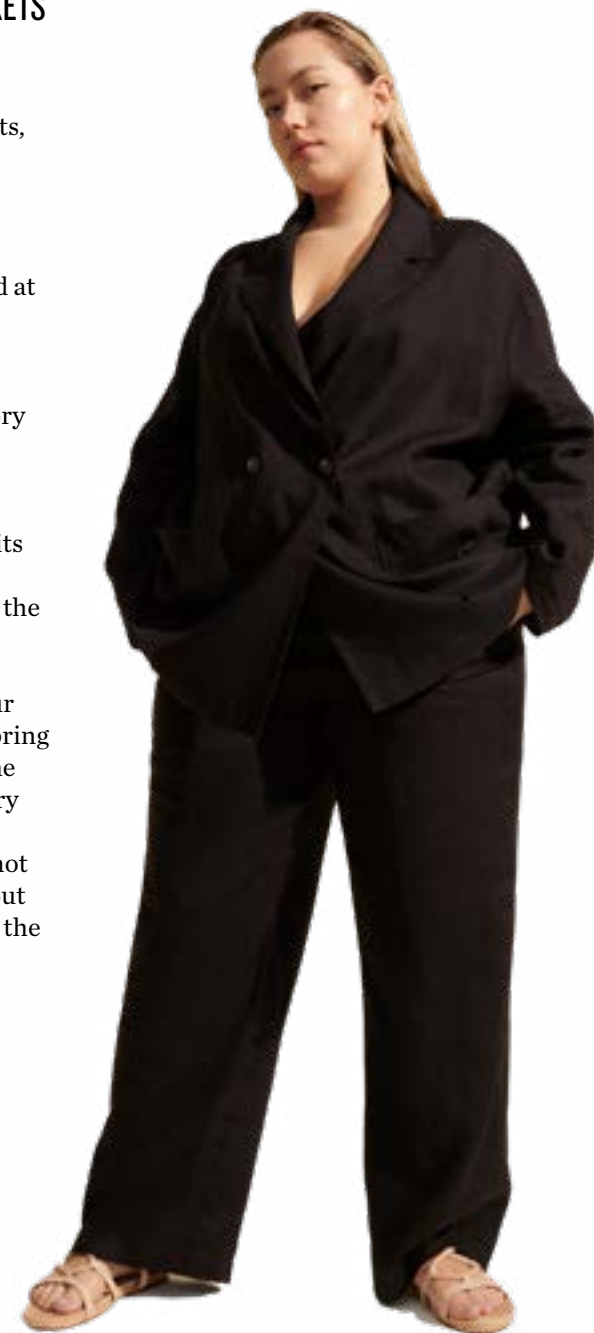
2) Constitutes factories in the category of agents/importers that have not reached a certain order value or are not in a country described as a high risk. Agents/importers deliver 4.7 percent of our goods.

## CONTROL OF NEW PRODUCTION MARKETS AND SITES

When we enter new production markets, we evaluate the situation concerning human rights, legislation on working conditions and terms of employment, as well as such things as ownership structures for factories and land, aimed at identifying the greatest risks.

All new factories are inspected by us before we place an order. If a new factory meets our requirements at the first inspection it is classed as Temporarily Approved. To ensure that the factory meets our requirements, follow-up visits and subsequent new inspections are made within 12 months. Only then can the factory be classed as Approved.

If we discover non-conformances at our inspections, our default position is to bring about change instead of terminating the collaboration. In these cases, the factory draws up an action plan to correct the non-conformances. If a supplier does not cooperate, or a factory does not carry out agreed improvements, we limit or stop the order placement.



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## 3 ORGANISATION AND STORES

Our co-workers and stores play a big part in creating responsible fashion. We are a diverse group and take pride in using this strength as a tool towards reaching sustainability.

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## EMPLOYEES

At KappAhl, employees take responsibility for their jobs and our common goals and find smart ways of creating results together. KappAhl is a popular workplace and our annual employee survey shows an Employee Net Promoter Score (eNPS) of 31 (33), which can be compared to our target of 25, corresponding to a high level of employee loyalty. Our aim is that all employees should feel that they contribute to KappAhl’s sustainability work, which is something we measure in our annual employee survey. This year the figure was 87 (88) percent. [Read more on page 16.](#)

## TRAINING AND EDUCATION

New employees are offered an on-boarding training about KappAhl, our customers, values and sustainability work. All our employees receive continuous education and training for professional development, for example a digital course created for store employees for guiding customers to more sustainable fashion choices. During the year a new education module

at KappAhl Academy has been developed. For example, a digital course was created tailored to store employees on the topic of guiding customers to more sustainable fashion choices. We also introduced two new e-learning classes, one titled “Change management” and one titled “four keys to a more sustainable business models”. Two additional e-learnings are set to launch in 2021. In total, all employees have participated in skills development during the year; on average 28.7 (6.7) training hours per employee.

## GOOD WORK ENVIRONMENT

Good working conditions at KappAhl is a given. Employees are regularly informed of our ethical guidelines and our leaders work continually to promote a good working climate that creates a commitment, job satisfaction and power of initiative. We promote good work environment in several ways, including offering occupational health services and where possible flexible working hours. We care about maintaining an open business climate and good business ethics. Employees can anonymously report on grievances or misgivings about circumstances that violate our values and ethical principles through our whistleblowing service that is handled by an external party. During the year no reports were received.

In Sweden, Finland and Norway all employees are covered by collective agreements, representing 85 (89) percent of KappAhl’s employees. In other countries, national legislation is applied, where in some cases we augment terms of employment beyond legislation. Work

environment aspects are also followed up in our annual employee survey, an important channel for early indications of the need for action. Sickness absence was 6.2 (5.2) percent during the year.

We conduct safety inspections twice a year, and any incidents and occupational injuries are reported and dealt with. Ahead of operational changes risk assessments are made concerning work environment issues. Each manager is responsible for ensuring that their employees have knowledge about a good work environment. Work environment issues are discussed regularly at performance reviews between employees and managers and at quarterly workplace meetings.

## SAFETY

We work continuously to ensure a safe work environment. We carry out regular safety audits in stores, provide regular training in security in accordance with the training plan in our Security Manual, we perform internal fire drills, and report and follow up incidents on an ongoing basis. No incidents have been reported during the year.





# 4

## CONSUMPTION

Guiding and inspiring our customers while delivering norm-challenging results rewarding solutions for sustainable fashion.



### INSPIRATION AND NUDGING FOR SUSTAINABLE CHOICES

With our marketing, we aim to give our customers inspiration and guidance towards more sustainable choices. We are proud that 47 percent of our customers agree with the statement. KappAhl shows diversity in terms of variation in ethnicity, body shape and age in our marketing in the latest Customer Survey from February 2021.



ANSWERS ON MARKETING FROM OUR CUSTOMER SURVEY <sup>1</sup>	2019/2020	2018/2019	2017/2018
Share of customers that agree KappAhl shows diversity in marketing	47	43	35
Share of customers that have great trust in KappAhl's sustainability work	26	22	21
Share of customers that feel that KappAhl inspires them to make more sustainable choices	16	15	14

1) In the customer survey there is scale between 1-7, and if the score is 6 or 7 we have assumed that the respondent agree with the statement.



# ECONOMIC SUSTAINABILITY

In the sustainable future, we will still wear clothes. Sustainable fashion means that we've reached a balance between the human needs for clothing and the environmental burdens. For KappAhl to be able to dress as many people as possible with as sustainable clothes as possible we primarily need to lower our climate footprint and improve the wage levels at the factories.

## OUR BUSINESS ENVIRONMENT

We build our business model from an understanding of our business environment. The fashion market is in transformation with clearly visible changes in consumption patterns. The purchasing experience demands focus and interaction between physical and digital channels. The consumer awareness of sustainability and diversity issues has increased during the COVID pandemic.

## OUR BUSINESS PLAN

Our business plan is based on five overall goals: 1. A business model based on our target groups, 2. A customer centric culture, 3. Easy and inspiring customer experience, 4. Accessible and optimized sales network and 5. Efficient and scalable processes. Economic, environmental and social sustainability is a natural part of all these goals.

## INTEGRATION OF RESPONSIBLE FASHION INTO THE BUSINESS PLAN FOR 2021-2023

During 2020, KappAhl has integrated the sustainability strategy Responsible Fashion into the business plan. For each of the five overall goals, strategic initiatives related to the implementation of sustainability targets will be developed during 2021-2023. The Responsible Fashion strategy goes beyond 2023, with some of our long-term commitments extending to 2030 (for example our climate goal saying we shall halve our emissions by 2030). In addition, we continue our work according to our [Key Performance Indicators \(KPIs\)](#). A clarification was therefore made by dividing the Responsible Fashion strategy into prioritized actions for 2021-2023 (Strategic Initiatives), continuous improvement on our KPIs, and long-term commitments guiding our work in the direction we aim for.

## ANTI-CORRUPTION

We have zero tolerance of any type of corruption and have a high level of internal control. Employees can anonymously report suspected cases through our whistleblowing service that is handled by an external party. It is highly unusual for us to identify cases of corruption among employees or suppliers. No cases of corruption were confirmed during the financial year 2019/2020.

## OUR VALUE CHAIN

### DESIGN AND PURCHASING

In our design and purchasing department we create sustainable and functional fashion that gives definite value for money. We purchased 10,203 unique articles during the year, offering clothes for all of life's moments – from the happy and cherished to the more challenging.

### CONSUMPTION

At KappAhl we want to guide and inspire our customers to make sustainable choices. We offer affordable and responsible fashion for our customers in an easy and inspiring way. Our "Care for your clothes" concept guides the user to take care of and update the products. All KappAhl's stores offer textile collection where we in collaboration with Fretex International and Myrorna see that unused garments get a second life.

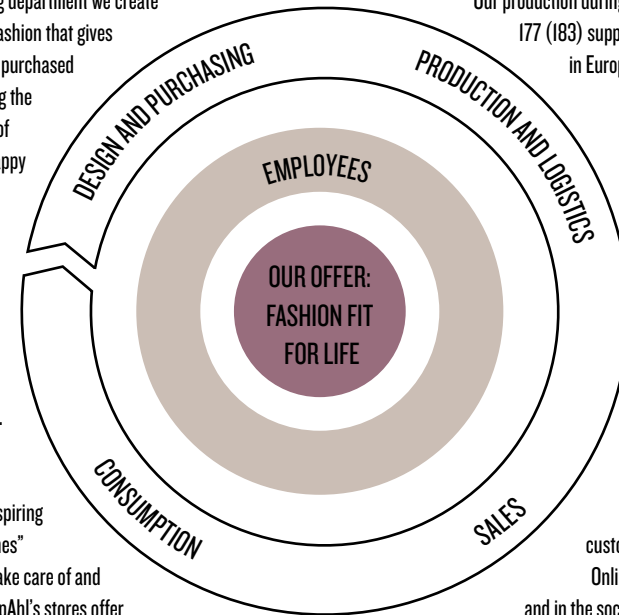
Our ethical guidelines must be signed when we make new recruitments and must be complied with by both employees and suppliers. They are reviewed annually, for example through regular education about anti-corruption for our purchasing organization, and part of the annual activity plan at all our production offices.

### PRODUCTION AND LOGISTICS

Our production during the year was carried out at 177 (183) suppliers, mainly in Asia but also in Europe. The more than 53 million products we ordered during the year were transported from the factories, via our distribution centre, to our stores and home to customers. During 2020, we started offering last mile delivery to the customer's home.

### SALES

Every day we meet hundreds of thousands of customers, in stores, in our Shop Online, in our customer services and in the social channels. Our motivation is to inspire and guide them to find their own style, regardless of channel.



**STRATEGIC INITIATIVES  
2021-2023**

*Integrated sustainability-focused  
strategic initiatives in KappAhl's  
Business Plan for 2021-2023*

**KEY PERFORMANCE  
INDICATORS**

*KPIs tracking progress towards  
set targets and enabling historical  
comparisons*

**LONG-TERM COMMITMENTS  
UNTIL 2030**

*Long-term commitments beyond  
the KappAhl's Business Plan for  
2021-2023*



# KEY IMPACTS: RISKS AND OPPORTUNITIES

Our sustainability reporting is based on KappAhl's strategy, dialogue with key stakeholders and international guidelines and standards. We have performed a materiality analysis to determine which sustainability topics that are essential to report on in accordance with the GRI set of standards.

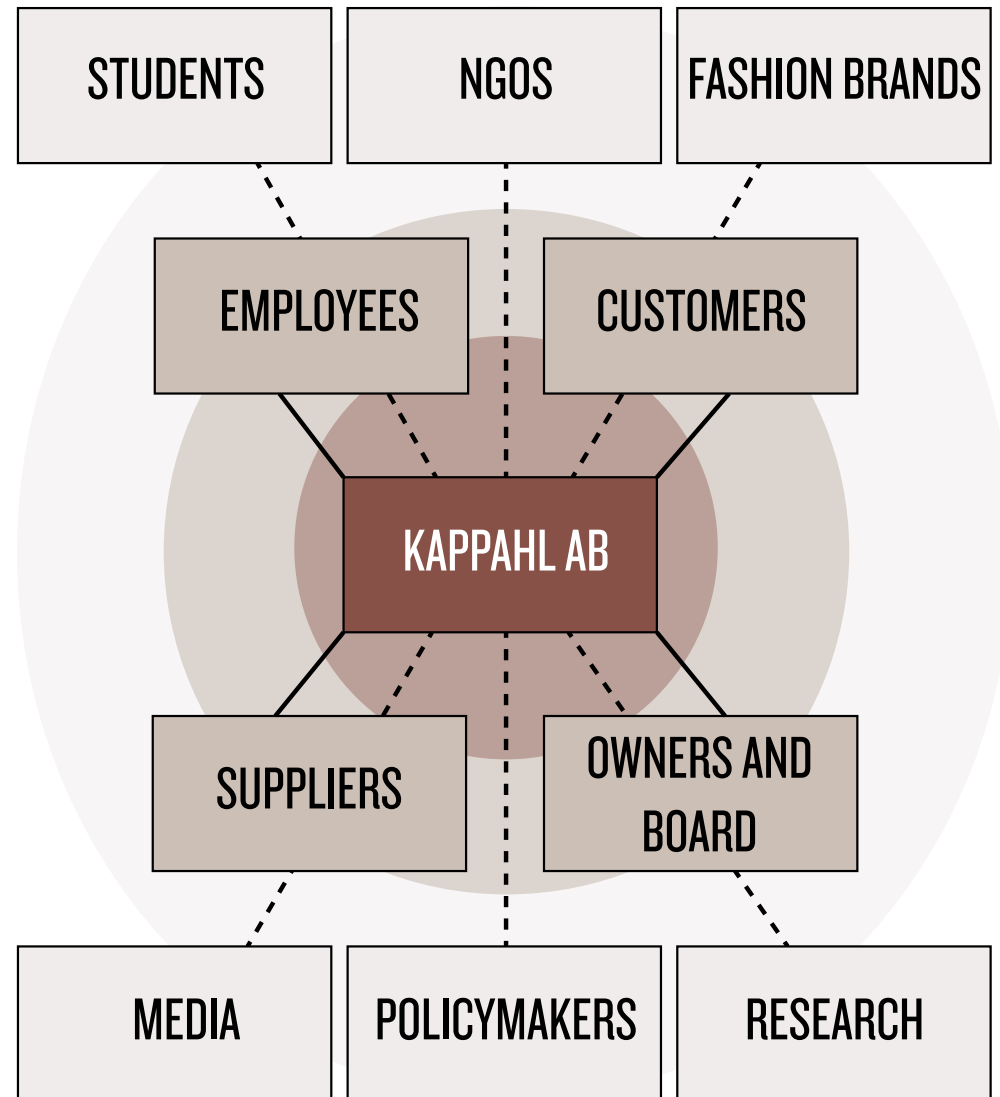
## STAKEHOLDER IDENTIFICATION AND DIALOGUE

KappAhl has an ongoing dialogue with the stakeholders that to a large extent have impact on or are impacted by our business. The list of key stakeholders is reviewed on an annual basis to reflect the current reality. The latest review took place as an internal workshop at KappAhl with representatives from several different departments. A main change to consider is that KappAh is no longer on the stock market but fully owned by Mellby Gård AB.

We also wanted to reflect on the large impact from and on our supply chain by adding our suppliers to our list of key stakeholders. Today, the key stakeholders to whom we consider ourselves accountable are: customers; employees; suppliers; our owners Mellby Gård AB and the KappAhl AB Board. We also continue the valuable dialogue with other stakeholders such as students, non-

governmental organizations (NGOs), other fashion brands, policymakers, media and researchers.

The stakeholder dialogue has the form of anything from daily contact to annual surveys to provide an insight into our stakeholders' prioritization of sustainability issues, their confidence in our sustainability work and what they see as our opportunities and challenges for our future work. For the new groups of key stakeholders we are developing a systematic way for dialogue. Important questions for these stakeholder groups will be presented in next year's report.

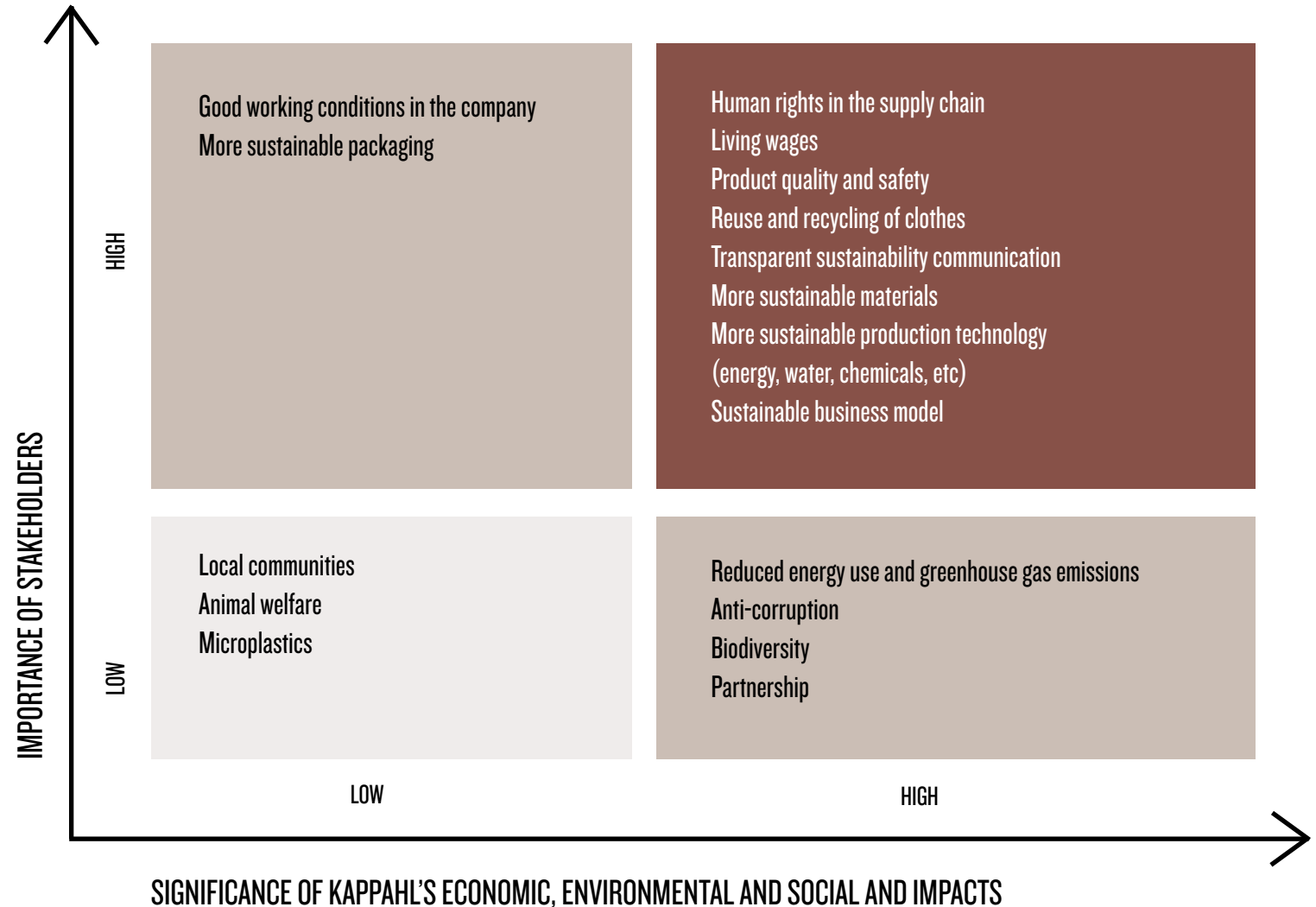


KEY STAKEHOLDER	DIALOGUE AND FREQUENCY	IMPORTANT QUESTIONS FOR THE STAKEHOLDER GROUPS (TOP FOUR ISSUES MARKED IN BOLD)
<b>CUSTOMER</b>	<p>Customer club survey in Sweden, Norway, Finland and Poland, once per year.</p> <p>Continuous dialogue with customers through customer services, stores, social media.</p> <p>Consumer survey Sustainable Brand Index in Sweden, Norway and Finland, once a year.</p>	<ul style="list-style-type: none"> <li>• <b>Reduced use of chemicals in production</b></li> <li>• Textile collection for reuse and recycling</li> <li>• Product development and new technology with better environmental performance</li> <li>• <b>More sustainable materials</b></li> <li>• Sustainability labeled assortment</li> <li>• Reduce greenhouse gas emissions</li> <li>• <b>Supply safe, good quality products</b></li> <li>• Good working conditions at suppliers</li> <li>• <b>Good working conditions in the company</b></li> <li>• Transparency</li> <li>• Promote diversity and gender equality in the company and actively combat discrimination</li> <li>• Active in anti-corruption work</li> </ul>
<b>EMPLOYEES</b>	<p>KappAhl Attitude Survey, once a year.</p> <p>Employee survey on sustainability, every other year.</p>	<ul style="list-style-type: none"> <li>• <b>Good working conditions in the company</b></li> <li>• <b>Supply safe, good quality products</b></li> <li>• Responsible action by management and board</li> <li>• Promote diversity and gender equality in the company and actively combat discrimination</li> <li>• Good working conditions at suppliers</li> <li>• <b>Reduce our use of resources in production</b></li> <li>• <b>Reduce our climate impact</b></li> <li>• Reduce the amount of waste and increase the percentage of reuse and recycling</li> <li>• Use materials sustainably</li> <li>• Contribute to increased reuse and recycling of clothes</li> </ul>
<b>SUPPLIERS</b>	<p>Continuous dialogue with suppliers and factories regarding production, quality, deliveries and sustainability efforts.</p> <p>Annual survey starting in 2021.</p>	<p>Important questions for this stakeholder group will be presented next year.</p>
<b>OWNERS (MELLBY GÅRD AB) AND KAPPAHL'S BOARD OF DIRECTORS</b>	<p>Continuous dialogue in the daily work via the KappAhl executive management team.</p> <p>Direct dialogue at Board meetings between the Head of Sustainability and KappAhl's Board of Directors.</p>	<p>Important questions for this stakeholder group will be presented next year.</p>

## MATERIALITY ANALYSIS

KappAhl's ambition is that the sustainability report will provide a full and honest picture of our important economic, environmental and social sustainability issues to external stakeholders. Based on our stakeholder dialogue and external monitoring we therefore review our materiality analysis every year to identify our key impacts, risks and opportunities. No new material topics were added for this year's reporting. The additions from last year, biodiversity, microplastics and packaging, have been clarified in terms of KappAhl's approach to minimize the actual and potential negative environmental impacts in relation to them.

The issues raised by the stakeholders summarizes rather well the key impacts, risks and opportunities for KappAhl. The Responsible Fashion strategy and external guidelines and standards, foremost the United Nations' Sustainable Development Goals (SDGs) and the Ethical Trading Initiative (ETI), add a focus on partnership, climate impact reduction, sustainable business models and fair wages. Both the risks and the lack of transparency are greatest early in KappAhl's supply chain.





# FUTURE OUTLOOK

The sustainability work at KappAhl during 2020 is now bearing fruit in terms of several new concepts that will be launched during 2021.



## MINORIES: STEREOTYPES ARE BORING

Minories makes a clear statement: kindness is a super-power and gender stereotypes are super-boring. Over-size, design for enabling lengthening for children who are growing quickly and colours and print design so that next user can inherit and love them regardless of gender.

GOTS certification assures organic cotton as well as sustainability requirements in production.



## CARE FOR YOUR CLOTHES: INCREASED LIFE LENGTH

One of the most important actions for improving the sustainability of fashion is to increase the number of times our products are used.

During 2020, we have developed our concept “Care for your clothes” with inspiration and support for garment care that prolongs the life of the garments.

Denim patches, substitute zipholders and the indispensable wash bag are combined with guidance and inspiration.

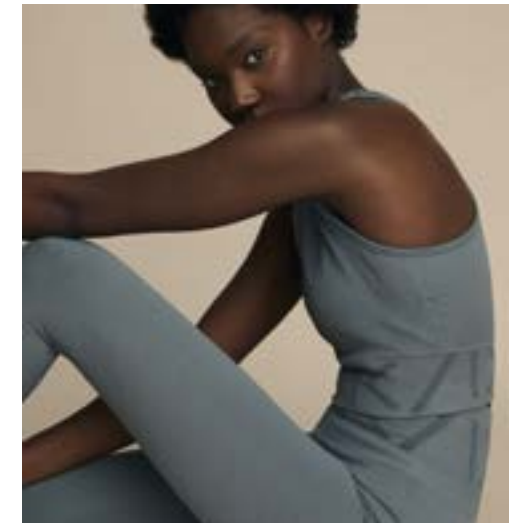


## NEWBIE RESCUED FABRICS COLLECTION: SAVING RESOURCES

Despite our work to minimize production waste, there are almost always some small leftovers of fabric.

Our designers create products by utilizing these leftover fabrics. For this spring we designed a Limited Edition collection with jackets and bags called the Newbie Rescued Fabrics collection.

This is a Limited Edition collection and only available online.



## KAY/DAY: DESIGN FOR LONGEVITY

The kay/day collection represents a lifestyle of well-being, balance, harmony, looking after yourself and nature. We use materials that are more sustainable, for example lyocell and organic cotton. Long-lasting design and high quality make the clothes into wardrobe favorites that you want to wear over and over again.

The first drop is a nightwear collection made from 100% linen.

# GRI INDEX

The Sustainability Report has been prepared in accordance with the GRI Standards at core level. The sustainability report covers the same companies as the KappAhl Group's financial statements.

Our GRI index presented below provides an overview of our general disclosures under the GRI Guidelines and disclosures for the topics that we have decided to disclose on the basis of our materiality analysis that you can read about on [page 37](#).

The page references below specify where information about the respective disclosure can be read. Further information on the GRI and a full description of guidelines and disclosures can be found at [www.globalreporting.org](http://www.globalreporting.org).

GRI standard	Disclosure	Page reference	Omitted information
<b>GRI 101: FOUNDATION 2016</b>			
<b>GRI 102: GENERAL DISCLOSURES 2016</b>			
	<b>ORGANIZATIONAL PROFILE</b>		
	102-1 Name of the organization	1	
	102-2 Activities, brands, products, and services	2,4	
	102-3 Location of headquarters	2	
	102-4 Location of operations	2	
	102-5 Ownership and legal form	2, 44	
	102-6 Markets served	2, 4	
	102-7 Scale of the organization	2, 4	
	102-8 Information on employees and other workers	2, 15-18	Partly omitted information due to limitations in collection of employee data <sup>1</sup>
	102-9 Supply chain	2, 13, 29, 33	
	102-10 Significant changes to the organization and its supply chain	2, 3-5	
	102-11 Precautionary Principle or approach	19	
	102-12 External initiatives	19	See also our full list of collaborations.
	102-13 Membership of associations	3, 10-11, 13-14	
	<b>STRATEGY</b>		
	102-14 Statement from senior decision-maker	5-6	
	102-15 Key impacts, risks and opportunities	35-37	
	<b>ETHICS AND INTEGRITY</b>		
	102-16 Values, principles, standards, and norms of behavior	2, 29-30, 33	
	<b>GOVERNANCE</b>		
	102-18 Governance structure	20, 44	
	<b>STAKEHOLDER ENGAGEMENT</b>		
	102-40 List of stakeholder groups	36	
	102-41 Collective bargaining agreements	17	
	102-42 Identifying and selecting stakeholders	35	
	102-43 Approach to stakeholder engagement	35-36	
	102-44 Key topics and concerns raised	36	

1) We will during 2021 work to develop our collection of HR-related data.

GRI standard	Disclosure	Page reference	Omitted information
	<b>REPORTING PRACTICE</b>		
	102-45 Entities included in the consolidated financial statements	1, 44	
	102-46 Defining report content and topic Boundaries	35-37	
	102-47 List of material topics	37	
	102-48 Restatements of information	2, 15, 17	
	102-49 Changes in reporting	37	
	102-50 Reporting period	1	
	102-51 Date of most recent report	1	
	102-52 Reporting cycle	1	
	102-53 Contact point for questions regarding the report	1	
	102-54 Claims of reporting in accordance with the GRI Standards	1	
	102-55 GRI content index	39	
	102-56 External assurance	1, 43	
<b>GRI 200 ECONOMIC</b>			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	19, 33, 37	
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	33	
	205-2 Communication and training about anti-corruption policies and procedures	33	
	205-3 Confirmed incidents of corruption and actions taken	33	
<b>GRI 300 ENVIRONMENTAL</b>			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	19, 21-27, 37	
GRI 301: Materials 2016	301-1 Materials used by weight or volume	21	
GRI 302: Energy 2016	302-3 Energy intensity	25	
GRI 303: Water and Effluents 2018	303-1 Water withdrawal by source	22-23	
	303-2 Water sources significantly affected by withdrawal of water	22-23	
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	10	
	305-2 Energy indirect (Scope 2) GHG emissions	10	
	305-3 Other indirect (Scope 3) GHG emissions	10	
	305-5 Reduction of GHG emissions	10-11	



GRI standard	Disclosure	Page reference	Omitted information
<b>GRI 300 ENVIRONMENTAL</b>			
GRI 306: Effluents and Waste 2016	306-2 Waste by type and disposal method	25	
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	30	
	308-2 Negative environmental impacts in the supply chain and actions taken	23-24, 30	
<b>GRI 400 SOCIAL</b>			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	19, 28-32, 37	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	17	Partly omitted information due to limitations in collection of employee data <sup>2</sup>
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	18,31	
	403-2 Hazard identification, risk assessment, and incident investigation	18, 31	
	403-3 Occupational health services	31	
	403-4 Worker participation, consultation, and communication on occupational health and safety	16, 18, 31	
	403-5 Worker training on occupational health and safety	18, 31	
	403-6 Promotion of worker health	18, 31	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	14, 23, 29-30	
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	17	
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	15, 17	Partly omitted information due to limitations in collection of employee data <sup>3</sup>
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	18	
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	29	
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	29	
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	29	

2) All KappAhl employees will receive regular training in our ethical guidelines. It is our aim to follow up the training measures per region and type of employment.

3) Minority groups are excepted since it is not appropriate to report this under Swedish law.

GRI standard	Disclosure	Page reference	Omitted information
<b>GRI 400 SOCIAL</b>			
GRI 412: Human Rights Assessment 2016	412-1 Operations that have been subject to human rights reviews or impact assessments	29-30	
	412-2 Employee training on human rights policies or procedures	29	
	412-3 Percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	29-30	
GRI 413: Local Communities 2016	413-2 Operations with significant actual and potential negative impacts on local communities	2, 29	
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	30	
	414-2 Negative social impacts in the supply chain and actions taken	3, 13-14, 29-30	
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	23	
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	23	
GRI 417: Marketing and Labeling 2016	417-3 Incidents of non-compliance concerning marketing communications	27	

1) We will during 2021 work to develop our collection of HR-related data.

2) Minority groups are excepted since it is not appropriate to report this under Swedish law.

# AUDITOR'S STATEMENT

This is a literal translation of the Swedish original

## THE AUDITOR'S STATEMENT ON THE STATUTORY SUSTAINABILITY REPORT

To the General Meeting of Shareholders of KappAhl AB (publ),  
corporate identity number 556661-2312

## ENGAGEMENT AND RESPONSIBILITY

It is the Board of Directors who is responsible for the statutory  
sustainability report for the year and that it has been prepared in  
accordance with the Annual Accounts Act.

## THE SCOPE OF THE AUDIT

Our examination has been conducted in accordance with FAR's  
auditing standard RevR 12 The auditor's opinion regarding the  
statutory sustainability report. This means that our examination of  
the statutory sustainability report is substantially different and less  
in scope than an audit conducted in accordance with International  
Standards on Auditing and generally accepted auditing standards  
in Sweden. We believe that the examination has provided us with  
sufficient basis for our opinion.

## OPINION

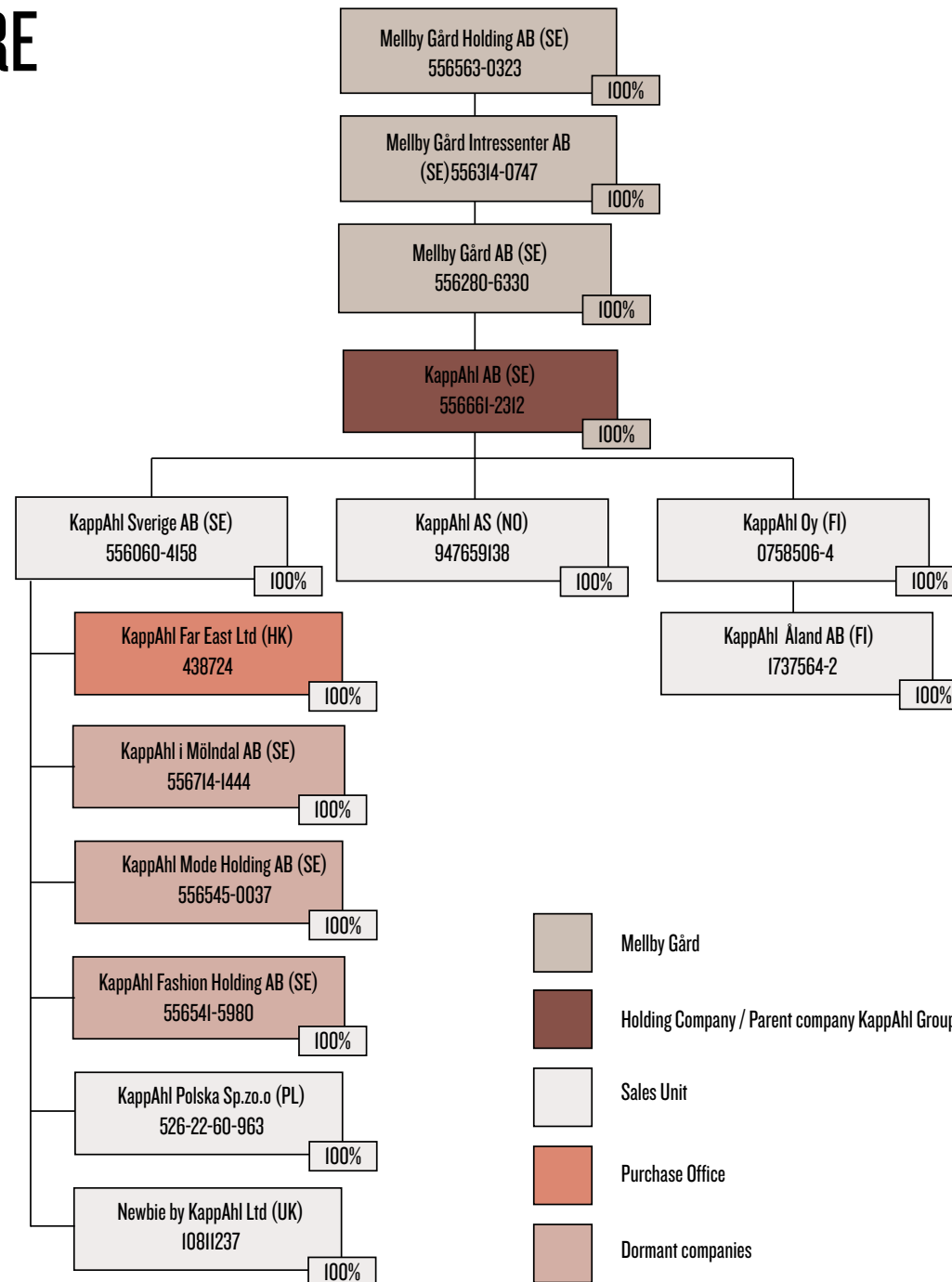
A statutory sustainability report has been prepared.

Gothenburg, April 28, 2021  
PricewaterhouseCoopers AB  
Eva Carlsvi  
Authorized Public Accountant





# OWNERSHIP STRUCTURE



# TERMS AND ABBREVIATIONS

FSC	Forest Stewardship Council
GOTS	Global Organic Textile Standard
Higg Index	A suite of sustainability performance tools developed by the Sustainable Apparel Coalition.
ILO	International Labour Organization
ISO	International Organization for Standardization
ISO 14001	ISO 14001 is the international standard that specifies requirements for an effective environmental management system.
More Sustainable	Until we can say for sure that a material or a process is in fact 100% sustainable, KappAhl uses the term "more sustainable". At our website you can find information on the materials that we currently list as more sustainable.
Paris Agreement	The Paris Agreement is a legally binding international treaty on climate change, adopted by 196 Parties at COP 21 in Paris, 2015.
PO	Production Office
Shop Online	KappAhl's webshop at <a href="https://www.kappahl.com/">https://www.kappahl.com/</a>
WHO	World Health Organization

## DEFINITIONS FOR ENERGY AND CLIMATE CALCULATIONS

**Energy per square meter/open hour in stores and warehouses:** Electricity and district heating: measured or estimated consumption in offices and stores. Divided with number of open hours and area in square meter for each facility.

**Direct Greenhouse Gas Emissions (Scope 1):** Company cars and private cars used for business: calculation based on mileage in service. Emissions include carbon dioxide, nitrous oxide and methane. Emission factor for Swedish cars 1–3 years old.

**Energy Indirect Greenhouse Gas Emissions (Scope 2):** Electricity consumption: measured or estimated consumption in offices and stores. Emissions include carbon dioxide, nitrous oxide and methane.

**District heating:** Measured for head office and distribution centre. Emissions include carbon dioxide, nitrous oxide and methane.

**Other Indirect Greenhouse Gas Emissions (Scope 3):** Categories assessed as material for KappAhl:

Category 1 Purchased goods and services: Cultivation or production of raw materials and manufacture. The distribution of total raw material consumption was calculated on the basis of data on distribution of garments sold and on raw materials used per garment. Emission factors are taken from the MSI/Higg Index. Emissions for manufacture are estimated on the basis of a number of studies made. Emissions include carbon dioxide, nitrous oxide and methane.

Category 3 Fuel and energy related activities: Emissions on extracting, refining and distribution of the fuels used in company cars and private cars used for business as well as electricity and district heating production plants from which KappAhl purchases its electricity and district heating. Emissions include carbon dioxide, nitrous oxide and methane.

Category 4 Purchased transportation and distribution (upstream): Emissions include both emissions from the vehicle and on extraction, refining and distribution of used fuel for goods transportation purchased by KappAhl. RFI 2,7 is used for air transport. Emissions include carbon dioxide, nitrous oxide and methane.

Category 6 Business travel (excluding reporting in scope 1): Sources of emissions included are air travel, taxi travel, hotel nights and train travel on business. Air travel and train travel are based on data from the travel agency, while taxi travel and hotel nights are estimated. Emissions include carbon dioxide, nitrous oxide and methane.

Category 8 Leased assets (upstream, lessee): Refrigerant leakage from landlords' cooling system. The leakage is estimated on the basis of key figures for a number of large property companies and restated as carbon dioxide equivalents.

Category 9 Purchased transportation and distribution (downstream): Covers travel to and from the store for visitors to KappAhl's stores. Based on measured number of visitors and distribution of typical journeys for urban areas and small towns. Emissions include carbon dioxide, nitrous oxide and methane.

Category 11 Use of sold products: Covers washing, drying and ironing. The temperature at which the garment should be washed is taken into account. Emissions for energy use for these activities take into account the country to which the garment is sold. Emissions include carbon dioxide, nitrous oxide and methane.