



JUST AS  
I AM  
I AM

# Annual Sustainability Report 2022

# Kappahl

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# Kappahl

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## About the sustainability report

Publication date: 2023-04-27

The Board of Directors and the President of Kappahl AB (publ), corporate identity number 556661-2312, with its headquarters in Mölndal, Sweden, hereby submit the sustainability report for the period 1 January 2022 to 31 December 2022. The previous sustainability report was published on 27 April 2022.

The Board of Directors and the President of Kappahl AB is the highest governance body and responsible for the sustainability report. Kappahl AB has reported in accordance with the GRI Standards for the period January to December 2022. The information presented in the annual sustainability report was reviewed by the GRI consultant Solberg, but background data has not been reviewed by an external assurance provider. The sustainability report fulfils the requirements for a statutory sustainability report in accordance with the Swedish Annual Accounts Act as well as the reporting requirements under the Norwegian Transparency Act. For the auditor's statement on the statutory sustainability report according to the Swedish Annual Accounts Act, please see [page 62](#).

The sustainability report covers Kappahl AB and all its subsidiaries, see [page 20](#) for governance structure. The annual sustainability reporting covers the same reporting period and the same group of entities as covered in its financial reporting. The contents are based on Kappahl's sustainability strategy, risk assessment and materiality analysis.

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. Today we are one of the leading fashion chains in the Nordic region, while continuing to expand in several European countries. We promise our customers "Fashion fit for life". We meet our customers both online and in around 350 physical stores in Sweden, Norway, Finland, Poland and the United Kingdom through the brands Kappahl and Newbie. Our Kappahl Shop Online is available in all our sales markets, with the addition of Denmark. During 2022, the Newbie brand expanded with online stores in ten new European markets: Austria, Belgium, Czech Republic, France, Latvia, Lithuania, Luxembourg, the Netherlands, Portugal, and Slovakia.

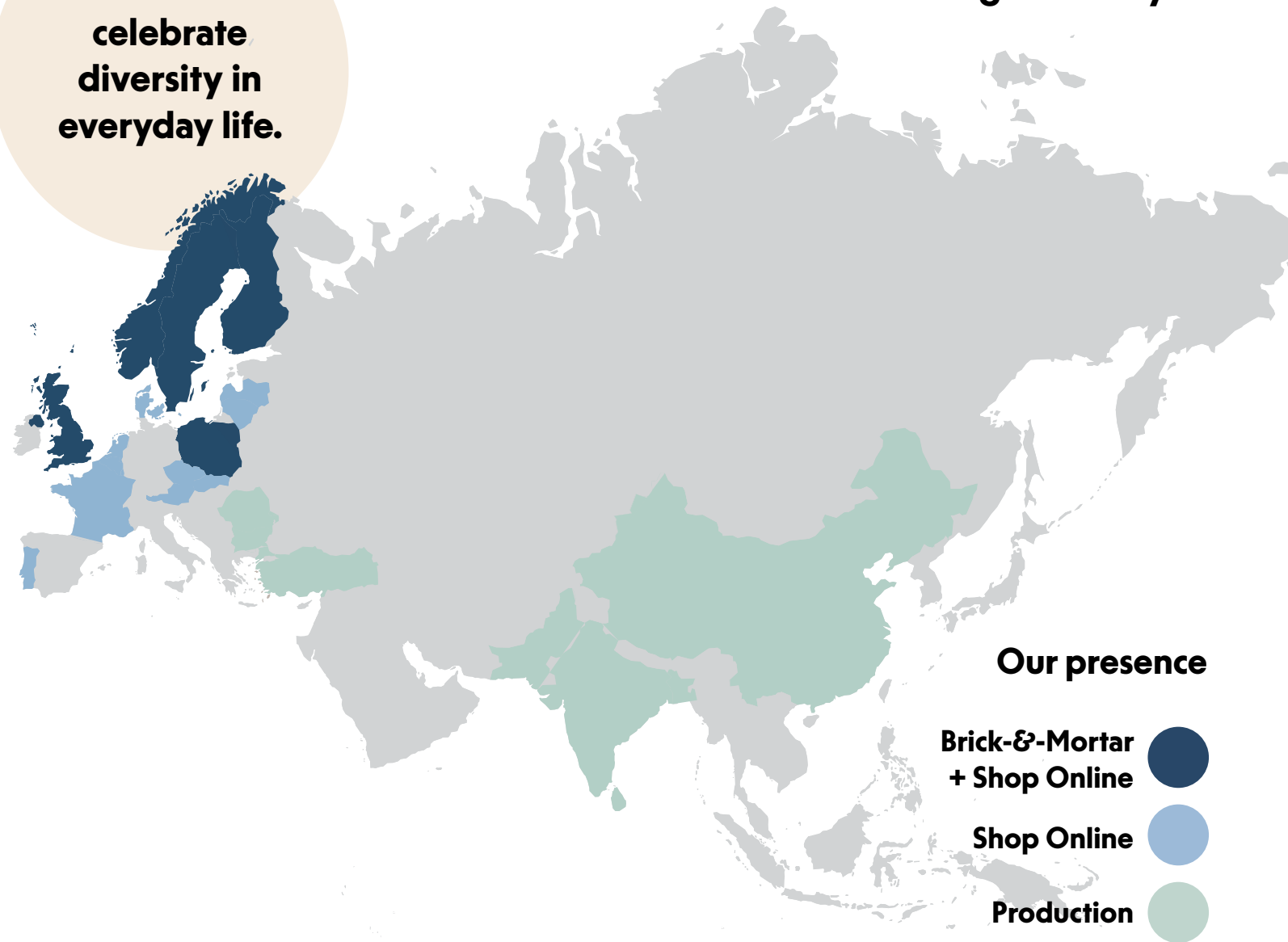
At Kappahl we are about 4,000 colleagues at 400 workplaces in eight countries. Our business idea is to offer affordable and responsible fashion for our customers in an easy and inspiring way. Our sustainability strategy Responsible Fashion aims to take us to a point where we have a sustainable business model.

In 2022 our sales were SEK 5.1 billion and profit after tax was SEK 316 million. Kappahl is owned by Mellby Gård AB, a family-owned, long-term investor based in Malmö, Sweden. The total capitalization was 4,341 million SEK, whereof total liabilities 2,245 million SEK and total equity 2,096 million SEK.

**We exist to celebrate diversity in everyday life.**

## Our Values

**Inclusive • Courageous • Joyful**



### Our presence

- Brick-&-Mortar + Shop Online** (Dark Blue circle)
- Shop Online** (Light Blue circle)
- Production** (Light Green circle)

# Our presence

The most significant changes to Kappahl's activities, value chain and other business relationships during 2022 has been the expansion to new sales markets within the EU, closing the Kappahl office in Turkey and starting sourcing from Cambodia. Last year's values are presented in parenthesis.

## Sales Countries

### Brick-&-Mortar Stores + Shop Online

#### Sweden

Net sales, million SEK: 2,703 (2,565)  
Kappahl's presence: 156 (159) stores  
Newbie's presence: 6 (8) stores  
Kappahl Kids presence: 1(1) store  
Average number of full-time positions<sup>1,2</sup>: 1,509 (1,423)

#### Norway

Net sales, million SEK: 1,495 (1,310)  
Kappahl's presence: 93 (92) stores  
Newbie's presence: 6 (6) stores  
Average number of full-time positions<sup>1</sup>: 602 (475)

#### Finland

Net sales, million SEK: 497 (459)  
Kappahl's presence: 48 (50) stores  
Newbie's presence: 1 (2) stores  
Average number of full-time positions<sup>1</sup>: 183 (175)

#### Poland

Net sales, million SEK: 304 (285)  
Kappahl's presence: 29 (29) stores  
Newbie's presence: 7 (7) stores  
Average number of full-time positions<sup>1</sup>: 217 (190)

#### United Kingdom

Net sales, million SEK: 43 (58/38)  
Newbie's presence: 4 (4) stores including newbiestore.com  
Average number of full-time positions<sup>1</sup>: 9 (25)

### Only Shop Online

#### Denmark

Net sales, million SEK: 1.4 (3)

#### Austria

Net Sales, Sek Million: 0.02 (-)

#### Belgium

Net Sales, Sek Million: 0.04 (-)

#### Czech Republic

Net Sales, Sek Million: 0.06 (-)

#### France

Net Sales, Sek Million: 0.04 (-)

#### Latvia

Net Sales, Sek Million: 0.01 (-)

#### Lithuania

Net Sales, Sek Million: 0.01 (-)

#### Luxembourg

Net Sales, Sek Million: 0.01 (-)

#### Netherlands

Net Sales, Sek Million: 0.05 (-)

#### Portugal

Net Sales, Sek Million: 0.01 (-)

#### Slovakia

Net Sales, Sek Million: 0.08 (-)

## Production Countries

#### Bangladesh

Share of production<sup>3</sup>: 52 (49) %  
Number of employees<sup>4</sup>: 54 (52)

#### China

Share of production<sup>3</sup>: 31 (34) %  
Number of employees<sup>4</sup>: 48 (49)

#### Turkey

Share of production<sup>3</sup>: 5 (6) %  
Number of employees<sup>4</sup>: 7 (7)

#### India

Share of production<sup>3</sup>: 6 (6) %  
Number of employees<sup>4</sup>: 14 (13)

#### Cambodia

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

#### Sri Lanka

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

#### Romania

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

#### Bulgaria

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

#### Pakistan

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

## **Conflict, inflation, food supply crises and the long tail of the Covid-19 pandemic**

In the beginning of 2022, Russia's invasion of Ukraine initiated a, to this day still ongoing, war in Europe. Millions of people now suffer as refugees in other European countries. For Kappahl's employees in Poland, the time after the invasion consisted of aiding the stream of people seeking refuge in their neighbor country. Kappahl's capability to aid lay foremost in providing basic garments and underwear which refugees fleeing were missing. We are proud and grateful to our staff who worked hard during these trying times.

The Covid-19 pandemic did decline, though the impacts have had a long tail during 2022. The strain that the pandemic put on the market has been visible as increases in raw material prices, high inflation, and growing unemployment among already economically fragile populations. 2022 also showed effects of the climate change with droughts leading to a shortage of food supply and the record-breaking monsoon rainfall that led to severe flooding in Pakistan, likely caused by climate change.

## **Global political leadership in the transition towards sustainability**

2022 was also a year of global political leadership. The COP Biodiversity conference in Montreal made world leaders commit to conserving at least 30 percent of lands and waters by 2030. In the US, President Biden signed the

landmark Inflation Reduction Act, making unprecedented investments in clean energy. In the EU, the legislative proposals published, realizing the Green Deal, have given a clear view of what the European market will look like in the future. The EU Strategy for Sustainable and Circular Textiles aims for consumers to benefit from high quality, affordable textiles.

## **Kappahl's result over 5 billion**

Kappahl's net sales reached over 5 billion for 2022 which is a fantastic result. We are proud to see that our brands Kappahl, Newbie, XLNT, kay/day and Minories are being appreciated by the customers.

We are genuinely grateful to our employees and proud of the way we work together to overcome the challenges we face and build for the future. Despite the recession, Kappahl's sustainability ambitions stay firm. In 2022, Kappahl was one 35 global signatories to the new Pakistan Accord to ensure worker safety in the country's textile and garment industry and we committed to Science-Based Targets. We invested in our internal capabilities for supply chain traceability, innovation of products and services, employee education, all of which you can read more about in this report. We are committed to offering affordable and responsible fashion for our customers in an easy and inspiring way for many years to come.

**"Despite the recession, Kappahl's sustainability ambitions stay firm."**





## Sales in numbers

5,054 million SEK  
in sales  
316 million SEK  
profit after tax

# 327

Kappahl stores in  
4 markets • Shop  
Online in 5 markets

# 24

Newbie stores in  
5 markets • Shop  
Online in 16 markets

## Selected important events

- Newbie expanded into ten new markets: Austria, Belgium, Czechia, France, Latvia, Lithuania, Luxembourg, the Netherlands, Portugal, and Slovakia
- Kappahl acquired the TrusTrace tool to enable traceability and measurability in the entire supply chain.
- Kappahl launches innovation dress, another step in the development of slow fashion
- Kappahl's plus-size assortment XLNT is celebrating 25 years, with beautiful, well-fitting fashion in no less than 19 sizes.

# 4014

employees in 9  
countries

Percentage of sale  
in 2022

Woman 48%,  
Men 7%, Kids 45%

# 38.1

million products sold

# Our CEO in conversation

In the year of 2022, we put in motion several strategic sustainability actions, and had the pleasure of witnessing the effects of already implemented changes. To further improve transparency in our supply chain we signed a key partnership deal with TrusTrace. We launched a denim transparency pilot in collaboration with our supplier and continued our work with the training center for women in Bangladesh. In addition, our ongoing work was recognized as a front runner when we received the environmental strategy award for our Responsible Fashion strategy.

A new circularity business goal was put in print, aligning with our aim to create affordable and responsible fashion. With smart design choices and high-quality products, we offer our customers fashion fit for life, made to be worn and loved for many years to come.

Our CEO Elisabeth Peregi and our Vice President Sustainability Sandra Roos converse about recent developments and future possibilities of Kappahl.

**Elisabeth:** In 2022 we met an important milestone in our sustainability work regarding transparency. We finalized our partnership with TrusTrace which will give us better visibility in terms of our environmental, social and economic sustainability throughout our supply chain. Not only will this partnership give our customers access to a larger range of data, the data available will also be used in making better and more sustainable choices for the future.

**Sandra:** Measuring is key. When we can measure our supply chain, when

we have the data, we gain a deeper understanding of what changes are needed ahead. This partnership with TrusTrace and the digital techniques behind the product, makes it possible to access data previously unknown to us due to distance. We have always cultivated a good relationship and transparency in terms of our first-tier suppliers. However, this technique opens a possibility to access sustainability data in second, and third tier. We can access information from our supplier's supplier and our supplier's supplier supplier's. With this, a new level of transparency is to come.

**“ Better and more transparent data means better and more informed decisions. ”**





Elisabeth Peregi and Sandra Roos together with Rafia Sultana, Sustainability Manager and Masuma Roushan, Sustainability Developer in Bangladesh

**Elisabeth:** The data is valuable in many parts of our organization and will affect the way we make decisions. When fully implemented, this will be an important part of our everyday. Our buying team can make more informed decisions when choosing a fabric, and our end-customers can access information about the fabric used in a garment by scanning the barcode in the store. Better and more transparent data means better and more informed decisions.

**Sandra:** In addition to using new digital techniques to improve our supply chain transparency we have also launched a hands-on pilot together with our denim suppliers. With this pilot we can speed up the process of being fully transparent, starting with a selected product group. In

the fall of 2023, all jeans sold at Kappahl will come with the possibility to take a deep dive into the production process. Our customers will have the chance to better understand how the garment they are about to purchase was actually made.

**Elisabeth:** Sharing our production data with our end customers is an important aspect in our sustainability work. At Kappahl we want to guide our customers in making more sustainable choices, and we want the decision making to be easy. We already have a strong relationship with our customers, with increased transparency we continue to build trust. We offer fashion fit for life in a responsible manner.

**"We offer our customers fashion made to be worn and loved for many years to come."**

**Sandra:** In a future scenario, the available data will also improve our circular business alternative. If a customer wants to resell one of their garments, all data about that garment will already be available in the app to use when listing the item for resale. All of our actions are based on the fact that the most sustainable garment is the garment being used. If a customer wants to resell a garment, we should provide an easy and accessible alternative to circulate that garment. Our goal is to have our garments stay in use for its entire lifespan, either by one or by several users.

**Elisabeth:** Responsible fashion is our core business. With smart design choices and high-quality products, we offer our customers fashion made to be worn and loved for many years to come. We might not be the biggest player in the industry, but with our ambitious strategy placing sustainability at the center of our business, we hope to inspire others.

**Sandra:** During 2022 we set a new circular business goal. As a trial run, we started a project to collect and resell pre-loved children's Christmas gowns traditionally worn during the Lucia holiday. In 2023 a few more circularity projects will be launched. Moving forward, customer feedback is key in making these circularity models work. Therefore, we will continue to try different circular alternatives and evaluate them on a rolling basis.

**Elisabeth:** In the fall of 2022, me and Sandra had the pleasure of visiting several of our suppliers in Bangladesh and India. Our visit to the Kappahl training center for women in Dhaka, Bangladesh was especially inspiring. This center was started by Kappahl together with local partnerships in 2009. More than 1000 women have gone through the training since the start of the center.

**Sandra:** At the center these women are trained to become seamstresses with the aim of being employed in the garment industry upon finishing their education. In addition to learning the trade of cut and sew they are also taught the basics of household economy. This skill will ensure that when they enter the job market they can argue for their salary and know their right in terms of insurance and other benefits.

**Elisabeth:** It was truly inspiring to see the effects of our long-term work with the training center. Many of the coaches at the center today are former students from the center. We were told that they appreciated their time at the center and therefore wanted to come back and help continue the tradition. Having the possibility to educate themselves, not only in a trade but in questions of social sustainability, have made a huge difference in their own life's and the lives of their families. Being able to bring home a paycheck improves life quality in general, and equality amongst the genders.

**Sandra:** Even a small action goes a long way. Be it engaging in social sustainability questions in our global supply chain, or helping a customer make a more sustainable choice in the store, we make sure to do our part.



**Signed the Pakistan Accord for workers safety**

**10%**

Factories representing 10% of our business volume report climate data via the STICA module

**Awarded the Environmental Strategy Award for our sustainability strategy**

**79%**

Factories representing 79% of our business volume report environmental sustainability data via the Higg Facility Environmental Module (FEM)

**80%**

of our assortment is made in more sustainable\* material

**3%**

reduction of climate emissions per produced product, and decoupling financial growth from climate emissions

**Committed to SBTi**

Science-based targets provide companies with a clearly defined path to reduce emissions in line with the Paris Agreement goals.

**41%**

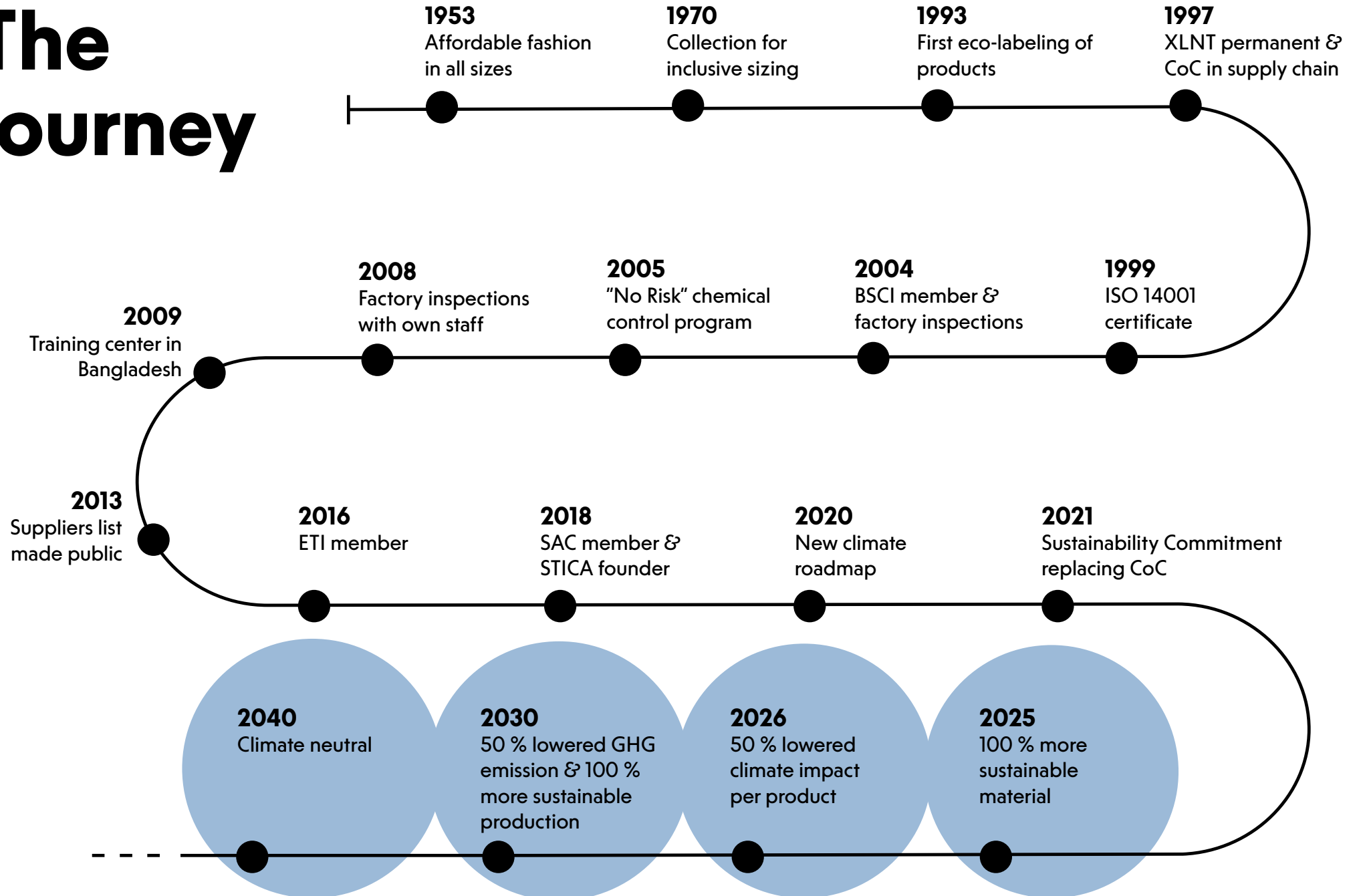
Factories representing 41% of our business volume report social sustainability data via the Higg Facility Social and Labor Module (FSLM)

# Key achievements Responsible Fashion



What does **more sustainable** mean? Kappahl is currently reviewing our communication to clarify our sustainability claims. Presently, when we use the term “more sustainable” this means better than conventional. At our website you can find information on the materials that we currently list as more sustainable: [Kappahl.com/Our-sustainability-labels](https://www.kappahl.com/Our-sustainability-labels)


# The journey




# Key Performance Indicators


## Responsible Fashion

Division	KPI	Target	2022	2021	19/20	18/19	17/18
 <b>Design</b>	Share of assortment evaluated through Sustainability Product Scorecard	100% by 2022	83%	76%	71%	47%	-
	Share of products in more sustainable* fabrics <sup>1</sup>	100% by 2025	80%	75%	72%	58%	54%
	Share of cotton from more sustainable* sources	100% by 2020	100%	100%	100%	93%	86%
	Share of denim that is labelled more sustainable*	100% by 2020	100%	100%	100%	100%	-
	Share of synthetic fibers from more sustainable* sources <sup>2</sup>	50% by 2020	51%	31%	16%	8%	4%
	Share of wood based cellulosic fibers produced more sustainably*	50% by 2020	81%	62%	58%	10%	-
	Share of products that are recyclable	50% by 2025	10%	10%	12%	11%	-
	Share of trims in more sustainable* materials	50% by 2025	no data	no data	-	-	-
	Reduction in absolute GHG-emissions in scope 3 <sup>3</sup>	49% by 2030	18 %	18 %	-	-	-
	Reduction in GHG emissions per product <sup>4</sup>	50% by 2026	new KPI	-	-	-	-
	Share of assortment where main fabric is traced to tier 4 <sup>4</sup>	100% by 2026	new KPI	-	-	-	-
Share of assortment enabled for circular offers <sup>4</sup>	50% by 2026	new KPI	-	-	-	-	

 <b>Supply chain</b>	Share of tier 1 supplier factories approved on sustainability requirements	Requirement	100%	100%	100%	100%	100%
	Share of order volume reporting on Higg Index FEM (environmental module), tier 1	80% by 2023	79%	62%	51%	51%	-
	Share of order volume reporting on Higg Index FSLM (social module), tier 1	50% by 2023	41%	25%	-	-	-
	Average Higg vFEM score of 30 largest tier 1 suppliers <sup>4</sup>	+10% YOY	new KPI	-	-	-	-
	Share of production processes tier 1-4 that are more sustainable*	100% by 2030	10%	6%	8%	3%	-
	Share of suppliers with full traceability tier 1-4 <sup>4</sup>	100% by 2025	new KPI	-	-	-	-

New KPI:  
All suppliers  
with full  
traceability tier  
1-4 by 2025

Division	KPI	Target	2022	2021	19/20	18/19	17/18
<b>Organization &amp; stores</b> 	Share of purchased energy from renewable sources <sup>5</sup>	100% by 2020	100%	100%	100%	96%	98%
	Yearly reduction in electricity consumption	-20% YOY	2%	11%	18%	13%	-
	Share of indirect materials that are circular	100% by 2030	no data	no data	no data	-	-
	Share of packaging material from more sustainable* sources	100% by 2022	100%	100%	100%	100%	-
	Share of indirect materials that are recyclable	100% by 2020	100%	100%	100%	89%	-
	Share of coworkers that agree they contribute to sustainability work	100% by 2025	86%	87%	87%	88%	85%
	Reduction in absolute GHG-emissions in scope 1+2	80% by 2030	30%	27%	25%	24%	-

<b>Consumption</b> 	Share of customers that agree Kappahl inspires them to make sustainable choices	70% by 2025	18%	18%	16%	15%	14%
	Share of customers that agree Kappahl shows diversity in marketing	70% by 2025	46%	45%	47%	43%	35%
	Share of customers that have great trust in Kappahl's sustainability work	70% by 2025	26%	26%	26%	22%	21%
	Revenue from circular business models <sup>4</sup>	100 MSEK by 2026	new KPI	-	-	-	-
	Tons of collected textiles in stores	250 tons annually by 2020	155	195	377	309	232
	Share of customers who bring their own bag to the store	50% by 2019	73%	78%	78%	67%	57%

1) Wording changed to fabric instead of materials.

2) More sustainable\* replaces recycled to allow for biobased sources.

3) Base year 2017, emissions recalculated 2021.

4) New KPI.

5) Not including production offices.

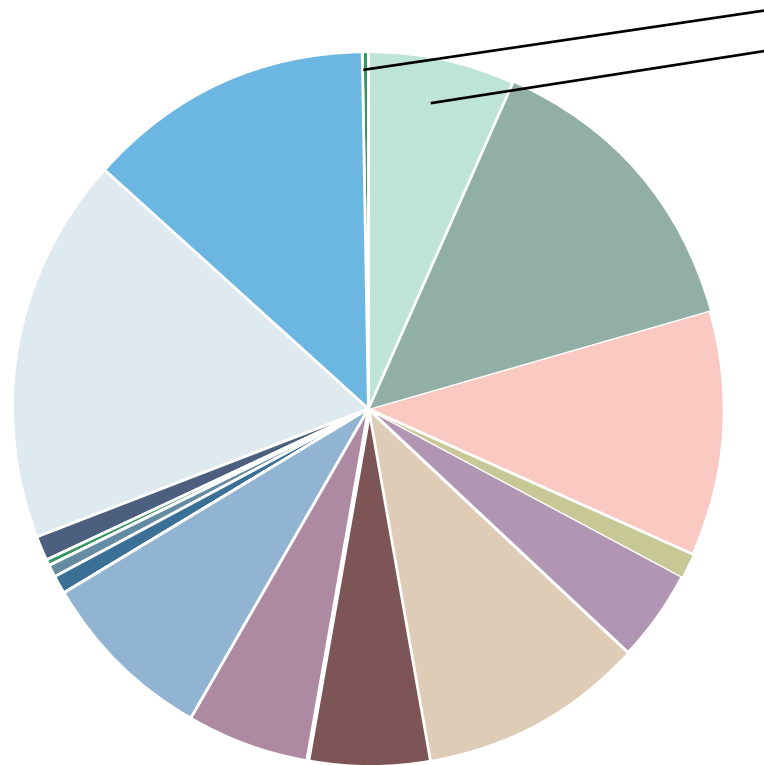
# Climate Goal & Roadmap

## Science-Based Targets Commitment

In January 2022, Kappahl committed to set a long-term science-based target to reach net-zero value chain GHGs emissions by no later than 2040 in line with the science-based targets initiative (SBTi) net zero standard. The climate calculations for 2022 were expanded with a screening of all GHG protocol Scope 3 categories that has previously been excluded from the scope: non-merchandise goods and services within the category Purchased goods and services, Capital goods, Waste generated in operations, Employee commuting, End of life treatment of sold products and Investment. Four categories were screened but are not applicable to Kappahl's activities, Upstream leased assets, Processing of sold products, Downstream leased assets and Franchises. The additional greenhouse gas emissions from the added Scope 3 categories stand for 9.3 percent of Kappahl's emissions. They are thus not mandatory to include in the scope for a science-based target. During 2023, we will develop our science-based target and decide on the scope.

## What is measured is managed

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 ([see page 64 for calculation details](#)). We want to better understand how and where emissions of greenhouse gases occur to be able to take action to reduce them.



## Emissions from full GHG scope, 2022

Scope 1	0.10%
Scope 2	6.40%
3.1 (Raw material processing)	14%
3.1 (Yarn formation)	11%
3.1 (Textile formation)	1.20%
3.1 (Preparation)	4.20%
3.1 (Coloration)	10%
3.1 (Tier 1 factories with T2 processes (vertical))	5.50%
3.1 (Tier 1 (Sewing))	5.50%
3.1 Purchased goods and services (Packaging material & spend)	7.80%
3.2 Capital goods	0.10%
3.3 Fuel- and energy-related activities	0.80%
3.4 Upstream transportation and distribution	0.60%
3.5 Waste generated in operations	0.03%
3.6 Business travel	0.20%
3.7 Employee commuting	1.20%
3.8 Upstream leased assets	0.00%
3.9 Downstream transportation and distribution (incl. consumer transport)	17%
3.10 Processing of sold products	0.00%
3.11 Use of sold products	13%
3.12 End of life treatment of sold products	0.20%
3.13 Downstream leased assets	0.00%
3.14 Franchises	0.00%
3.15 Investments	0.00%



We have committed to reducing our absolute greenhouse gas emissions by 50% in 2030, from a 2017 base year.

### **Climate roadmap**

During 2021, Kappahl developed a climate roadmap that is commercially viable and anchored within our ambitious growth plan. It is also environmentally realistic, as it is in line with the 1.5 C warming pathway in the Paris Agreement. The roadmap involves actions such as improved energy efficiency, more renewable energy and a ban on air freight for inbound as well as outbound product transport.

The roadmap also includes means to support our customers to care for the clothes, use them for many years, and then give the garments a second chance by passing them on to a new user. Kappahl is to transition to a sustainable business model with a climate goal that has not been set relative to growth.

An absolute goal means that Kappahl as a company has a climate budget that we must keep within. Kappahl's climate goal also applies across its entire value chain – suppliers and customers alike – on top of emissions from its own operations. Our growth plan can now accommodate this.

### **Climate Goal & STICA**

Kappahl is a member of the Swedish Textile Initiative for Climate Action (STICA). We have committed to reducing our absolute greenhouse gas emissions by 50% by 2030 from a 2017 base year. This commitment is aligned with what is required by scientific consensus regarding what is required to stay within the 1.5 C warming pathway. To learn more about our commitments and progress, visit [sustainablefashionacademy.org/stica](https://sustainablefashionacademy.org/stica).

The goal for our own operations is 80 % reduction of climate emissions by 2030. These emissions (Scope 1 and 2 according to the Greenhouse Gas Protocol) currently represent eight seven per cent of the emissions across the entire value chain. The largest part of our emissions lies in Scope 3 where our goal is to reduce 49 % by 2030. This will lead to a total reduction of 50% in all three scopes. An intermediate goal in Kappahl's climate roadmap is to halve emissions per product by 2026.

### **Collaboration and progress**

Greenhouse gas emissions is considered a salient risk to both Kappahl's operations and value chain as it is likely that life on earth will not continue in the same way if we leave the holocene. 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.

As one of the founders, and an active board member, of STICA we are actively participating in several of the STICA working groups to collaborate on issues from energy use in cotton cultivation, fabric production, clothing production and transportation, to supporting tools and data quality.

# In-depth information: climate calculation methodology & results for 2022

Kappahl has reported our climate emissions since 2014/15 but we have set 2016/17 as the base year after major changes in the methodology in 2017. Calculation and reporting 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). As STICA members we use an operational control approach. Our emissions are reported in scopes 1, 2 and 3 according to the Greenhouse Gas Protocol. 7 (7) 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 (93) percent stems from

Scope 3 which is our supply chain and our customers' activities.

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 C warming pathway.

### Results for 2022

Kappahl's total emissions in 2022 amounted to 162 thousand tonnes CO<sub>2</sub>-equivalents which is 18 percent lower compared with the base year 16/17<sup>1</sup>. This is an insignificant reduction compared with 2021,

which is due to that we produced more products in 2022, compared to 2021.

The higher production drives both emissions from production and emissions from the use phase, as this is in our method currently estimated based on the number of products produced. In the long run, Kappahl manages to sell 99.9 percent of the products we produce. However, the unpredictability of year 2022 resulted in unmet prognoses on sold volumes.

The average level of emissions per produced product decreased 3 percent from 4.1 to 4.0 kg CO<sub>2</sub>-equivalents compared with 2021, mainly due to more renewable energy at our Tier 1 suppliers.

We are moving in the right direction, but still have a lot to do to reach our climate goal for 2030. Besides making reductions in reality, we need to increase our ability to measure our progress. In 2021, we started for the first time to include primary data, that is real data, from our suppliers in Tier 1.

Previous years, the climate impact result has been based on standard values on industry level. These standard values do not catch the improvements that are made from year to year. Therefore, we will the coming years transition to real data from all tiers in our supply chain in our calculations. In 2022, 89 (72) % of our Tier 1 suppliers (based on business volume) reported climate data directly to us.

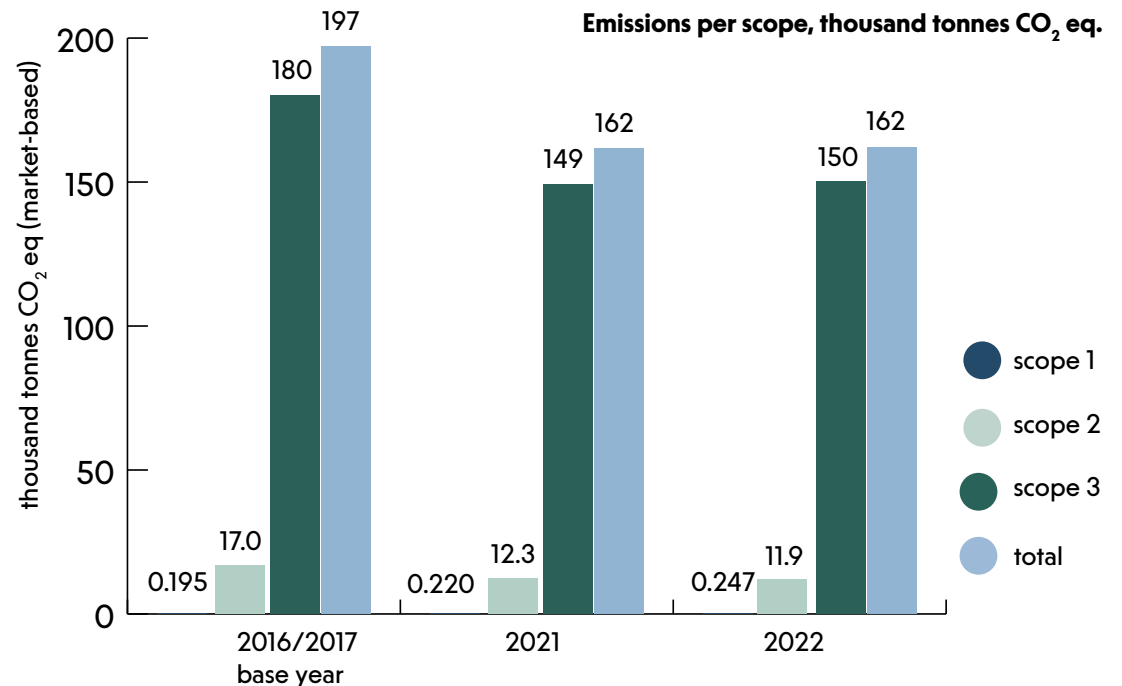
**The Greenhouse Gas Protocol** is the global standard for accounting and reporting emissions from private and public sector operations, value chains and climate actions. The standard is divided into three scopes:

**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 purchased electricity or heat 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.

1) For 2022, we have corrected a unit reporting error from 2021, where some suppliers' data was given the wrong unit. The difference was so large that we have also recalculated our base year. The value for the base year 2016/2017 was corrected -10 percent from 220,766 to 189,856 tonnes CO<sub>2</sub>-equivalents



# Exploring new ways

## Design that last

**Kappahl's design philosophy embraces a seasonless view on fashion and style, so called slow fashion. Design that last is achieved in two ways: items with quality that last through many uses and timeless design in our collections.**

At Kappahl, we aim to be transparent about every part of our design and our journey to an even more sustainable fashion experience. Our customers are in focus and we want to create items that make them happy, fashion items that they love and want to take care of for a long time. Our design process is explorative to carefully refine the style preferences of our customers instead of jumping on quickly discarded trends.

### **Wardrobe perspective**

The collections are designed to support a basic wardrobe where basic items get updated from time to time and complemented after the specific needs of the season, festivities and other events in life. We offer a personal styling service to our customers based on the wardrobe perspective.

### **Care for your clothes**

Kappahl encourages customers to care for their garments via nudging activities and also offering a clothing care assortment. A wardrobe containing fresh garments in good conditions are enabled via garment care – sometimes we see that this is less common in our segment of high-quality affordable garments.

### **Shared wardrobe**

Kappahl applies unisex design for selected areas both to create a more inclusive fashion experience but also to enable more users in each garment. The design thinking is then followed when creating the presentation in stores and in the online flows.





# Exploring new innovations

## New dye solution

Conventional dyeing stands out as the individual step that is the most resource-intensive and polluting in the garment's life cycle. Since colour is added already during fibre production, the entire dyeing step can be omitted. According to the Higg Index database, the climate emission savings are 97% compared to conventional dyeing.

During 2022, we launched a four pieces kay/day collection with outdoor wear using spindye fabrics. The garments are also designed with seasonless colors and fit, to enable that they can live over season.



## Design for versatility

Smart solutions for maximized use was explored in design for versatility. In 2022 our team designed a dress that where modular and could be used as both a dress, skirt and top in several different ways. An innovative and flexible garment to fit many different occasions. This as a part in challenging ourselves to be innovative and creative in finding solutions that will enable the products to live a long and circular life. Increased number of ways to style and use a garment will lower the climate impact per use.

## Traceability - from field to finished product

Some years ahead, Kappahl's customers will easily be able to view information about where and how their clothes are made, at every stage of production including information about environmental and social conditions.

In 2022, Kappahl entered into a partnership with the Swedish-Indian company TrusTrace through a strategic investment to enable traceability in the entire supply chain. The tool will allow customers to make more informed and sustainable decisions and more easily see what they are getting for their money.

The TrusTrace digital platform equips Kappahl for efficiently managing sustainability data for the nearly 40 million garments sold annually. TrusTrace makes it possible to show where and how the garments are produced, thanks to stored sustainability data on fibre production, yarns, where the fabric was woven, printed, dyed and, ultimately, sewn into garments.

The results can then be compiled to provide a complete picture of the garment's values and the tool enables the information to be communicated to customers in an easy and accessible way.

## TrusTrace on partnering with Kappahl

Hannes Lindfred, Product Director at TrusTrace, is looking forward to a fruitful partnership with Kappahl ahead. Building on innovative technologies, TrusTrace is an enabler of transparency serving companies within the global fashion industry. "The first step to improving and taking better and more sustainable decisions is knowing your supply chain," says Hannes.

Enabling supply chain transparency requires equal parts from innovation and collaboration. For companies offering thousands of unique products every year, there must be efficiency in obtaining the data. "Some examples of this are integrating data from other industry solutions such as the HIGG Index, and making the data entry from the suppliers easier to adopt," Hannes emphasizes, "TrusTrace is free of charge for the suppliers and translated into 20 different languages. Suppliers can either enter data about a certain fiber, fabric or automatically extract information from the most common certifications."

Supply chain data obtained through TrusTrace is integrated into the company PLM system to better inform daily decision making for a designer or a buyer. Further on, the data can be digitally attached to a garment and used in customer communication.

Hannes emphasizes that Kappahl is an inspiring company in terms of recognizing and being transparent with challenges in global textile supply chains. Availability of data and the ability to measure impact open the possibility for better and more responsible supply chain decisions ahead. "Investing in transparency speaks to the sustainability ambition of the company, adding trustworthiness towards both suppliers and customers", says Hannes.



**Hannes Lindfred, Product Director at TrusTrace**



# Exploring new business



**Embracing a circular approach to fashion allows us to create new business value and move away from old unsustainable patterns. 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 long- and circular product lives, we are constantly looking for new assortment solutions and services to help us develop our offer towards a more circular model. During 2022 we adapted two new KPIs as a tool to accelerate the work and for the whole organization to strive towards the same goal:

- 50% of our assortment enabled for circular offers by 2026
- 100 MSEK Revenue from circular business models by 2026

During the year we have explored new circular design principles to enable a maximized life for each product. In the fall of 2022 we ran a second hand activity with the "circular Lucia" to enable the garments to live long and circular lives.

## **Second hand, the circular Lucia gown**

Kappahl enabled customers to extend the life of their outgrown Lucia garments, by

offering collection in our stores offering a voucher per handed in garment. The garments were then put up for sale to new Lucia celebrators, and the goal was to maximize the product value by prolonging the user phase.

The circular Lucia is Kappahl's first test of second hand under own structure, a solution aimed to complement today's linear offer and to maximize the life length of our products by enable for them to circulate with several users.

## **Designing for a long life**

By designing for a long life, we better the chances for a reduced environmental impact of a product. We give the customer an opportunity to save earth's resources by extending a product's lifetime. Innovation and technology are leading actors in the fight for a sustainable product, but it is crucial to limit the need and want for general consumption, which can be done with a design that creates a longer life for the product.

During 2022 we have had an increased focus on creating awareness of what "Design that Last" means for us at Kappahl and how to create products that can last over time using a specific design plan. We have also updated our sustainability score card to improve our measurability when it comes to this area.

## Selling the right product

**The most sustainable garment is the garment being used and staying in use for a long time. Kappahl strives to make every purchase in our stores, be it online or at one of our many physical locations, the right purchase for that specific customer. Making sure our customers can make well-informed decisions is key to integrating the responsible fashion strategy into the sales experience.**

At Kappahl we want to guide our customers in making good choices. "At the core of our business, the mission is to sell the right product", says Claes Meldgaard Vice President Sales. "The right product" is the product which fit the needs of our customer and will be loved and worn for a long time to come.

### A trusted destination

Kappahl should be a trusted destination for affordable and responsible fashion fit for you and your life. With a long history of inclusive sizing, Kappahl is already a favorite destination for many. In addition, our ongoing work with transparency in the supply chain is a further investment in trust. "Building and maintaining trust with our customers is an important aspect of our work." says Claes. He continues, "When you walk into a Kappahl store you know that there will be a size and a style that fits you, and you know it is produced in a responsible manner".

Whether shopping online, or in a store, our customer should find useful and accessible information to aid in decision making. In

2023 a new Sustainability Communications Tool Kit will be launched to further implement our sustainability work in the customer experience. "Questions about sustainability can be complicated. With this tool kit we want to make sure all our employees have the right tools to answer any possible questions, and to guide our customers", says Claes.

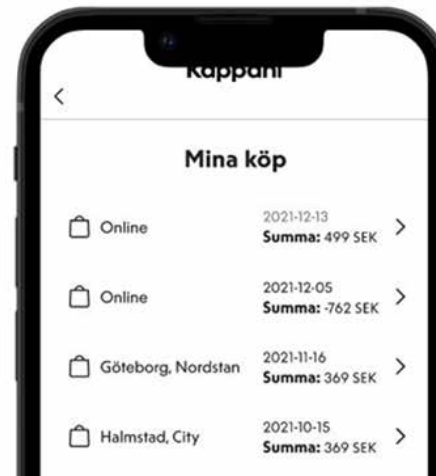
### Digital development

During 2022 we have hosted several live-shopping events via Instagram. "Live-shopping gives us an additional arena where we can meet and interact directly with our customer". In a live-shopping event customer can get a better feel for the fit and style of the garment, and they can ask questions about the garments as they are being showed. "For customer who can't get to a physical store, or who live far away from a store, these events can make a difference in finding the right item", says Claes.

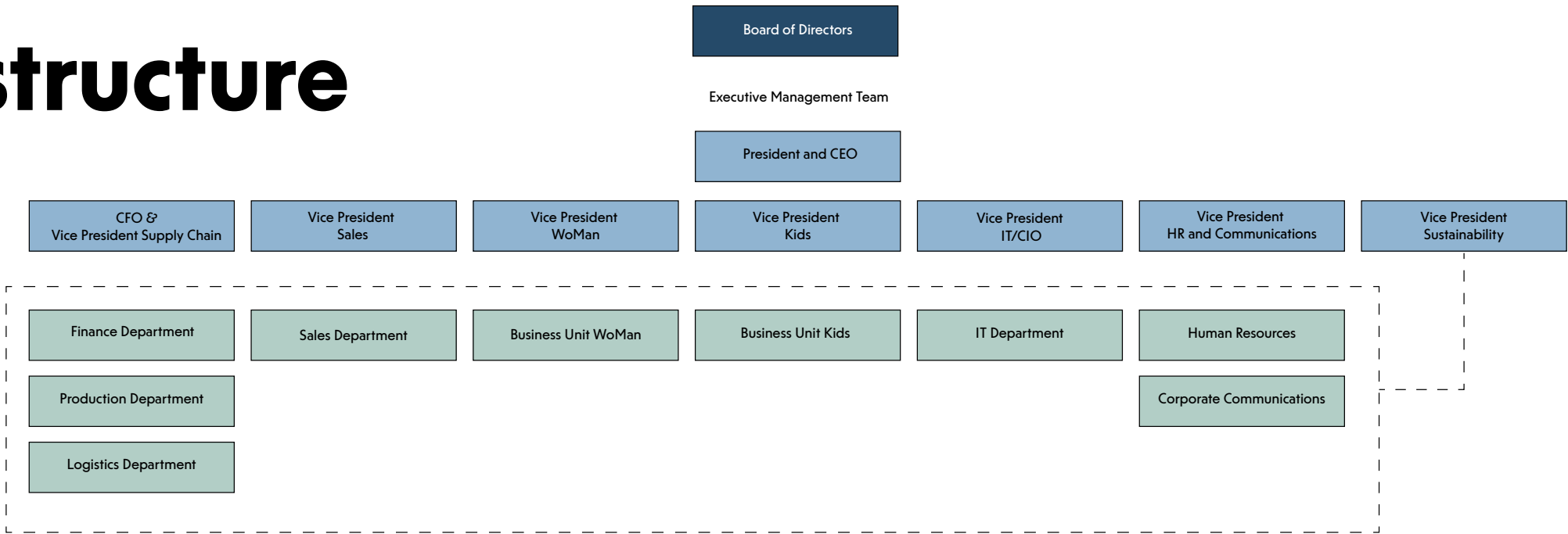
Another digital platform available to our customer is the Kappahl App. In the app you can track ongoing purchases, see previous purchases and possible returns. In a near future, additional supply chain information about our garments will be available in the app. Having the garment data already available in the app will aid in future circular business model. "We want to make it easy to use and reuse a garment maximizing the lifetime of all our produced garments.", says Claes.



**Claes Meldgaard**  
Vice President Sales



# Governance structure



## Board of Directors

The Kappahl [Board of Directors](#) is the highest governance body at Kappahl and responsible for appointing the President and CEO. All members of the Board, including the chair, are external to Kappahl, except for the employee representatives. For the composition of the Board, please see our website. The Board of Directors is appointed by Kappahl's owner Mellby Gård AB, for full Ownership Structure please see [page 63](#).

Mellby Gård performs a yearly evaluation of the performance of the Board of Directors, including relevant competences and how conflicts of interest are prevented and mitigated. For 2022, the evaluation was made by a third-party. The results from the evaluation will not be made public.

## Executive Management Team

The Kappahl Executive Management Team is led by the President and CEO who has the ultimate responsibility for Kappahl's sustainability work and oversees the management of the organization's impacts on the economy, environment, and people. The Executive Management Team is responsible for developing, approving, and updating Kappahl's purpose, values, strategies, policies, and goals related to sustainable development.

The remuneration policy for the Kappahl's Executive Management Team is developed by the owner Mellby Gård and includes fixed pay, performance-based bonus plus retirement benefits. There is no remuneration policy related to impacts on the economy, environment, and people for neither the Executive Management Team nor the Board of Directors.

## Vice Presidents

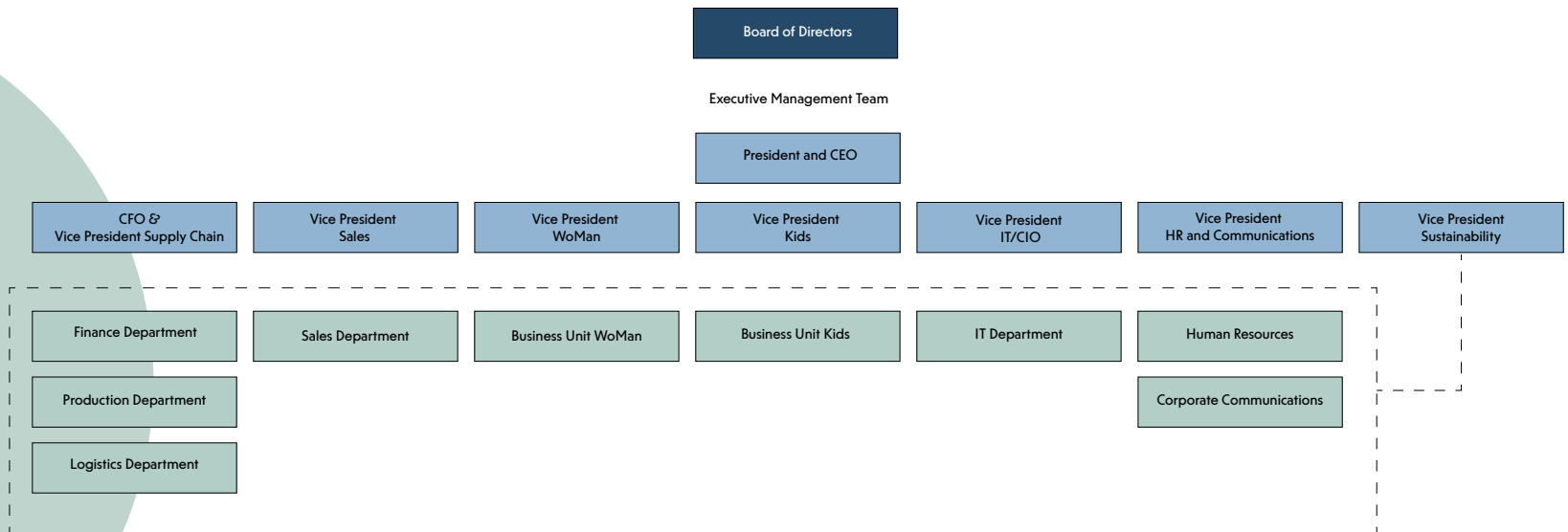
The Vice Presidents are responsible for implementing the sustainability commitments in their respective departments and report back to Kappahl's Board of Directors on quarterly basis on critical concerns, the due diligence and other processes to identify and manage Kappahl's impacts on the economy, environment, and people. The Board of Directors challenges the President and the Executive Management Team to advance the sustainable development of Kappahl. To progress, Kappahl works with internal education as well as strategic recruitment.

The growing knowledge, skills, and experience shared with the Board is one contribution to developing the competence within the area of sustainability. The Board has no operative role in any of Kappahl's activities, including sustainability-related activities, but reviews the overall progress of the sustainability strategy at least once a year when reviewing and approving the reported information in the sustainability report. Any critical concerns are reported in the sustainability report.

## Vice President Sustainability

The Vice President Sustainability is part of the Kappahl Executive Management Team and reports to the President and CEO. The Vice President Sustainability leads the Sustainability Management Team, which is a matrix team with representatives from the departments Supply Chain, Sales, Human Resources and Communication and the Business Units WoMan and Kids. The Sustainability Management Team develop together with the Executive Management Team the strategies, policies, and goals related to sustainable development, and lead and develop the work within the sustainability area, including the stakeholder dialogues.

The responsibility for people and planet is an integral part of all employees' daily work at Kappahl and all employees are expected to have the right knowledge and clear mandates to take sustainable and business focused decisions. Around a dozen employees work full time with a defined area of responsibility in the field of sustainability.



# Responsible Fashion Strategy

## Four focus areas

Our business idea is to offer affordable and responsible fashion for our customers in an easy and inspiring way. When we reach the sustainable future, people will still wear clothes – and we want to be a part of that future. Our sustainability strategy Responsible Fashion aims to take us to a point where we have a sustainable business model.

Responsible Fashion is based on guidelines and principles from international bodies such as the United Nations, Ethical Trading Initiative and the Science-Based Targets initiative, see full list on Our Commitments. It is updated on a yearly basis with input from the insights we get from our value chain and our stakeholder dialogue. Kappahl applies the Precautionary Principle, works proactively and participates in industry collaborations to achieve long-term sustainable development. Kappahl is focusing on four different areas where our actions have the most impact. For each focus area there is a vision and an action plan that contributes to the roadmaps for reducing our salient sustainability risks and contributing to the UN Sustainable Development Goals. The progress on our Responsible Fashion strategy is measured by KPIs divided in each focus area even though several focus areas contribute.

### 1. Design

Strategic cooperation for a sustainable and lasting wardrobe.

#### Commitments

- Develop our customer offers based on sustainability performance
- Transition to more sustainable\* materials
- Develop our circular customer offers
- Reduce climate emissions in line with the Paris Agreement

#### Challenges

- Access to more sustainable production technologies
- Climate-efficient, high-quality fibre-to-fibre recycling
- Access to reliable data that shows sustainability performance for different fibres and processes

### 3. Organization & stores

Social and environmental responsibility in all activities and operations.

#### Commitments

- Embrace inclusion & diversity
- Educate and support business-focused and sustainable decisions
- Transition to more sustainable\* non-commercial goods
- Reduce climate emissions in line with the Paris Agreement

#### Challenges

- Transform a homogenous workplace to a diverse one
- Enable every employee's unique contribution to sustainability work
- Increase the innovative capabilities to create sustainable and profitable solution

### 2. Supply chain

Shared responsibility for improved social conditions and environmental impact.

#### Commitments

- Contributing to the promotion of human rights within our supply chain
- Work with transparent, responsible, and sustainable partners
- Transition to more sustainable\* production processes
- Reduce climate emissions in line with the Paris Agreement

#### Challenges

- Promote progress on human rights such as living wages, forced labour and gender equality
- Lack of transparency in the supply chain
- Dependency on fossil energy in the entire supply chain

### 4. Consumption

Nudge and inspire to more sustainable options.

#### Commitments

- Create solutions for a more sustainable\* consumption
- Prolong the lifetime of our garments
- Be guiding and transparent in our sustainability communication
- Reduce climate emissions in line with the Paris Agreement

#### Challenges

- Our industry's lack of inclusive fashion with sound ideals
- Create simple and attractive solutions for more sustainable fashion consumption
- Inspiring sustainability communication
- Ensuring prolonged lifetime of garments

# Social, environmental & economic sustainability progress reporting

## Management approach

Kappahl's management approach to its material topics is informed by the GRI standards, the norwegian transparency act, the oecd guidelines for multinational enterprises as well as the proposal for the eu corporate sustainability due diligence directive. Although these documents differ in phrasing and scope, the content can be summarized as:

1. Embed responsible business conduct into the enterprise's policies
2. Identify and assess actual and potential adverse impacts
3. Implement suitable measures to cease, prevent or mitigate adverse impacts
4. Track the implementation and results of measures
5. Communicate publicly
6. Provide for or co-operate in remediation and compensation where this is required.

## Embedding responsible business conduct into policies and commitments

Kappahl's Human Right Policy is a public policy approved by the Kappahl Board of Directors and stipulates the use of due diligence, the precautionary principle and respect for human rights throughout our value chain. Kappahl has several additional

policies and commitments in the area of sustainability: Inclusion & Diversity, Working Environment, Equity, Whistleblowing service, Climate and Animal Welfare. Kappahl's Sustainability Commitment implements our policies for human rights, animal welfare and anti-corruption in our value chain. We implement our human rights commitment through our Ethical Guidelines for our employees. All policies and commitments are embedded in our strategies, steering documents and routines. We prioritize and address salient risks first.

## Sustainability integrated in Kappahl's business plan

Kappahl has integrated the sustainability strategy responsible fashion with the business plan for 2021-2023. Our business plan is based on five overall goals:

1. A business model based on our target groups
2. A customer centric culture,
3. An easy and inspiring customer experience
4. An accessible and optimized sales network
5. Efficient and scalable processes.

For each of the five overall goals, strategic initiatives implement business focused as well as sustainability focused targets. Since the responsible fashion strategy goes beyond 2023, it contains strategic initiatives (prioritized actions for 2021-2023), but also action plans for the key performance indicators (kpis) and long-term commitments (for example our net-zero climate goal for 2040).

## Impacts on the economy, environment, and people

The actual and potential, negative and positive impacts on the economy, environment, and people, are identified and assessed in the yearly materiality analysis involving our stakeholders, see [page 53](#) and the risk assessment which is done by an internal expert team, see [page 45](#). The risk assessment takes into account risks from a sector, product, business model, country and sourcing model perspective and summarizes our risk mitigation actions.

The sections below reports on the status, on-going actions and progress each of the material topics and salient issues, divided in the four areas of our sustainability strategy: design, supply chain, organizations & stores, and consumption.



# 1 ● Design

**Kappahl's work to take us to a point where we have a sustainable business model starts with developing the customer offer for a sustainable and lasting wardrobe. For close to 70 years, Kappahl has been a trusted fashion destination for women of all shapes and ages. When designing our products and developing our customer offers, we affect every step of the production process and our customers' behaviour. The customer offer includes new as well as pre-loved fashion items, and services such as rent, repair and personal shopping.**

## **Sound ideals**

Kappahl's higher purpose is to celebrate diversity in everyday life. Our assortment and customer offer have since the start in 1953 been based on inclusive and sound ideals, offering fashion to a wider range of customers both in terms of wallet and sizes. In 2022 we were proud to celebrate the 25th anniversary of our brand XLNT that honors all body shapes! The inclusive assortment with beautiful, well-fitting fashion in no less than 19 sizes has been a part of Kappahl since 1997 and feels today more relevant than ever. Kappahl works in accordance with the Swedish ethical fashion charter's guidelines for the fashion industry's ideal body image and diversity.

## **Prolong the life length**

Circular business models are an important step in the Responsible Fashion strategy

that aims to take Kappahl to a point where we have a sustainable business model. In 2022, Kappahl added a new KPI to the Responsible Fashion strategy: Share of assortment enabled for circular offers. The goal is to reach 50% by 2026. With circular business models is meant reuse, rent, repair, but it can also mean that one garment stays together with the owner for its full life length. Kappahl follows the development of the EU strategy for sustainable and circular textiles in general, and for this indicator in specific the taxonomy criteria for textiles that make a "Substantial contribution to transition to a circular economy". The section on Slow Fashion tells the details of how Kappahl works to prolong the life of the garments that we place on the market today.

In order to prolong the life of each garment, thereby reducing the environmental cost per use, circular business models are key. In 2022 Kappahl has continued renting out kids' garments via Hyber. However, our partner on the women's garments side Hack Your Closet went into bankruptcy in Summer 2022, showing how challenging it still is to find profitable, scalable and sustainable business models for circular fashion offers.

In addition, we support the development of future profitable, scalable and sustainable business models for circular fashion offers within reuse, rent as well as repair. During 2022, Kappahl engaged as one of the industry partners to the innovation race NEST, and has been working to support new innovative solutions.

In the Consumption area is found a KPI linked to the Design area KPI on an assortment enabled for circular offer is

the Consumption area KPI: Revenue from circular business models. Please read more in the Consumption section.

## **More sustainable raw materials**

Kappahl produced and sold about 38 (40) million products in 2022. The total weight of materials that were used to produce and package Kappahl's primary products was 7,290 (7,114) tonnes during the reporting period. 73 (73) percent were renewable materials and 15 (20) percent were non-renewable, whereof 12 (7) percent were recycled. Today, 80 (75) percent of our assortment is made of more sustainable materials. More sustainable means materials that show a better sustainability performance compared to conventional methods. Our goal is to reach 100 percent more sustainable materials by 2025.

Cotton is by far the raw material with the highest potentially negative environmental as well as social impacts in our assortment. We have identified cotton cultivation as a main risk factor for biodiversity loss, water scarcity and human rights violations. Therefore, Kappahl has chosen to phase-out conventional cotton and only use certified cotton. Since 2020, all the cotton we use is either certified organic cotton, or cotton sourced through the Better Cotton Initiative. These schemes ensure that the working conditions for the cotton farmers do as a minimum follow the ILO convention. Organic cotton is grown entirely without the use of irrigation, 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.

In 2022, we reached our goal that 50 percent of our synthetic fibers should be from recycled or renewable sources. The share of synthetic fibers from recycled or renewable sources increased from 31 to 51 percent. During the year we have also made substantial progress in the use of more sustainable wood-based fibers. The share of more sustainable wood-based fibers increased from 62 to 81 percent.

An important aspect of circularity is the availability of recycled material, that pass the Kappahl's quality criteria to ensure a long service life of our garments. 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. We also participate in research projects developing new possibilities for use of recycled materials. In 2022 we took part in the Chemical recycling of synthetic textile blends - RE:MIX III project led by the research institute Rise.

### **Sustainability product scorecard**

Our designers are guided in the work to develop fashion for a sustainable and lasting wardrobe 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 that last, 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 83 (76) percent of our range. We are constantly evaluating different solutions for materials and processes that show a better sustainability performance compared to conventional methods.

### **Design for more sustainable production processes**

Kappahl's goal is to use only more sustainable production processes by 2030. More sustainable means that the process can show a documented reduction in the use of water, energy and/or chemicals compared with a conventional process, for example in the Higg Material Sustainability Index (MSI). Since 2019, all our denim is produced using an improved washing process (Environmental Impact Management) that provides us with data on reductions of water, energy and chemical consumption. Naturally, our More Sustainable Denim uses 100 percent more sustainable cotton.



# 2. Supply chain

**Kappahl is committed to work with transparent, responsible, and sustainable partners and to be a fair partner ourself. We strive to work with suppliers that share our values and ambition, so that by collaboration we can come further than what is required by law.**

## **The tiers in our supply chain**

Kappahl's activities have impact on people and the environment in all parts of our value chain, but the most significant actual and potential negative environmental as well as social impacts occur in our supply chain. The textile supply chain is generally divided into four main tiers, in which there may be several actors involved:

- Tier 1: final product manufacturing
- Tier 2: finished material manufacturing (fabric mills, dye houses etc.)
- Tier 3: raw material processing
- Tier 4: agriculture, ranching, forestry and extraction

For 2022, the salient sustainability issues for Kappahl are on the social side identified as Core Human Rights and Human Rights and Decent Work, and on the environmental side Climate, Energy, Water Scarcity and Biodiversity. Both the risks and the lack of transparency are greatest early in the supply chain (tier 2-4). For more information, see the section on Risk Assessment.

Kappahl launched its first Code of Conduct (CoC) for Suppliers in 1997. Just as the CoC before, today's Sustainability Commitment is a binding document that forbids violating social and human rights such as forced labor and child labor. Further, it imposes requirements on social and environmental aspects throughout the entire value chain, such as social dialogue, fair wages and greenhouse gas emissions reduction. In addition, all our contracts include a reference to the anti-corruption policy in our Ethical Guidelines. During 2023, Kappahl will improve the possibilities for individuals outside Kappahl's organisation to seek advice and raise concerns about the organization's business conduct.

In 2022, Kappahl added two new KPIs to the Responsible Fashion strategy: Share of suppliers with full traceability tier 1-4. The goal is to reach 100% by 2025. Share of assortment where main fabric is traced to tier 4. The goal is to reach 100 percent in 2026 since we will place a large part of these orders in 2025.

In 2022, Kappahl made a strategic investment in the software TrusTrace to enable traceability in the entire supply chain. More information is found at [page 17](#).

## **Partnership for a sustainable & transparent supply chain**

Above all we see a need to work for greater transparency in partnership with our suppliers to address the salient sustainability risks. The following paragraphs list Kappahl's ongoing partnerships and engagements towards creating a more sustainable and transparent supply chain:

Since 2018 we are a member of the industry initiative Sustainable Apparel Coalition (SAC). This partnership is important to Kappahl since industry standards are key to facilitate transparent communication of environmental and social performance in the textile value chain, and reduce the workload of duplicate reporting. Kappahl uses the Higg Index set of tools and encourage our merchandize goods suppliers to do that too.

The Ethical Trading Initiative (ETI) is a leading alliance for businesses, trade unions and other NGOs campaigning for workers' rights. Kappahl has been a member since 2016. We comply with the ETI guidelines and engage within its network for joint action on manufacturing-chain challenges such as social dialogue, the right to collective bargaining and joint remediation actions. Kappahl is a signatory of the International Accord for workers' safety replacing the Bangladesh Accord in 2021 and the Pakistan Accord from 2022. In addition to legal requirements for grievance mechanisms in the production countries, Kappahl contributes to the Accord hotline as a member of the Bangladesh Accord.

The Swedish Textile Initiative for Climate Action (STICA) is an initiative jointly launched by Peak Performance, H&M, Sustainable Fashion Academy, Elco and Kappahl in 2018. Today, STICA has more than 50 members in the Nordic Countries and Kappahl contributes in addition as board member. All members commit to reducing their greenhouse gas emissions in line with the 1.5°C target and the Paris Agreement. At Kappahl, we have produced a roadmap for our strategy to reduce

carbon emissions in our value chain by half by 2030. With the lion part of our emissions occurring in the supply chain, we need to cooperate with suppliers that have ambitious climate targets and can report on reductions.

The Transparency Pledge is a coalition of a number of large global organizations (Human Rights Watch, IndustriAll, 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. We list our tier 1 suppliers in the Open Supply Hub registry.

Kappahl's policy for animal welfare is based on our collaboration with the Swedish Trade Federation and their animal welfare policy. A list of all our commitments can be found at our website: [Kappahl.com/ Our Commitment](https://kappahl.com/Our-Commitment)

Canopy is a non-profitable organization with a mission to protect the world's forests, species, and climate, and to help advance Indigenous communities' rights. Kappahl has partnered up with the CanopyStyle initiative since 2016. By using Canopy's Hot Button Ranking Report, Kappahl commit to not using dissolving pulp coming from ancient and endangered forests in man-made cellulosic fabrics. We do so by exclusively purchasing our supply from producers ranked with a "dark green shirt" without any high-risk alert.

### Supply chain due diligence

To have a positive impact, we work to ensure that we collaborate with responsible suppliers. We see transparent dialogue with suppliers and factories as essential, and we will continue our close relationship with suppliers that also see such a future. Kappahl invites all key and significant suppliers once a year to a Sustainability Dialogue to strengthen the partnership and exchange expectations on the sustainable development both in short- as in the long term. Employees at our local production offices monitor compliance with Kappahl's Sustainability Commitment in three steps:

1. Identify non-conformances
2. Initiate improvement measures
3. Support the work of improvement and if applicable remediation

Another important task is to coordinate and cooperate with the purchasing organization to ensure production at factories that live up to our requirements. Kappahl performs Supplier Evaluations twice a year with all suppliers where sustainability performance is one part that is evaluated and used for decisions on continued partnership and new orders.

We conduct regular reviews at the factories and suppliers we cooperate directly with, where interviews with factory workers is included. These are either Tier 1 cut-make-trim (CMT) or vertical factories or Tier 1 processing factories, nominated material suppliers or Agents and Importers. We conduct an ongoing dialogue about sustainability with all our suppliers and their factories, with the ambition that our factory

reviews and follow-up visits will encourage suppliers and factory managements to take even more responsibility, for example for social conditions and environmental impact. During the year we carried out 222 factory reviews and follow-up visits at suppliers' factories. The factories that are reviewed 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.

If we identify significant actual and potential negative social and environmental impacts at our reviews, our default position is to bring about change and offer remediation 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. During 2022, the relation was terminated with one CMT (cut-make-trim) factory due to deficiencies in the work environment and safety conditions. Corrective Action Plans were established with three suppliers (1.6 %) concerning social issues (health and safety respective verbal abuse) and for one supplier also environmental issues (ETP, sludge, handling and disposal of chemicals) and the issues were solved.

### Control of new production markets & sites

When we enter new production markets, we evaluate the situation concerning human rights in the country and region, for example the occurrence of child labor and forced labor. We also evaluate local legislation on working conditions and terms of employment, as well as such things as ownership structures for factories and land, aimed at identifying and avoiding the greatest risks.

All new CMT factories (100%) are reviewed by our own staff at the Production Offices and need to be approved before orders can be placed there. The factory review for new factories always assesses both social and environmental criteria. If a new factory meets our requirements at the first review it is classed as Temporarily Approved. To ensure that the factory meets our requirements, follow-up visits and subsequent new reviews are made after 12 months. Only then can the factory be graded as Approved.

KPIs for supply chain	2022			
	CMT (Tier 1 or vertical)	Processing factories	Nominated fabric factories	Agents & Importers factories
Total number of factories	182	163	17	34
Total number of factory reviews at new factories	16	3	12	0
Total number of factory reviews at existing factories	35	9	12	0
Total number of follow up visits	141	3	0	0
Approved	155	N/A	N/A	N/A
Temporarily approved	26	1	16	1
Unsatisfactory, corrective action plan established <sup>3</sup>	3	2	0	0
Unsatisfactory, relation terminated <sup>3</sup>	1	0	0	0
Not reviewed	0	151	5 <sup>1</sup>	34 <sup>2</sup>

1) These five nominated fabric factories were all reviewed in 2021.

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

3) Number of suppliers identified as having significant actual and potential negative social impacts: 3+1 = 4 suppliers

### **Energy use & related climate impact**

Fossil energy use is the main source of anthropogenic greenhouse gas emissions. In August 2021, IPCC released a report telling us that climate risks are appearing faster and will get more severe sooner than previously predicted. It also confirmed that there is no uncertainty any longer, that the climate crisis is caused by us humans.

Kappahl's climate target is to reduce our absolute greenhouse gas 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. Kappahl's roadmap to mitigate the greenhouse gas emissions in our value chain has been integrated with our growth plan during 2021 to ensure that we reach our goals, see the section on climate. 93% of our emissions 93 percent stems from Scope 3 which is our supply chain and our customers' activities. Kappahl monitors progress via the Higg Facility Environmental Module and the STICA questionnaire.

In 2022, Kappahl has intensified the collaboration with our suppliers in the transition to energy-efficient technology and renewable energy. Three of our strategic suppliers' factories have capacity programs in place to reduce their greenhouse gas emissions. Our suppliers have also been encouraged to attend the free online training Climate action training for the fashion industry from the Climate Action Training initiative, GIZ, UNFCCC, South Pole and other credible organizations in the field.

### **Water consumption**

The water consumption in the textile supply chain is dominated by conventional cotton

cultivation, where the intense irrigation contributes to water scarcity. Kappahl has chosen to phase-out conventional cotton and use either certified organic cotton, or cotton sourced through the Better Cotton Initiative. However, the manufacturing processes in factories do also consume water. Kappahl's transition to more sustainable production processes such as the improved denim washing process (Environmental Impact Management) means documented water savings, and we are only working with suppliers that have water purification and environmental management systems in place. Kappahl monitors progress via the Higg Facility Environmental Module and via supplier factory visits. The area Water Use/Water Scarcity was added to the list of salient issues for 2022 and during 2023 we will develop a roadmap for mitigating water use and water scarcity.

### **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. Wood-based products are another risk area where Kappahl works with Forest Stewardship Council (FSC) under license number FSC® N003228. Biodiversity is also affected by for example climate change, water scarcity and emissions of toxic substances. Therefore, the work at Kappahl to select more sustainable materials and produce at factories that use more sustainable processes is also vital to reduce the pressure on endangered species. The area Biodiversity/Land Use/Habitat Loss

was added to the list of salient issues for 2022 and during 2023 we will develop a roadmap for mitigating biodiversity loss.

### **Chemicals, quality & safety**

In our annual customer survey, securing that no harmful chemicals are present in our products is the sustainability topic that has highest priority by our customers. Kappahl aim for continuous improvement and always apply the precautionary principle in our chemicals program "No Risk" that started already in 2005. We use the Higg FEM module to follow up on our suppliers' performance and participate in the Swedish Chemicals Group at RISE to be proactive in our work with chemicals and set stricter demands than legislation. We proactively include chemicals in our Restricted Substance List to give our suppliers the means to phase them out in good time before they are restricted. In 2022 we carried out 1,398 (2,070)1 chemicals tests which corresponds to 9% of our purchase orders. 99.6 (99.5) percent of the garments were approved according to the Kappahl requirements. No garments had restricted chemicals present above legal limits.

When it comes to quality and child safety, Kappahl sets high demands via the Kappahl Product Quality Standard. We carry out regular quality and safety tests throughout the production process. 3,930 products were tested for safety requirements during 2022. We had two cases of product recalls during 2022, both which concerned flammability of bath robes from the same supplier. 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 2022, we sent 25,249 (11,392)

products for incineration for health, safety or environmental reasons, and the most common reason was mold (78%). Products that have non-hazardous faults, such as incorrect sewing, are sent to our partner Fretex International/ Myrorna for reuse at other markets. 6,781 (58,092) products were sent for reuse via Myrorna in 2022. The figure for 2021 was an abnormally high number and an effect of COVID-19 which hindered our quality controllers to visit the factories and prevent mistakes.

### 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 systemic damage but on individual organism level also particle effects are observed. Microplastics in the oceans originate for example 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".

In early 2022, Kappahl was asked to provide information about the amount of microplastics yearly released from Kappahl's products by a Norwegian citizen on the basis of the Norwegian Environmental Information Act. Based on the available information, we estimated that the yearly emissions of micro-sized plastic particles from Kappahl's products amount to between 39 – 39.555 billion particles, and the total weight of these particles amount to between 0.25 – 252 grammes. The highest uncertainty was found to be in the

sources for how many micro-sized plastic particles that are released from washing of synthetic textiles. The experiments on microplastics shedding vary in both method and material, hence the large order of magnitude of the uncertainty interval.

### Transportation

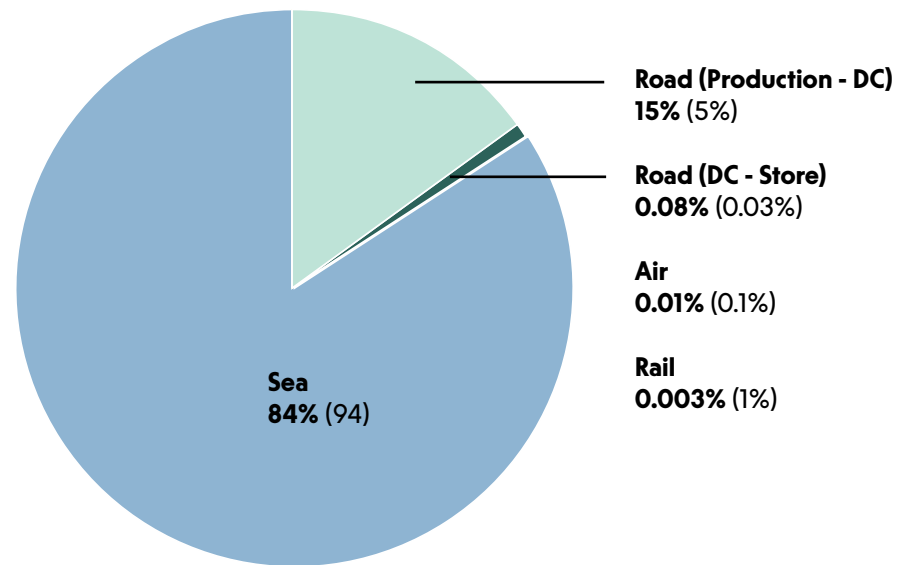
In contrast to what many people think, transportation accounts for a relatively small proportion of climate emissions in a garment's life cycle, provided that air freight is avoided. Kappahl has a ban on air freight for in-bound transports since 2020 also for delayed shipments when the supplier offers to pay for air freight. In 2022, only one shipment was granted exception.

We do not use air freight for out-bound transports. Deliveries from the distribution center to physical stores are done by road or sea. We also impose environmental and social requirements on all carriers via our Sustainability Commitment, regardless of mode of transport.

In 2022, transportation contributed greenhouse gas emissions of 109 (121) g CO<sub>2</sub>-equivalents per garment, which is a decrease of 10 percent compared with the previous year and 13 percent compared with the base year 2016/17. Compared to our average carbon footprint per product of 4.0 kg CO<sub>2</sub>-equivalents, the transportation is 2 percent.

### Share of transport method, 2022

Last years result in parentheses.



# 3. Organisation & stores

**Our employees in offices, stores and the distribution centre play a big part in offering responsible fashion. We are a diverse group and take pride in using this strength as a tool towards reaching sustainability.**

## Good work environment

At Kappahl, our 4,000 employees take responsibility for their jobs and to create a good work environment where we reach our common goals together. Kappahl is a popular workplace, and our annual employee survey shows a high Loyalty score of 82 (83), and a high Satisfaction and Motivation score of 75 (75). In our People Strategy, responsibility for people and planet is an integral part. 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 86 (87) percent.

We promote a good work environment in several ways, including offering occupational health services and where possible flexible working hours. In Sweden, Finland and Norway all employees are covered by collective agreements, representing 91 (91) percent of Kappahl's employees. In other countries, national legislation is applied, where in some cases we augment terms of employment beyond legislation.

## Occupational health & safety management system

All of Kappahl's employees and workplaces follow each country's laws, rules and regulations according to work environment. In 2022, a new global system (IA) for reporting workplace incidents was implemented at Kappahl to support the systematic work environment development. For 2022, 3 cases of actual severe work-related incidents were reported, 5 moderate and 61 minor, together with 25 'near miss' incidents. We had no work-related fatalities.

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 7.3 (6.8) 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.

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

## Training and education

One of Kappahl's Strategic Initiatives for the years 2021-2023 is the development

and implementation of Capable Leaders and Capable Employees, two educational modules, see [page 42](#) for a detailed description. All our leaders are given the tools for leadership at Kappahl, seeing to that our co-workers have the right knowledge and clear mandates to take sustainable and business focused decisions, always from a customer perspective. 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, on average 6.6 (4.6) training hours per employee. The share of managers and specialists which were recruited internally was 64% during 2022.

## Business ethics

Bribery and corruption may harm Kappahl's business and reputation and lead to lower economic, environmental as well as social performance. Bribery and corruption is not considered a salient risk in Kappahl's operations and value chain, as our risk management is viewed adequate today. We have zero tolerance of any type of corruption and have a high level of internal control in all our operations. It is highly unusual for us to identify cases of corruption among employees or suppliers. Kappahl has Ethical Guidelines that are communicated to all governance body members, employees and business partners. Employees are regularly informed of our Ethical Guidelines and our leaders work continually to create 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. We continuously assess all our operations for risks related to corruption.

During 2022, there has been one incident of violation of our Ethical Guidelines which led to dismissal of one employee. We had no incidents when contracts with business partners were terminated or not renewed due to violations related to corruption. No public legal cases regarding corruption have been brought against us. Kappahl has started implementing the TrusTrace traceability software to gain visibility in the lower tiers of the supply chain.

## More sustainable offices & stores

In 2020, we reached the target that 100 percent of the energy (electricity and district heating) purchased under own agreements is renewable. However, the production offices were excluded in this reporting. For 2022, we have included the energy use in the production offices in Bangladesh, China and India, for which the figure of 9 percent renewable energy is reported separately.

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. We have updated our company car policy to promote fuel economy and electric vehicles, and installed charging posts for electric vehicles outside our headquarters. In 2022, we reduced our electricity consumption by 11 percent compared with 2021. During 2022, we have had an incident of non-compliance regarding the reporting requirements for refrigerants which led to a fine of 1,000 SEK.

### Handling of returned goods

The most important environmental aspect of online shopping is the return rates and routines for returned goods. Kappahl works to keep the return rate low via good fitting and collecting feedback on sizes from the online customers. All our garments are designed at Kappahl and tried on by 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. In 2022, a total of 403 tonnes of product packaging was used to protect and present our products. 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<sup>1</sup>. In Sweden we have a fully circular flow for our plastic hangers, which are mended or recycled in cooperation with our supplier in Lidköping.

Internal energy consumption <sup>3</sup>	2021	2020 <sup>3</sup>	2018/2019	Change 2022/2021
Share of energy under own agreements from renewable sources, Sales countries %	100	100	100	-
Share of energy under own agreements from renewable sources, Sales countries %	9	2	2	2
Yearly reduction in electricity consumption, %	2	11	18	
Electricity, kWh	15,693,817	15,958,440	17,580,322	-2 %
Heating, kWh	1,285,109	1,651,922	1,350,222	-22 %
Fuel <sup>4</sup> , MJ	3,000,318	2,389,754	2,414,533	+26 %
Energy per square meter/open hour in stores and warehouses, Wh		0.053	0.055	

### 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 2022, a total of 798 (780)<sup>2</sup> tonnes of waste was generated, of which 94 (94) percent was sent for recycling, 6 (6) percent for energy recycling and 0 (0.4)<sup>2</sup> percent for landfill via our waste disposal contractor. In 2022, we entered a new agreement with a global waste disposal contractor, TES, for our electronics waste that has systems in place for reuse of electronic components.

KPIs for indirect materials environmental performance	2022	2021	2020
Share of indirect material, including packaging, circular by 2030, %	5	5	5
Share of packaging material <sup>6</sup> in more sustainable and recyclable materials, %	100	100	100
Share of store base & campaign material in more sustainable and recyclable materials, %	78	78	88
Share of store fittings in more sustainable and recyclable materials, %	19	40	42
Share of visual merchandising material in more sustainable and recyclable materials, %	34	60	55

1) License number FSC® N003228

2) Correction of last year's value.

3) See page 64 for details on energy and climate calculations

4) Not reported previous years.

5) 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 criterium has not been able to be measured.

6) Product packaging (hangtags, garment labels, hangers and commercial packaging material (excluding e.g. polybags and cardboard boxes for inbound transports)).



# 4. Consumption

**Guiding and inspiring our customers while delivering norm challenging and results rewarding solutions for sustainable fashion. Kappahl's vision of a sustainable future is one in which people's clothing needs are in balance with their environmental impact.**

Our job at KappAhl is to create a customer offer with as low an environmental impact as possible. We design garments for a long life, both in terms of style and quality. For Kappahl to be able to dress as many people as possible with as sustainable clothes as possible, we work to reduce the impact per produced garment. We work with new business models to enable several users of each garment. We work to measure and communicate the climate impact so that the customers can make a conscious choice in an easy and inspiring way.

## **Reuse, rent & repair**

To make it simple for customers to do their bit, all Kappahl's stores offer textile collection. We collected 155 (195) tonnes which is lower than our target of collecting 250 tonnes of textiles per year in our stores. The textiles collected are sent to our partner Fretex International/Myrorna, to optimize their life primarily through reuse at the local markets.

In 2022, a KPI for the Consumption area was added (linked to the Design area KPI on an assortment enabled for circular offer): Revenue from circular business models. The goal is to reach 100 million SEK by 2026.

Kappahl has started exploring new business models for Kappahl's customers: rental and subscription. Part of Newbie's assortment was made available to rent via rental service Hyber in 2022. We continue with the appreciated rental service of the christening gown from Newbie. In the end of 2022, Kappahl also started its first resale initiative with Christmas garments. During 2023 we will intensify the work to develop one or several profitable, scalable and sustainable circular customer offers.

## **Responsible actions**

Kappahl's customers are continuing to use fewer plastic bags – since the industry's One Bag Habit initiative was introduced in 2017 there has been an impressive 78 per cent reduction. And the profits from bags purchased by customers in stores are donated to organizations promoting sustainable development. In 2022, a total of over three million Swedish kronor was donated.

Through the "I'm fine as I am" campaign, Kappahl, jointly with its customers, donated a total of SEK 4.4 million during financial year 2021. The donations were made to local children's rights organisations in Kappahl's sales markets. On [page 35](#) you can read more about Kappahl's Responsible Actions, which in total rendered 9.7 MSEK to our partner organizations.

## **Challenging communication**

With our marketing, we aim to give our customers inspiration and guidance towards more sustainable choices. It is not enough to produce garments with better sustainability performance, the customers need to be able to distinguish and select them. In 2022, Kappahl can make substantiated claims of environmental and/or social benefits with a raw material and/or a production process for over 80 percent of our around 4,000 products. The claim is made for each specific product and is stated both on an on-product mark on the physical product and on the product's website at Kappahl Shop Online. All products with an on-product mark have 50 percent or more of the material made in the specified raw material or production process. Only one claim is visible on each on-product mark. This means that for a product consisting of a 60 percent GOTS cotton – 40 percent GRS polyester blend, the on-product mark and the information on the website will only make a claim of GOTS certified cotton. We sincerely aim for this to be a clear guide for customers who want to make a more sustainable choice. Notably, our customers ask for this type of guidance in our annual sustainability survey.

It is important to us at Kappahl to be both inspiring and transparent in our sustainability communication. During 2022 we have developed a concept and toolbox for sustainability communication to provide guidance to consumers in an inspiring way and following the evolving legislation regarding sustainability communication. Part of implementation is to phase out our saying "more sustainable". During 2023 we will implement this toolbox in all our channels.

We continuously check to what extent the Kappahl customers has confidence in our sustainability work, feel inspired to make sustainable choices and agree that we show diversity in terms of variation in ethnicity, body shape and age in our marketing. In the annual customer survey, 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. The results from February 2023 were: 46 (45) percent of our customers agree that Kappahl shows variation in ethnicity, body shape and age in the marketing. 26 (26) percent of our customers answered that they have great confidence in our sustainability work and 18 (18) 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.



It is important to us at Kappahl to be both inspiring and transparent in our sustainability communication.

### Increase in sustainability questions

There is a rapid increase in the number of questions regarding sustainability that are posed to Kappahl. On the sustainability pages at our corporate website we publish information about anything from our sustainability claims to the factories we buy from. We reply to all sustainability questions that we receive from customers and other stakeholders and participate to the extent possible in interviews for research projects and student projects.

During 2022 we have had several questions posed with references to legal requirements on transparency, such as the Norwegian Environmental Information Act or the Norwegian Transparency Act. We have had no instances leading to fines or sanctions. Below is a summary of each instance.

- **January 2022:** Request to provide information about the amount of microplastics yearly released from Kappahl's products. The request was made by a Norwegian citizen on the basis of the Norwegian Environmental Information Act. The citizen was satisfied with the information provided by Kappahl, see [page 29](#) for details.
- **March 2022:** Official request from the Swedish Consumer Agency to amend our consumer-facing communication on Kappahl Shop Online. The possibility to filter on 'Sustainability Label' to find products with certifications was removed and instead of the headline 'Sustainability Label' the specific sustainability claim is presented on the landing page.
- **March 2022:** Request to know how Kappahl works to secure human rights in our three largest production countries. The citizen demanded a list of all the countries and regions where cotton is cultivated for all Kappahl products. Kappahl claimed that this request cannot be considered reasonable due to the immense work load since we have 8,000 products in our assortment. The case was brought to the Norwegian Environment Agency (Saksnr: 2021/14) that ruled that Kappahl needed to provide this information which we did.
- **September 2022:** Fair Action performs an examination of gender-based violence and harassment (GBVH) in the Swedish clothing industry. Kappahl was the only brand that had identified GBVH as a risk in the supply chain of the six investigated brands.
- **October 2022:** Request to provide information on working conditions related to grievance mechanisms and safe working conditions. The request was made by the Norwegian NGO Framtiden i våre hender on the basis of the Norwegian Transparency Act. The NGO was satisfied with the information provided by Kappahl.
- **December 2022:** Official request from Polish UOKiK institution (Office of Competition and Customer Protection) to provide more information on sustainability in line with the Unfair Commercial Practices Directive (UCPD). Kappahl translated our Sustainability report to Polish and complemented the information on our website as requested.

# Higg Index

**Kappahl has been a member of the Sustainable Apparel Coalition (SAC) since 2018. SAC has developed the Higg Index, a series of tools that measure and evaluate the sustainability performance of factories, brands and products.**

## Higg Brand & Retail Module

The Higg Brand & Retail Module (Higg BRM) identifies hotspots and opportunities for improvement along a fashion brand's global value chain. In 2021, the possibility for third-party verification of Higg BRM was offered for the first time, for the 2020 module, reporting on activities year 2020.

Kappahl did pioneering work, being one of only 39 companies world-wide to post a verified Higg Brand & Retail Module for year 2020. The verification process was finalized in January 2022 and had a high educational value for Kappahl. We reviewed our entire work process and found both insufficient routines and documentation that have been updated during 2022.

In January 2022, after finalizing the verification process for the 2020 module, Kappahl decided to not have the 2021 module third-party verified since the year

had already passed and any improvements will be subject to the 2022 module. The SAC decided for the same reason to not make the verification process of the 2021 BRM module mandatory. In the table below we therefore share the self-assessment scores for the 2021 module.

During 2022, Higg BRM has been subject to a major update to align with the growing flora of sustainability frameworks and regulations. The results for the 2022 module will be reported in Kappahl's sustainability report for year 2023.

## Higg Facility Tools

The Higg Index Facility Environmental Module (FEM) tool measures the environmental performance of factories and is now used at factories corresponding to 79 (62) percent of Kappahl's order value. The Higg Index Facility Social and Labor Module (FSLM) tool measures the social

and human rights performance of factories and is now used at factories corresponding to 41 (25) percent of Kappahl's order value.

In 2022, Kappahl added a new KPI to the Responsible Fashion strategy: Average Higg vFEM score of 30 largest tier 1 suppliers' factories. The goal is to improve 10 percent year on year. In year 2022, 18 of Kappahl's 30 largest tier 1 supplier factories had verified FEM modules, with an average score of 60. However, the KPI includes the 12 suppliers that did not have verified FEM modules, giving a KPI score of 39.

## Higg Product Tools

Kappahl uses the Higg MSI and the Higg Product Module internally to develop our product level measurability and as a guidance in our product development to create awareness about all the steps that affects a products climate footprint.

Higg Index Performance	2022	2021	2020
Share of factories (based on order value) reporting using the Higg FEM, %	79	62	51
Share of factories (based on order value) reporting using the Higg FSLM, %	41	25	<sup>1</sup>
Average Higg vFEM score of 30 largest tier 1 suppliers <sup>2</sup>	39	-	-
Total Verified Environmental Score for Kappahl in BRM	<sup>3</sup>	<sup>4</sup>	60.0
Total Self-Assessment Environmental Score for Kappahl in BRM	<sup>3</sup>	<sup>4</sup>	76.2
Total Verified Social Score for Kappahl in BRM	<sup>3</sup>	<sup>4</sup>	69.3
Total Self-Assessment Social Score for Kappahl in BRM	<sup>3</sup>	<sup>4</sup>	88.6
Number of products assessed via the Higg Product Module	30+	10+	-

1) 2021 is the first year that Kappahl's suppliers were asked to share their FSLM modules.

2) New KPI 2022.

3) The 2022 BRM results will be verified during 2023 and be published in Kappahl's sustainability report for year 2023.

4) The 2021 BRM results were not verified since the 2020 BRM verification process timeline was delayed until January 2022 and without verification the results cannot be publicized.

# Responsible Actions

**Kappahl's social sponsoring activities are gathered under the term Responsible Actions. We support long-term progress on diversity issues and sustainable development, both locally and globally. Some activities are performed locally in our own supply chain. The education center for women in Bangladesh is one example, and the participation in the Organic Cotton Accelerator (OCA) program is another. Together with our customers we donated SEK 9.7 (4.7) million during the financial year to local sustainability projects to support the civil society. The main part went to local children's rights organizations in Sweden, Norway, Finland and Poland, and we also supported UNHCR and the Red Cross on a global level. Read more about all the organizations we support through Responsible Actions at our website: [Kappahl.com/ Our Commitment](https://kappahl.com/our-commitment)**

## **Training center in Bangladesh supporting women's empowering**

Bangladesh is one of the leading ready-made garment (RMG) exporters in the world. The RMG sector employs around 4.0 million people directly, approximately 60 percent of them are women. This sector plays a significant role to reduce poverty and increasing women empowerment in the country, therefore acting as a catalyst to achieve sustainable development goals.

Kappahl is working with its NGO partner TCM Foundation towards women empowerment, ending gender-based discrimination, poverty elimination and uplifting human rights in Bangladesh by running an industrial sewing training center

for women on the outskirts of Dhaka. The training centre has trained more than 1000 women since it opened in 2009.

At the training center, the underprivileged women are trained in industrial sewing, as well as on their rights as workers and on other basic life skills such as financial literacy, access to financial services, health and hygiene, participation in decision making, etc. Furthermore, they receive free training with allowances and join export-oriented RMG factories after successful completion. Thus, the training center significantly contributes to enhance women's ability to contribute financially, participate in decision making, access resources, and cope with risks in the society as a whole.

## **Fine as I am – promoting children's rights**

Kappahl's collaboration with children's rights organizations under the theme "Fine as I am" dates back to 2012. For 2022, the record sum of 5.8 MSEK was collected together with our customers, donated to the local children's rights organizations in the countries where we have stores: BRIS (Children's Rights in Society) in Sweden, Kors på Halsen (part of the Red Cross) in Norway, the Mannerheim League for Child Welfare in Finland and the Empowering Children Foundation in Poland.

For Kappahl, the collaboration is a natural part of our customer promise that everyone should be able to be just as they are, whether when it comes to children or adults. In our work for children, the motto "Fine as I am" is the basis. Everyone is different but equally valuable and good enough just as they are, which is why Kappahl has collaborated for many years with children's rights organizations in the countries where we have stores. We see that our cooperation engages both our customers and employees and is a true win-win - it both strengthens Kappahl's brand, creates pride internally and gives us the opportunity to contribute to the important work of the children's rights organizations, giving children a voice in society. In concrete terms, the work in 2022 has meant that we communicate about the children's rights organizations and our cooperation in different ways over the year. In addition to having several products that we sell for the benefit of the partner such as t-shirts and beanies, we enable our customers to round up for the organizations during the year with extra campaign focus during Christmas, in the beginning of the autumn semester and around Valentine's Day .

## **One Bag Habit**

Kappahl's customers are continuing to use fewer plastic bags. Since the industry's One Bag Habit initiative was introduced in 2017 there has been an impressive 78 per cent reduction. And the profits from bags purchased by our customers in stores are donated to organisations promoting sustainable development. In 2022, a total of over three million Swedish kronor was donated.

One Bag Habit was launched as a joint initiative between H&M, Lindex and Kappahl in 2017 with the aim of reducing the consumption of bags and raising awareness of the negative impact that bags have on the environment. Today, twenty or so companies in the footwear and apparel industry are now engaged in the One Bag Habit initiative. All members commit to charge for all bags offered to customers, regardless of their material or size, inform customers of the environmental impact bags have, the advantages of reducing bag consumption, and how they as customers can help to use bags more sustainably. Members also commit to offer recyclable bags that are made of more sustainable materials and donate the profits from all bag sales to causes that promote sustainable development in environmental or social issues. Kappahl donates all the profits from our bag sales to organisations working to counter littering in our sales countries. These are Håll Sverige rent in Sweden, Handelens Miljøfond in Norway, Håll Skärgården Ren in Finland and Nasza Ziemia (Our Earth) in Poland.



## Employee Survey Score

**Loyalty: 82**  
**Satisfaction &  
Motivation: 75**

High Score: 75-100  
Medium Score: 60-74  
Low Score: 0-59

# In-depth: Employment at Kappahl

During 2022, 4,014 people were employed by Kappahl in five sales markets and three production countries. The highest respective lowest number of employees during a month was 4,391 respective 3,780, and the average number of employees during 2022 was 4,014 people. In addition, 56 people not employed by Kappahl contributed as consultants to our activities with IT and logistics services. The tables with in-depth information below show ongoing employment at Kappahl at a given time during fiscal year, for which the measure point is November 30 2022. Data refers to headcounts and is not restated to the number of full-time equivalents.

Employee data has been collected through the payroll- and time reporting systems. There are some seasonal variations during the year regarding needs for employees/ consultants and hours in stores, for example during the Christmas season and the summer holiday period. We recognize the need for our employees to plan their work and we offer the vast majority employment contracts with guaranteed hours. The annual total compensation ratio was 13.8 percent. The percentage increase of the salary is equivalent to the median percentage increase; ratio being 1-1. Kappahl has chosen to compare compensation on the Swedish market, deeming this ratio to be most relevant for this report.

## In-depth information: Employees

Total number of employees by employment contract (permanent and temporary), region and gender	2022		2021		2019/2020	
	Women	Men	Women	Men	Women	Men
Number of employees, Sweden permanent	1,398	136	1,367	126	2,047	190
Sweden, temporary	686	74	531	32	1	1
Number of employees, Norway, permanent	540	6	567	5	934	9
Norway, temporary	477	6	414	6	1	1
Number of employees, Finland, permanent	234	4	246	5	366	4
Finland, temporary	94	0	73	0	1	1
Number of employees, Poland, permanent	119	2	158	6	216	7
Poland, temporary	81	4	80	4	1	1
Number of employees, United Kingdom, permanent	30	0	30	1	25	0
United Kingdom, temporary	0	0	0	0	1	1
Number of employees, production offices, permanent	64	59	65	61	116	19
Production offices, temporary	0	0	0	0	1	1
Number of employees on permanent contracts, Group	2,385	207	2,435	201	1	1
Number of employees on temporary contracts, Group	1,338	84	1,099	42	1	1
<b>Total for Group</b>	<b>3,723</b>	<b>291</b>	<b>3,534</b>	<b>243</b>	<b>3,705</b>	<b>229</b>

1) not reported for previous years





## In-depth information: Employees

Percentage of employees by employment type (full-time and part-time) and region	2022		2021		2019/2020	
	Women	Men	Women	Men	Women	Men
Employees on full-time contracts, Sweden, %	537	119	1)	1)	1)	1)
Employees on part-time contracts, Sweden, %	1,547	91	1)	1)	1)	1)
Employees on full-time contracts, Norway, %	160	4	1)	1)	1)	1)
Employees on part-time contracts, Norway, %	858	7	1)	1)	1)	1)
Employees on full-time contracts, Finland, %	89	4	1)	1)	1)	1)
Employees on part-time contracts, Finland, %	239	0	1)	1)	1)	1)
Employees on full-time contracts, Poland, %	159	4	1)	1)	1)	1)
Employees on part-time contracts, Poland, %	41	2	1)	1)	1)	1)
Employees on full-time contracts, United Kingdom, %	8	0	1)	1)	1)	1)
Employees on part-time contracts, United Kingdom, %	22	0	1)	1)	1)	1)
Employees on full-time contracts, production offices, %	63	59	1)	1)	1)	1)
Employees on part-time contracts, production offices, %	1	0	1)	1)	1)	1)
Number of employees on full-time contracts, Group	1,016	190	937	177	1,054	197
Number of employees on part-time contracts, Group	2,708	100	2,636	27	2,652	32
<b>Total for Group</b>	<b>3,723</b>	<b>291</b>	<b>3,534</b>	<b>243</b>	<b>3,705</b>	<b>229</b>

1) not reported for previous years



New employee hires and employee turnover	< 30 years old		30-50 years old		Over 50 years old	
	Women	Men	Women	Men	Women	Men
New employee hires, Sweden	804	101	219	29	78	10
New employee hires, Norway	197	1	37	0	10	0
New employee hires, Finland	36	0	21	0	5	0
New employee hires, Poland	68	1	20	0	4	0
New employee hires, United Kingdom	5	0	2	0	0	0
New employee hires, production offices	1	0	4	4	1	0
<b>Total for Group</b>	<b>1111</b>	<b>103</b>	<b>303</b>	<b>33</b>	<b>98</b>	<b>10</b>

Employee Turnover	2022	2021	2019/2020
Employee turnover, Group, %	41	29	10
Employee turnover, Sweden, %	51	33	3
Employee turnover, Norway, %	28	22	24
Employee turnover, Finland, %	28	19	16
Employee turnover, Poland, %	45	35	27
Employee turnover, United Kingdom, %	27	16	27
Employee turnover, production offices, %	9	24	6



## In-depth information: Inclusion and gender equality

Kappahl's higher purpose is to celebrate diversity in everyday life. During 2022, Kappahl launched an Inclusion & Diversity policy and set goals on diversity for the first time on age, gender and ethnicity. We also included questions about inclusion and diversity in the annual employee survey based on self-identification. The results of this work will be reported in 2023.

Our People Strategy states that we promise you the right to always be yourself: Kappahl a Place to Belong. We had no reported incidents of discrimination during 2022. However, in the anonymous annual Kappahl Attitude Survey, 1% of our employees stated that discrimination occurs at Kappahl.

Gender breakdown of the Board and employees %	2022	2021	2019/2020
Board, % Women	50	50	50
Board, % Men	50	50	50
Employees, % Women	93	94	94
Employees, % Men	7	6	6

Age breakdown of the Board and employees %	2022	2021	2019/2020
Board, % under 30 years	–	–	–
Board, % 30–50 years	25	25	38
Board, % over 50 years	75	75	62
Employees, % under 30 years	39	1	1
Employees, % 30–50 years	39	1	1
Employees, % over 50 years	22	1	1

1) not reported for previous years

Female managers %	2022	2021	2019/2020
Management team	75	75	71
Total, Sweden	93	93	93
Head office, Sweden	92	92	82
Stores, Sweden	94	94	95
Distribution centre, Sweden	75	50	37
Total, Norway	98	95	95
Total, Finland	93	93	93
Total, Poland	91	90	88
Total, United Kingdom	100	100	100
Total, production offices	60	61	87



Discrimination stated in the annual Kappahl Attitude Survey	2022			2021			2020		
	Yes	No answer	No	Yes	No answer	No	Yes	No answer	No
"Share of employees who state that they have been exposed to discrimination at their workplace"	1.0%	2.0%	96.9%	1.2%	1.9%	96.9%	2.6%	1.8%	96.1%
"Share of employees who state that they have been victimised (bullied) at their workplace, in word or deed"	1.3%	3.0%	95.8%	1.7%	1.9%	96.4%	1.2%	1.9%	96.8%
"Share of employees who state that they have been harassed at their workplace due to gender (sexual harassment)"	0.4%	0.5%	99.1%	0.3%	0.3%	99.4%	0.0%	1.9%	98.1%

# Capable Leaders

**Capable Leaders is a leadership development program, focusing on strengthening our managers in their leadership role. Capable Employees is a self-leadership program, focusing on strengthening all of us in our everyday work, no matter the title. Both programs aim to give leaders and employees the tools they need to make sustainable and business-driven decisions, always from the customer's perspective.**

The programs were created with the aim to strengthen the competencies and behaviors necessary to further develop Kappahl and meet our strategic goals. For example, our ability to make quick adjustment and changes, to develop trust and collaboration and continue to develop an inclusive company that celebrates diversity, where we can feel we can be ourselves and belong. We know that if we do, we perform our very best every day! "I see it as a big benefit for a company to be able to develop employees through internal training programs closely linked to the company's purpose, values, strategies and goals", says Lena Johansson People & Culture Manager, Kappahl.

The programs are available online in all local languages at Kappahl, i.e Swedish, Finnish, English, Polish and Norwegian. If you are not able to join one of the training

programs, you can take part in it through self-studies in our learning portal, Kappahl Academy. In addition, managers and teams can use the material in Kappahl Academy to drive their own development by doing workshops that fit the needs of their teams.

Capable Leaders is available for all leaders at Kappahl. It is also available for those who are not managers but team leaders, project leaders etc which has been a great success. To be able to offer leadership training for those who are not managers today but have a leading role and might want to become a manager as a next step, is a great way to take care and develop our employee's potential.

Capable Employees is currently available for all office personnel, in Swedish and English. We are still finalizing the modules for our store personnel in local languages and they should be available mid 2023.

## **Leaders of tomorrow**

According to Lena, there are some key competencies everybody needs to have, regardless if you are a leader or an employee, for today as well as for tomorrow. One is the ability to both handle and drive change in order to meet the changing needs of our customers and business environment. We need to learn that sustainability is something that needs

to be embedded in all of us, in all roles, and not be seen as a "separate department" anymore. We need to be good at diversity and inclusion to secure the flexibility we need to solve problems quickly by having a variety of perspectives available to us which also would enable us to be in the forefront of innovations in our business.

Leaders will have the added responsibility to lead the way, to secure these competencies in the company by recruiting people who have them and develop our employees. But we are all responsible for developing ourselves and Kappahl, we do it together or as we like to say "Let's team up!"



**Lena Johansson**  
**People & Culture Manager**

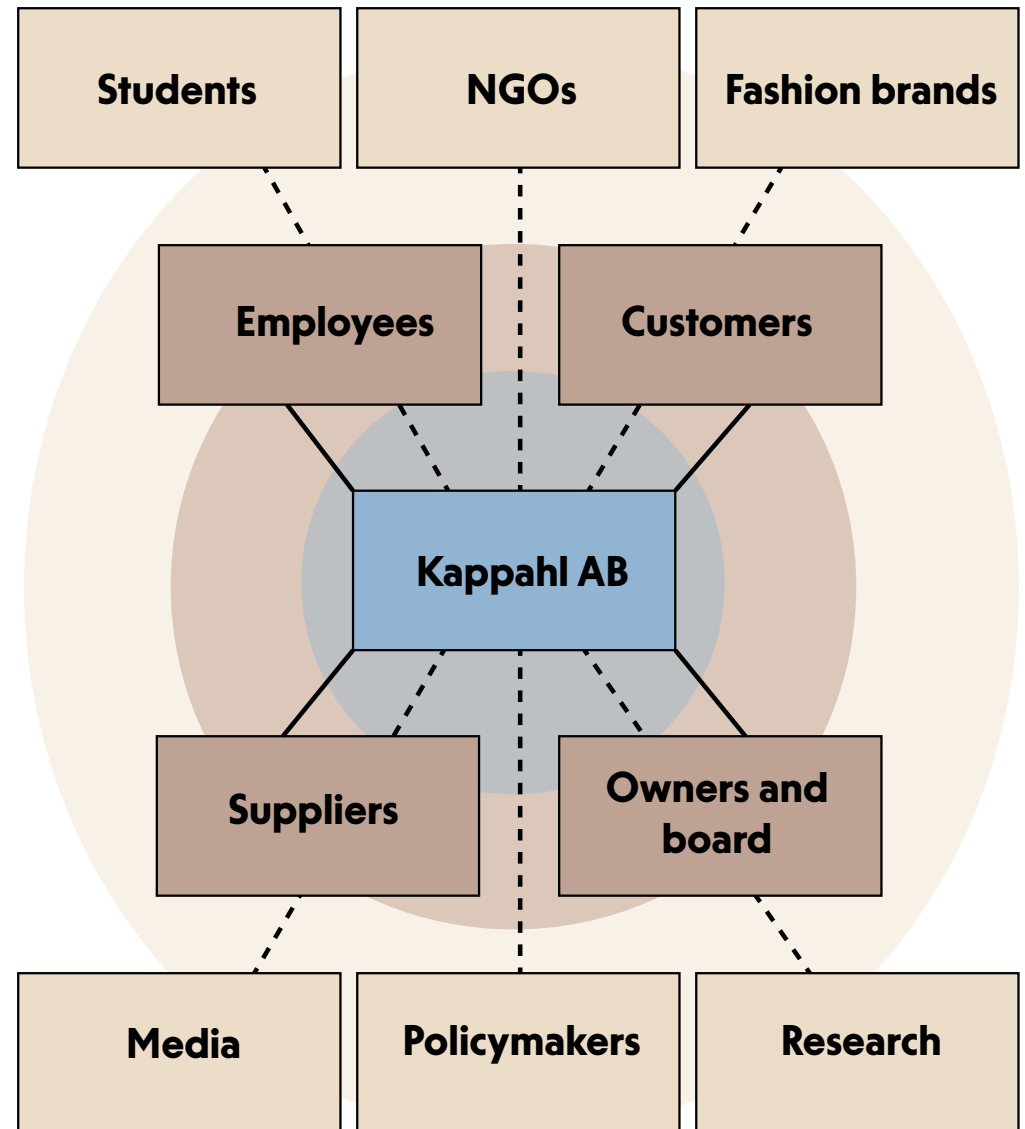
# Key impacts, risks & opportunities

**Our sustainability reporting is based on Kappahl's strategy, risk assessment, dialogue with key stakeholders, external analysis of our business environment and international guidelines and standards. We perform a yearly materiality analysis to determine which sustainability topics that are essential to report on in accordance with the GRI set of standards.**

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. 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, trade unions and other 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.



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> <p>Kappahl's Brand Tracker</p>	<p>Provide guidance on clothing care for prolonged lifelength</p> <p>Product development and new technology with better environmental performance</p> <p><b>More sustainable materials</b></p> <p><b>Reduced use of chemicals</b></p> <p>Reduce microplastics emissions</p> <p>Collect used clothes for reuse and recycling</p> <p><b>Good working conditions in the company</b></p> <p>Good working conditions at suppliers</p> <p>Promote diversity and gender equality in the company and actively combat discrimination</p> <p><b>Supply safe, good quality products</b></p>
<b>Employees</b>	<p>Kappahl attitude survey, once a year.</p> <p>Employee survey on sustainability, every other year.</p>	<p><b>Good working conditions in the company</b></p> <p><b>Supply safe, good quality products</b></p> <p>Responsible action by management and board</p> <p>Promote diversity and gender equality in the company and actively combat discrimination</p> <p>Good working conditions at suppliers</p> <p><b>Reduce our use of resources in production</b></p> <p><b>Reduce our climate impact</b></p> <p>Reduce the amount of waste and increase the percentage of reuse and recycling</p> <p>Use materials sustainably</p> <p>Contribute to increased reuse and recycling of clothes</p>
<b>Suppliers</b>	<p>Continuous dialogue in the daily work.</p> <p>Seasonal Supplier Evaluation</p> <p>Annual Sustainability Dialogue started in 2021.</p>	<p>Fair partnership</p> <p>Good working conditions in the company</p> <p>Human rights in the supply chain</p> <p><b>Fair wages</b></p> <p><b>Transparency</b></p> <p><b>Anti-corruption</b></p> <p>Support local communities</p> <p>Animal welfare</p> <p><b>Product quality and safety</b></p>
<b>Owners Mellby gård AB &amp; 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>Yearly overview of the sustainability strategy, policy documents and progress</p>	<p>The Kappahl Board of Directors trusts Kappahl to have the competence to decide the important economic, environmental and social sustainability issues.</p>

## Due Diligence

The Human Right Policy is approved by the Kappahl Board of Directors and stipulates the use of due diligence, the precautionary principle and respect for human rights throughout our value chain. We implement our human rights commitment through our Ethical Guidelines for our employees and through our Sustainability Commitment for Kappahl and all business partners (previously Code of Conduct) and we engage with our business partners to address, prevent and remedy adverse impacts.

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.

In addition, Kappahl's Sustainability Commitment is a contractual assurance with all business partners to implement our policies for animal welfare and business ethics as well as environmental due diligence throughout our value chain.

## Risk Assessment

Under the UN Guiding Principles, companies are expected to prioritize and address salient risks first instead of addressing all risks at the same time. Both actual and potential impacts are considered on environmental and social issues defined in Higg guidance documents. A big change from the previous risk assessment is that salience is determined based on the severity of harm at first hand, and the likelihood of the event occurring is not prioritized, as is recommended by the UNGP principle 24. The two areas Biodiversity/Land Use/Habitat Loss and Water Use/Water Scarcity were added to the list of salient issues. The three areas Wastewater/Water Pollution/Eutrophication, Chemical Hazards and Access to Water and Sanitation were removed from the list of salient issues. The assessment of severity and likelihood is based on the current state, i.e. taken into consideration which risk management measures that Kappahl are already conducting today. Each risk area is reported and then a summary of the salient risks is provided.

The risk assessment is informed by a number of guiding documents and tools from GRI, SAC, OECD, UN, WEF, WWF and Canopy. Requirements from the Task Force on Climate-related Financial Disclosures (TCFD), the Norwegian Due Diligence Act, and the EU Corporate Sustainability Due Diligence Directive were also considered.

The assessment of actual and potential adverse impacts is made for eight different scopes:

1. Kappahl's own operations
2. Logistics operations
3. Tier 1 : final product manufacturing
4. Tier 2: finished material manufacturing (fabric mills, dye houses etc.)
5. Tier 3: raw material processing (yarn manufacturing etc.)
6. Tier 4: agriculture, ranching, forestry and extraction
7. Customers and sale country society
8. Harm to Kappahl

The table below shows where in our value chain that we have identified salient issues. For Kappahl, all social & human rights risks are largest in tiers 2-4 of our supply chain together with logistics operations where our visibility is low and mitigation actions limited. Pages 46-52 describes the risk drivers, mitigation actions as well as the consequences if Kappahl's goals are not met.

Value chain stage	Salient issues identified in this step
Kappahl's operations	-
Logistics operations	All social & human rights risks.
Tier 1	Climate, Energy, Freedom of Association and Collective Bargaining, Discrimination, Harassment and Abuse and the group of Human Rights and Decent work issues.
Tier 2	Climate, Energy, Water and all social & human rights risks.
Tier 3	Climate, Energy, Water and all social & human rights risks.
Tier 4	Climate, Energy, Water, Biodiversity, Animal welfare and all social & human rights risks.
Customers and society	Climate, Energy

Salient issue	Assessment of risks and opportunities	How the Responsible Fashion strategy addresses this issue
<p><b>Greenhouse Gas (GHG) Emissions</b></p> <p><b>Description:</b> The most recent data from the IPCC shows we will likely experience catastrophic effects of climate change within our lifetimes. If GHG emissions continue at the current rate, the atmosphere will warm by as much as 1.5 to 4 degrees Celsius by 2040, inundating coastlines, intensifying droughts, storms, heat waves, and poverty.</p> <p>Identified actual adverse impacts that Kappahl either has caused, has contributed to or is linked to via established business relationships:</p> <p>See <a href="#">page 12</a> on climate reporting.</p>	<p><b>Sector risk factors:</b> Greenhouse gas emissions is one of the sector risk factors listed by OECD.</p> <p><b>Product risk factors:</b> -</p> <p><b>Business model risk factors:</b> Our business idea is to offer affordable and responsible fashion, which brings a risk of contribution to overconsumption. At the same time, offering a sustainable alternative in our price segment gives also people with weak economy a possibility to fulfil their needs for clothing in a more sustainable way. The full-assortment business model implies a vast number of product lines compared to specialized brands. High number of product lines and margin pressure increases the risks while Kappahl has few (two) seasons per year.</p> <p><b>Country risk factors:</b> -</p> <p><b>Sourcing model risk factors:</b> High number of product lines and margin pressure gives less attention for each supplier which increase the risk that excess energy is used and energy from fossil fuels.</p> <p><b>Risk of harm to Kappahl:</b> The main risk for Kappahl is changed customer preferences in case of bad reputation, and policy-related risks as climate-related legislation increases. In the longer sight Kappahl faces a risk of not having access to the same supply chains if these are heavily affected by climate change.</p> <p><b>Risk mitigation actions:</b> We are working with the Higg Index tools to follow-up on greenhouse gas emissions. We are a founder and board member of the Swedish Textile Initiative for Climate Action (STICA). We have a climate reduction roadmap that is commercially viable and anchored within our ambitious growth plan. We have committed to set a long-term science-based target to reach net-zero value chain GHGs emissions by no later than 2040 in line with the Science-Based Targets initiative (SBTi) Net Zero Standard. Progress 2023: Kappahl will for year 2022 measure the energy-efficiency for all direct suppliers reporting in either Higg FEM or via the STICA questionnaire. In Bangladesh, our largest production country, Kappahl has engaged three suppliers in the UN PaCT program and started collaborating with STICA members who are producing at the same suppliers and share our ambitions.</p> <p><b>Opportunities:</b> Closer collaboration with the Swedish Textile Initiative for Climate Action (STICA). Opportunities include: changed customer behaviour/product care guidelines, sustainable offers in our customer segment, new revenue streams from increased resale/rent/repair opportunities.</p>	<p><b>Climate roadmap</b></p> <p>We commit to reduce absolute climate emissions with 50% by 2030. We commit to reach climate neutrality in 2040 via the SBTi.</p> <ul style="list-style-type: none"> <li>• 80% reduction of scope 1 and 2 climate emissions</li> <li>• 49% reduction of scope 3 climate emissions</li> <li>• 50% reduction per unit by 2026</li> <li>• We will reach climate neutrality in 2040</li> </ul> <p><b>Consequences if the goals are not met:</b></p> <p>Harm to society:</p> <ul style="list-style-type: none"> <li>• Global warming leading to e.g. inundating coastlines, intensifying droughts, storms, heat waves, and food scarcity.</li> </ul> <p>Harm to Kappahl:</p> <ul style="list-style-type: none"> <li>• Loss of reputation leading to lower sales and recruitment difficulties</li> <li>• Increased costs if carbon pricing or carbon border adjustment mechanisms (CBAM) applies to Kappahl's products in the future</li> <li>• Not having access to the same supply chains if these are heavily affected by climate change</li> </ul>

Salient issue	Assessment of risks and opportunities	How the Responsible Fashion strategy addresses this issue
<p><b>Energy/Fuel Use / Fossil Fuel Depletion</b></p> <p><b>Description:</b> Energy/Fuel Use (or Fossil Fuel Depletion) impacts are relative to the fuel or energy source. Renewable energy generation does not produce GHG emissions, grid electricity can have different GHG emissions depending on the energy mix of the country or region. Fossil fuel sources create GHG emissions when burned – higher or lower amounts depending on the fuel source. Biofuels usually release as much GHG as they have captured during cultivation, but there is high variability in the sustainability of biofuel sources.</p> <p>Identified actual adverse impacts that Kappahl either has caused, has contributed to or is linked to via established business relationships:</p> <p>See <a href="#">page 28</a> on energy reporting</p>	<p><b>Sector risk factors:</b> Energy use is not one of the sector risk factors listed by OECD though the list is not claimed to be complete.</p> <p><b>Product risk factors:</b> -</p> <p><b>Business model risk factors:</b> Same as for GHG emissions.</p> <p><b>Country risk factors:</b> -</p> <p><b>Sourcing model risk factors:</b> High number of product lines &amp; margin pressure gives less attention for each supplier which increase the risk that excess energy is used and energy from fossil fuels.</p> <p><b>Risk of harm to Kappahl:</b> Same as for GHG emissions but lower severity and likelihood as it is not given the same media attention.</p> <p><b>Risk mitigation actions:</b> We are working with the Higg Index tools to follow-up on fuels and electricity.</p> <p>Progress 2023 (same as GHG emissions): Kappahl will for year 2022 measure the energy-efficiency for all direct suppliers reporting in either Higg FEM or via the STICA questionnaire. In Bangladesh, our largest production country, Kappahl has engaged three suppliers in the UN PaCT program and started collaborating with STICA members who are producing at the same suppliers and share our ambitions.</p> <p><b>Opportunities:</b> Closer collaboration with STICA.</p>	<p><b>KPIs:</b></p> <ul style="list-style-type: none"> <li>• 20% decrease of energy use YOY in own operations</li> <li>• 100% electricity and district heating that we purchase under own agreements are from renewable sources (goal reached 2020)</li> <li>• 80% order volume reporting on Higg Index FEM (Tier 1) by 2023</li> <li>• 100% of suppliers with full traceability tier 1-4 by 2025</li> <li>• 100% of production processes tier 1-4 are more sustainable by 2030</li> </ul> <p><b>Consequences if the goals are not met:</b></p> <p>Harm to society:</p> <ul style="list-style-type: none"> <li>• Climate impact, fossil fuel depletion and depletion of bio-based energy sources.</li> </ul> <p>Harm to Kappahl:</p> <ul style="list-style-type: none"> <li>• Loss of competitiveness when working with old energy demanding processes.</li> </ul>



Salient issue	Assessment of risks and opportunities	How the Responsible Fashion strategy addresses this issue
<p><b>Biodiversity/Land Use/Habitat Loss</b></p> <p><b>Description:</b> Biodiversity impacts are defined as the degradation of important habitats and species which can lead to irredeemable loss of biodiversity or damage ecosystem service functions. Land use is a physical process that can cause habitat loss while irresponsible use of water or pollution are other causes to biodiversity impacts.</p> <p>Identified actual adverse impacts that Kappahl either has caused, has contributed to or is linked to via established business relationships:</p> <p>None</p>	<p><b>Sector risk factors:</b> Biodiversity/Land Use/Habitat Loss is not one of the sector risk factors listed by OECD though the list is not claimed to be complete. Biodiversity is one of the most urgent environmental issues according to UN, EU and several NGOs</p> <p><b>Product risk factors:</b> Products with tree and/or plant origin materials: cotton and wood-based textile fibres. Packaging material. Wood hangers and store fitting materials in wood</p> <p><b>Business model risk factors:</b> Same as for GHG emissions.</p> <p><b>Business model risk factors:</b> Kappahl has a vast number of product lines containing material of tree/plant origin. The phase-out of fossil fuel in the value chain brings a risk that biobased energy sources have a negative impact on biodiversity Exploitation of land areas for e.g. new shopping malls where Kappahl establishes itself may lead to habitat loss.</p> <p><b>Country risk factors:</b> -</p> <p><b>Sourcing model risk factors:</b> The limited traceability in the supply chain brings low visibility which increase the risk.</p> <p><b>Risk of harm to Kappahl:</b> Biodiversity is increasingly important to customers, but awareness is still low. Media attention in case it is revealed that a Kappahl product or operation contributes to e.g. habitat loss may harm Kappahl's reputation and lead to a decrease in sales</p> <p><b>Risk mitigation actions:</b> For cotton, Kappahl accepts only certified raw materials. We are working to increase the percentage of certified wood-based materials</p> <p>For wood-based materials, Kappahl works with FSC under license number FSC® N003228</p> <p><b>Opportunities:</b> Closer collaboration with Textile Exchange, Canopy. Use of the WWF biodiversity risk filter published in 2023 and develop a roadmap for mitigating biodiversity loss</p>	<p><b>KPIs:</b></p> <ul style="list-style-type: none"> <li>• 100% of products in more sustainable fabrics by 2025</li> <li>• 100% of production processes tier 1-4 are more sustainable by 2030</li> </ul> <p><b>Consequences if the goals are not met:</b></p> <p>Harm to society:</p> <ul style="list-style-type: none"> <li>• Irredeemable loss of biodiversity or damage ecosystem service functions</li> <li>•</li> </ul> <p>Harm to Kappahl:</p> <ul style="list-style-type: none"> <li>• Loss of reputation leading to lower sales and recruitment difficulties.</li> </ul>

Salient issue	Assessment of risks and opportunities	How the Responsible Fashion strategy addresses this issue
<p><b>Water Use/Water Scarcity</b></p> <p><b>Description:</b> Water scarcity risks are defined as the overexploitation of water resources which can reduce availability for other water users and the environment and result in long term loss of important water sources.</p> <p>Identified actual adverse impacts that Kappahl either has caused, has contributed to or is linked to via established business relationships:</p> <p>None.</p>	<p><b>Sector risk factors:</b> Water consumption is one of the sector risk factors listed by OECD. Cotton cultivation and wet treatment are the main risk operations</p> <p><b>Product risk factors:</b> Cotton cultivation is the overall most common source to water scarcity. For Kappahl that uses certified cotton with responsible use of water the risk should be lower on field-level</p> <p><b>Business model risk factors:</b> -</p> <p><b>Country risk factors:</b> High risk in countries with known water scarcity.</p> <p><b>Sourcing model risk factors:</b> High number of product lines &amp; margin pressure gives less attention for each supplier which increase the risk that excess water is used.</p> <p><b>Risk of harm to Kappahl:</b> Loss of reputation leading to lower sales and recruitment difficulties.Kappahl's reputation and lead to a decrease in sales. Long term loss of important water sources.</p> <p><b>Risk mitigation actions:</b> For cotton, Kappahl accepts only certified raw materials We are working with the Higg Index tools to follow-up on water use Kappahl has a Sustainability Commitment that all suppliers are committed to follow.</p> <p><b>Opportunities:</b> Use of the WWF water risk filter and develop a roadmap for mitigating water use and water scarcity</p>	<p><b>Material and Process targets</b></p> <p><b>KPIs:</b></p> <ul style="list-style-type: none"> <li>• 100% of products in more sustainable fabrics by 2025</li> <li>• 100% of production processes tier 1-4 are more sustainable by 2030</li> </ul> <p><b>Consequences if the goals are not met:</b></p> <p>Harm to society:</p> <ul style="list-style-type: none"> <li>• Overexploitation of water resources which can reduce availability for other water users and the environment and result in long term loss of important water sources.</li> </ul> <p>Harm to Kappahl:</p> <ul style="list-style-type: none"> <li>• Loss of reputation leading to lower sales and recruitment difficulties.</li> </ul>

Salient issue	Assessment of risks and opportunities	How the Responsible Fashion strategy addresses this issue
<p><b>Core Human Rights</b></p> <ul style="list-style-type: none"> <li>• Health and Safety</li> <li>• Forced labour</li> <li>• Freedom of Association and Collective Bargaining</li> <li>• Discrimination, Harassment and Abuse</li> <li>• Child labour</li> </ul> <p>Identified actual adverse impacts that Kappahl either has caused, has contributed to or is linked to via established business relationships:</p> <p>See <a href="#">page 27</a> on factory review reporting</p>	<p><b>Sector risk factors:</b> Health and Safety, Forced labour, Freedom of Association and Collective Bargaining, Discrimination, Harassment and Abuse and Child labour are sector risk factors listed by OECD</p> <p><b>Product risk factors:</b> Stages of production where risks are higher include cotton harvesting.</p> <p><b>Business model risk factors:</b> Our business idea is to offer affordable and responsible fashion, which brings a risk of high margin pressure. At the same time, responsible fashion means that all decisions should be business-focused and sustainable.</p> <p><b>Country risk factors:</b> Due to low visibility on lower tiers this cannot be assessed</p> <p><b>Sourcing model risk factors:</b> Violations of social and human rights has a higher probability of occurring in lower tiers where the visibility is low</p> <p><b>Risk of harm to Kappahl:</b> Loss of reputation leading to lower sales and recruitment difficulties</p> <p><b>Risk mitigation actions:</b> We have joined the renewed Bangladesh Accord We are working with supplier consolidation. We visit all our Tier 1 factories with own staff from production offices in the production countries. Kappahl has a Sustainability Commitment that all suppliers are committed to follow. Kappahl has a People Strategy to make Kappahl an attractive employer in all countries. Kappahl has whistle-blower mechanisms and an annual attitude survey (KAS) to catch occurrences of discrimination and other working environment risks. Progress 2023: Kappahl has started implementing the TrusTrace traceability software to gain visibility in the lower tiers of the supply chain. Kappahl will include sustainability requirements in the supplier evaluations of logistics service providers. We have joined the Pakistan Accord in 2022. Kappahl published an Inclusion &amp; Diversity policy in 2022.</p> <p><b>Opportunities:</b> Good performance will be important for customers to have trust in Kappahl's sustainability work</p>	<p><b>Production and supplier strategy</b></p> <p>We commit to contributing to the promotion of human rights in communities within our supply chain. We commit to working with transparent, responsible, and sustainable partners.</p> <p><b>KPIs:</b></p> <ul style="list-style-type: none"> <li>• 100% of tier 1 supplier factories approved on sustainability requirements (requirement)</li> <li>• 50% order volume reporting on Higg Index FSLM (Tier 1) by 2023 100% of suppliers with full traceability tier 1-4 by 2025</li> <li>• 100% of production processes tier 1-4 are more sustainable by 2030</li> </ul> <p><b>Consequences if the goals are not met:</b></p> <p>Harm to society:</p> <ul style="list-style-type: none"> <li>• Violations of social and human rights</li> </ul> <p>Harm to Kappahl:</p> <ul style="list-style-type: none"> <li>• Loss of reputation leading to lower sales and recruitment difficulties.</li> </ul>

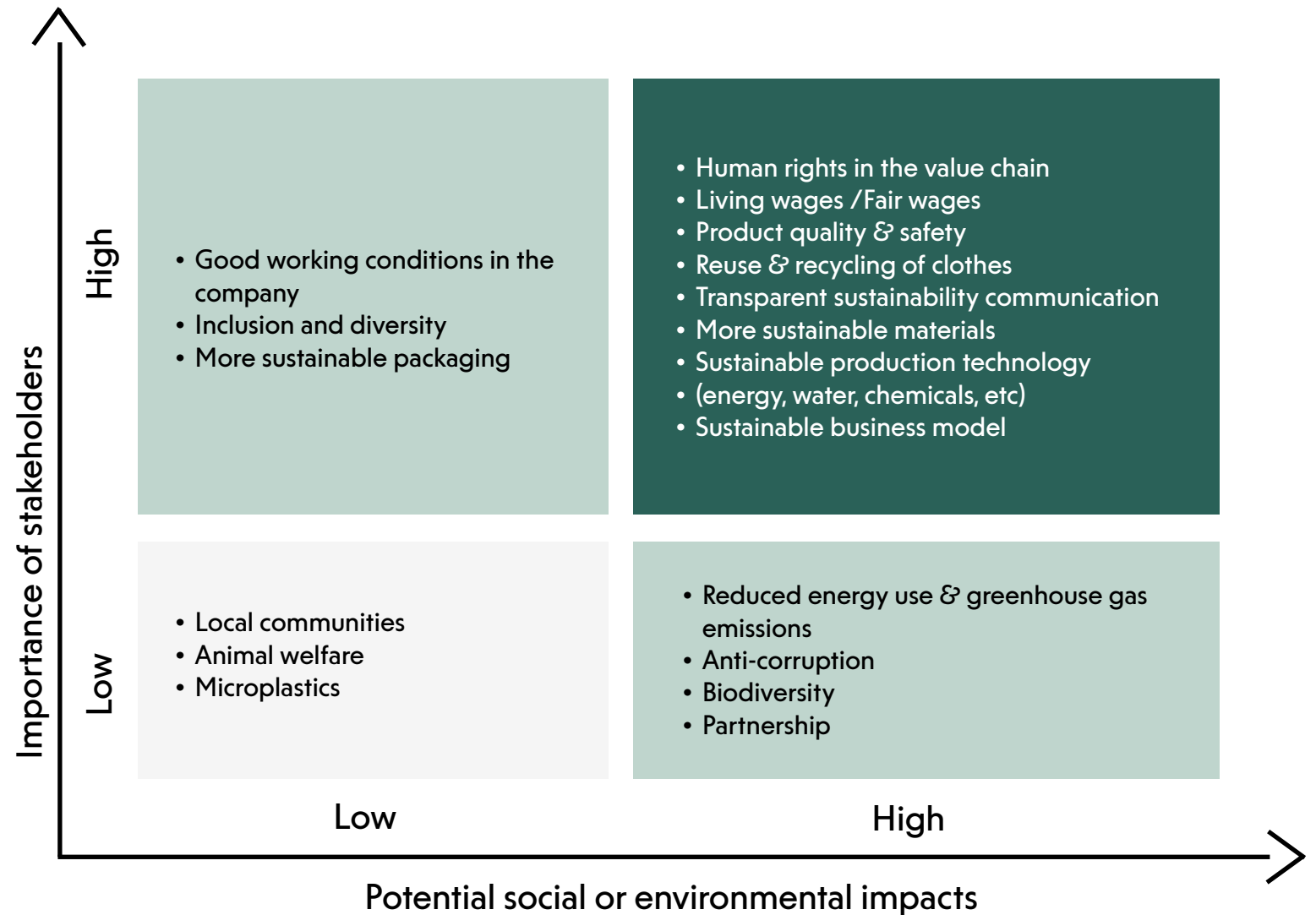
Salient issue	Assessment of risks and opportunities	How the Responsible Fashion strategy addresses this issue
<p><b>Human Rights and Decent Work</b></p> <ul style="list-style-type: none"> <li>• Wages and Benefits</li> <li>• Working Hours</li> <li>• Access to Water Sanitation</li> <li>• Decent Work</li> <li>• Sexual Harassment and Gender-Based Violence</li> <li>• Right to Health</li> <li>• Right to Privacy</li> <li>• Right to Security of the Person</li> <li>• Minorities' and Communities' Rights</li> <li>• Responsible Sourcing from Homeworkers</li> </ul> <p>Identified actual adverse impacts that Kappahl either has caused, has contributed to or is linked to via established business relationships:</p> <p>See <a href="#">page 27</a> on factory review reporting.</p>	<p><b>Sector risk factors:</b> Human rights and decent work is one of the sector risk factors listed by OECD.</p> <p><b>Product risk factors:</b> Stages of production where risks are higher include cotton harvesting.</p> <p><b>Business model risk factors:</b> Our business idea is to offer affordable and responsible fashion, which brings a risk of high margin pressure. At the same time, responsible fashion means that all decisions should be business-focused and sustainable.</p> <p><b>Country risk factors:</b> Due to low visibility on lower tiers this cannot be assessed.</p> <p><b>Sourcing model risk factors:</b> Violations of social and human rights has a higher probability of occurring in lower tiers where the visibility is low.</p> <p><b>Risk of harm to Kappahl:</b> Loss of reputation leading to lower sales and recruitment difficulties..</p> <p><b>Risk mitigation actions:</b> We have joined the renewed Bangladesh Accord. We are working with supplier consolidation. We visit all our Tier 1 factories with own staff from production offices in the production countries. We are working with supplier evaluation to follow-up on respect for human rights. Kappahl has a Sustainability Commitment that all suppliers are committed to follow. Kappahl has a People Strategy to make Kappahl an attractive employer in all countries. Kappahl has whistle-blower mechanisms and an annual attitude survey (KAS) to catch occurrences of discrimination and other working environment risks. Progress 2023: Kappahl has started implementing the TrusTrace traceability software to gain visibility in the lower tiers of the supply chain. Kappahl will include sustainability requirements in the supplier evaluations of logistics service providers. We have joined the Pakistan Accord in 2022. Kappahl published an Inclusion &amp; Diversity policy in 2022.</p> <p><b>Opportunities:</b> KPIs to measure progress from factory reviews Tier 2-4 suppliers reporting in Higg FSLM or equivalent.</p>	<p><b>Production and supplier strategy</b></p> <p>We commit to contributing to the promotion of human rights in communities within our supply chain. We commit to working with transparent, responsible, and sustainable partners.</p> <p><b>KPIs:</b></p> <ul style="list-style-type: none"> <li>• 100% of tier 1 supplier factories approved on sustainability requirements (requirement)</li> <li>• 50% order volume reporting on Higg Index FSLM (Tier 1) by 2023 100% of suppliers with full traceability tier 1-4 by 2025</li> <li>• 100% of production processes tier 1-4 are more sustainable by 2030</li> </ul> <p><b>Consequences if the goals are not met:</b></p> <p>Harm to society:</p> <ul style="list-style-type: none"> <li>• Violations of social and human rights</li> </ul> <p>Harm to Kappahl:</p> <ul style="list-style-type: none"> <li>• Loss of reputation leading to lower sales and recruitment difficulties.</li> </ul>

Salient issue	Assessment of risks and opportunities	How the Responsible Fashion strategy addresses this issue
<p><b>Animal Welfare</b></p> <p><b>Description:</b> Animal Welfare is defined as the care and protection of the health and well-being of animals.</p>	<p><b>Sector risk factors:</b> Animal welfare is not one of the garment sector risk factors listed by OECD though the list is not claimed to be complete.</p> <p><b>Product risk factors:</b> Products with animal origin materials.</p> <p><b>Business model risk factors:</b> Kappahl has a very limited number of product lines containing material of animal origin.</p> <p><b>Country risk factors:</b> For countries with low visibility the risk is high that Kappahl cannot prove that our supply chain respects our animal welfare policy.</p> <p><b>Sourcing model risk factors:</b> The limited traceability in the supply chain brings low visibility which increases the risk.</p> <p><b>Risk of harm to Kappahl:</b> Animal welfare is important to customers. Inadequate risk management may harm Kappahl's reputation and lead to a decrease in sales. Risk that new discoveries are made of mistreatment of animals.</p> <p><b>Risk mitigation actions:</b> Kappahl has an Animal Welfare Policy that all suppliers are committed to follow. For high-risk materials, Kappahl accepts only certified raw materials.</p> <p><b>Opportunities:</b> Good performance will be important for customers to have trust in Kappahl's sustainability work.</p>	<p><b>Transition to more sustainable* materials (fiber s, processes and function)</b></p> <p>All materials more sustainable* by 2025</p>
Issues where more information is needed	Assessment of risks and opportunities	How the Responsible Fashion strategy addresses this issue
<p><b>Microplastics (part of the water pollution issue, see above)</b></p>	<p>Kappahl will follow research and the media debate on microplastics/fiber fragmentation to learn more. Kappahl needs more knowledge about its contribution for risk management to be viewed as adequate today.</p>	<p>Part of the Wastewater/Water Pollution/ Eutrophication management</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 but several topics have extended the focus to include the entire value chain.

The issues raised by the stakeholders summarizes rather well the key impacts, risks and opportunities for Kappahl. Our higher purpose to celebrate diversity in everyday life adds a focus on inclusion and diversity in our own organization. The Responsible Fashion strategy and our risk assessment, together with external guidelines and standards from at first hand the United Nations' Sustainable Development Goals (SDGs), the Framework for Strategic Sustainability Development (FSSD) and the Ethical Trading Initiative (ETI), adds a focus on transparency in the entire value chain, 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

**From fiber to readymade garment - soon our customers can access information about how and where our products are produced. In 2023 all of our denim jeans will be sold with complete transparency information.**

With the digital platform TrusTrace, Kappahl will have the tool to in an efficient way collect sustainability data for all our garments. The data will show where and how the products are produced, from garment supplier town to fibre source. Together it will give us the information and a good overview of the garments value chain and all the processes.

We will not apply this to all our products at the same time, so during autumn 2022 we have started to collect data manually for all our denim, all target groups. This is a pilot to start the dialog internally and with our suppliers, to learn more about all steps. The collected data will be filled into our new system and summarized in an easy way and accessible on each pair of denim jeans for our customers on the online shop for autumn 2023.



# 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 found on [page 53](#).

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).

<b>Statement of use</b>		<b>Kappahl AB has reported in accordance with the GRI Standards for the period January 1 - December 31, 2022.</b>				
<b>GRI 1 used</b>		<b>GRI 1: Foundation 2021</b>				
<b>Applicable GRI Sector Standard(s)</b>		<b>Not currently available</b>				
GRI standard/ other source	Disclosure	Page reference	Notes	Omission		
				Requirement(s) omitted	Reason	Explanation
<b>General Disclosures</b>						
<b>GRI 2: General Disclosures 2021</b>	2-1 Organizational details	1-2, 63		A gray cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available.		
	2-2 Entities included in the organization's sustainability reporting	1, 63				
	2-3 Reporting period, frequency and contact point	1				
	2-4 Restatements of information	14				
	2-5 External assurance	1, 61				
	2-6 Activities, value chain and other business relationships	2-3, 22, 45				
	2-7 Employees	2-3, 36-41				
	2-8 Workers who are not employees	36				
	2-9 Governance structure and composition	20-21, 40				
	2-10 Nomination and selection of the highest governance body	20-21				
	2-11 Chair of the highest governance body	20-21				



GRI standard/ other source	Disclosure	Page reference	Notes	Omission		
				Requirement(s) omitted	Reason	Explanation
<b>General Disclosures</b>						
<b>GRI 2: General Disclosures 2021</b>	2-12 Role of the highest governance body in overseeing the management of impacts	20-21				
	2-13 Delegation of responsibility for managing impacts	20-21				
	2-14 Role of the highest governance body in sustainability reporting	20-21				
	2-15 Conflicts of interest	20-21				
	2-16 Communication of critical concerns	20-21				
	2-17 Collective knowledge of the highest governance body	20-21				
	2-18 Evaluation of the performance of the highest governance body	20-21				
	2-19 Remuneration policies	20-21				
	2-20 Process to determine remuneration	20-21				
	2-21 Annual total compensation ratio	omission	Will be added or reason explained			
	2-22 Statement on sustainable development strategy	6-7				
	2-23 Policy commitments	23, 30, 45				
	2-24 Embedding policy commitments	21-23, 26, 30				
	2-25 Processes to remediate negative impacts	23, 25-27, 30				
	2-26 Mechanisms for seeking advice and raising concerns	26, 30				
	2-27 Compliance with laws and regulations	28, 30				
	2-28 Membership associations	13, 26				
	2-29 Approach to stakeholder engagement	27, 43-44				
2-30 Collective bargaining agreements	26-27, 30, 50					

GRI standard/ other source	Disclosure	Page reference	Notes	Omission		
				Requirement(s) omitted	Reason	Explanation
<b>Material topics</b>						
<b>GRI 3: Material Topics 2021</b>	3-1 Process to determine material topics	43-45, 53		A gray cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available.		
	3-2 List of material topics	53				
<b>Anti-corruption</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	22-23, 43-45, 53				
<b>GRI 205: Anti-corruption 2016</b>	205-2 Communication and training about anti-corruption policies and procedures	21, 26, 30				
	205-3 Confirmed incidents of corruption and actions taken	30				
<b>Materials</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	22-25, 43-49, 53				
<b>GRI 301: Materials 2016</b>	301-1 Materials used by weight or volume	24-25				
<b>Energy</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	22-23, 26, 28, 30, 43-47, 53				
<b>GRI 302: Energy 2016</b>	302-3 Energy intensity	31				
<b>Water and effluents</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	22-25, 28, 43-45, 49, 53				
<b>Own disclosure</b>	Water withdrawal by source	10, 28				
	Water sources significantly affected by withdrawal of water	10, 27-28				
<b>Emissions</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	12-14, 22-32, 43-46, 53				

GRI standard/ other source	Disclosure	Page reference	Notes	Omission		
				Requirement(s) omitted	Reason	Explanation
<b>GRI 305: Emissions 2016</b>	305-1 Direct (Scope 1) GHG emissions	12-14				
	305-2 Energy indirect (Scope 2) GHG emissions	12-14				
	305-3 Other indirect (Scope 3) GHG emissions	12-14				
	305-5 Reduction of GHG emissions	12-14				
<b>Employment</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	22-23, 30, 43-45, 53				
<b>GRI 401: Employment 2016</b>	401-1 New employee hires and employee turnover	36, 39		Staff turnover is not reported by age group and gender	Information unavailable/incomplete	Support system not implemented.
<b>Occupational health and safety</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	22-23, 30, 43-45, 53				
<b>GRI 403: Occupational Health and Safety 2018</b>	403-1 Occupational health and safety management system	30				
	403-2 Hazard identification, risk assessment, and incident investigation	30				
	403-3 Occupational health services	30				
	403-4 Worker participation, consultation, and communication on occupational health and safety	30				
<b>Occupational health and safety</b>						
<b>GRI 403: Occupational Health and Safety 2018</b>	403-5 Worker training on occupational health and safety	30, 42				
	403-6 Promotion of worker health	30				
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	28				

GRI standard/ other source	Disclosure	Page reference	Notes	Omission		
				Requirement(s) omitted	Reason	Explanation
<b>Training and education</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	22-23, 30, 43-45, 53				
<b>GRI 404: Training and Education 2016</b>	404-1 Average hours of training per year per employee	30				
<b>Diversity and equal opportunity</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	22-23, 30, 40, 43-45, 53				
<b>GRI 405: Diversity and Equal Opportunity 2016</b>	405-1 Diversity of governance bodies and employees	40				
<b>Non-discrimination</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	22-23, 30, 40, 43-45, 53				
<b>GRI 406: Non-discrimination 2016</b>	406-1 Incidents of discrimination and corrective actions taken	40-41				
<b>Freedom of association and collective bargaining</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	22-23, 26-27, 43-45, 50, 53				
<b>GRI 407: Freedom of Association and Collective Bargaining 2016</b>	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	26-27, 50				
<b>Child labor</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	22-23, 26-27, 43-45, 50, 53				
<b>GRI 408: Child Labor 2016</b>	408-1 Operations and suppliers at significant risk for incidents of child labor	26-27, 50				

GRI standard/ other source	Disclosure	Page reference	Notes	Omission		
				Requirement(s) omitted	Reason	Explanation
<b>Forced or compulsory labor</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	22-23, 26-27, 43-45, 50, 53				
<b>GRI 409: Forced or Compulsory Labor 2016</b>	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	26-27, 50				
<b>Local communities</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	22-24, 43-45, 48-51, 53				
<b>GRI 413: Local Communities 2016</b>	413-2 Operations with significant actual and potential negative impacts on local communities	24				
<b>Supplier social assessment</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	22-23, 26-27, 43-45, 53				
<b>GRI 414: Supplier Social Assessment 2016</b>	414-1 New suppliers that were screened using social criteria	27				
	414-2 Negative social impacts in the supply chain and actions taken	26-27				
<b>Customer health and safety</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	22-23, 43-45, 53				
<b>GRI 416: Customer Health and Safety 2016</b>	416-1 Assessment of the health and safety impacts of product and service categories	28				
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	28				
<b>Marketing and labeling</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	22-23, 32, 43-45, 53				
<b>GRI 417: Marketing and Labeling 2016</b>	417-3 Incidents of non-compliance concerning marketing communications	33				

# Norwegian Transparency Act

The table below guides to the disclosures required under the Norwegian Transparency Act. At Kappahl, our President and CEO has the ultimate responsibility for Kappahl's sustainability performance. The Vice President Sustainability is responsible for leading, developing and reporting the sustainability work, including stakeholder dialogues, risk assessments and for developing strategies, policies, and goals. Kappahl carries out due diligence in accordance with the OECD Guidelines for Multinational Enterprises. The risk assessment is carried out on yearly basis by an internal expert team, and takes into account risks from a sector, product, business model, country and sourcing model perspective. We have integrated sustainability in our business strategy and work with transparent and responsible suppliers. We ensure respect of the human rights of the people whose work is contributing to our business; respect of the environment; and good governance in all our business relationships and throughout our value chain via our [Sustainability Commitment](#).

Disclosures for the Norwegian Transparency Act	Pages
Our company structure, products and area of operations	2-3, 5, 63
Guidelines and procedure for the due diligence process	20-23, 45
Embedding responsible business conduct into policies and commitments	23
Grievance mechanism and whistle-blower services	26, 30, 50-51
Stakeholder dialogue	27, 43-44
Industry collaboration	26
Actual adverse impacts identified through our due diligence	27, 45
Significant risks of adverse impacts identified through our due diligence	45, 50-51
Implemented and planned measures to cease actual adverse impacts or mitigate significant risks of adverse impacts, and the results or expected results thereof.	17, 50-51
Processes to remediate negative impacts	26-27



# 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.

Malmö, 2023 , date as indicated by my signature

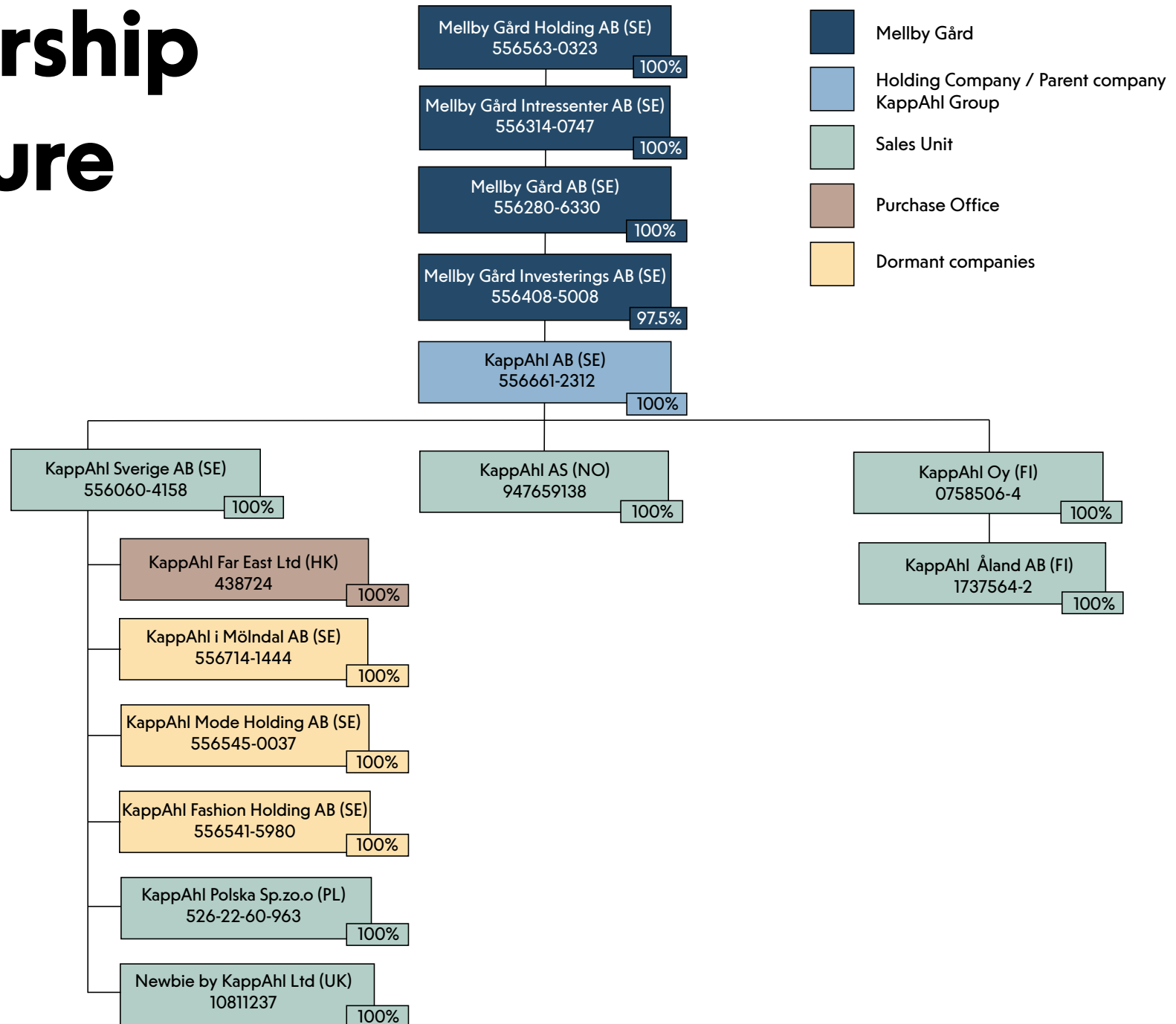
PricewaterhouseCoopers AB

Eva Carlsvi

Authorized Public Accountant



# Ownership Structure





# Terms & Abbreviations

<b>FSC</b>	Forest Stewardship Council
<b>GOTS</b>	Global Organic Textile Standard
<b>Higg Index</b>	A suite of sustainability performance tools developed by the Sustainable Apparel Coalition.
<b>ILO</b>	International Labour Organization
<b>ISO</b>	International Organization for Standardization
<b>ISO 14001</b>	ISO 14001 is the international standard that specifies requirements for an effective environmental management system.
<b>More Sustainable</b>	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.
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>Paris Agreement</b>	The Paris Agreement is a legally binding international treaty on climate change, adopted by 196 Parties at COP 21 in Paris, 2015.
<b>Shop Online</b>	Kappahl's webshop at <a href="https://www.Kappahl.com/">https://www.Kappahl.com/</a>

## 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.



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