



# Annual Sustainability Report 2023

**Kappahl**

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# Kappahl

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contact or via [info@Kappahl.com](mailto:info@Kappahl.com) for questions about  
the report or reported information.

## About the Sustainability Report

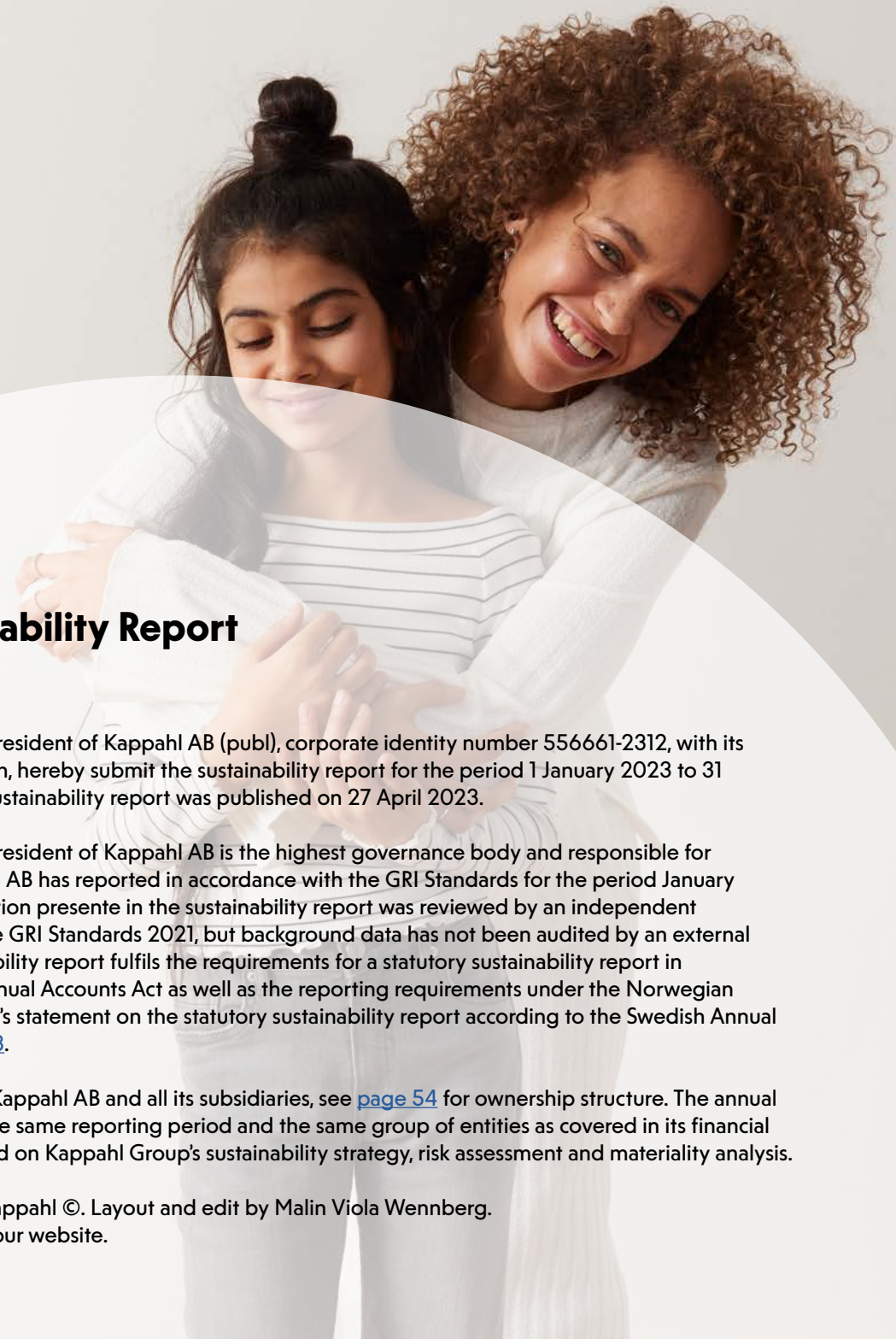
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The Board of Directors and the President of Kappahl AB (publ), corporate identity number 556661-2312, with its headquarters in Mölndal, Sweden, hereby submit the sustainability report for the period 1 January 2023 to 31 December 2023. The previous sustainability report was published on 27 April 2023.

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 2023. The information presente in the sustainability report was reviewed by an independent sustainability consultant, from the GRI Standards 2021, but background data has not been audited 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 53](#).

The sustainability report covers Kappahl AB and all its subsidiaries, see [page 54](#) for ownership 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 Group'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 Group

Founded in 1953 in Gothenburg, Sweden, the Kappahl Group is a leading fashion chain in the Nordics, with around 340 Kappahl and Newbie stores in Sweden, Norway, Finland, Poland and the UK, and online in more than 20 markets throughout Europe and Asia.

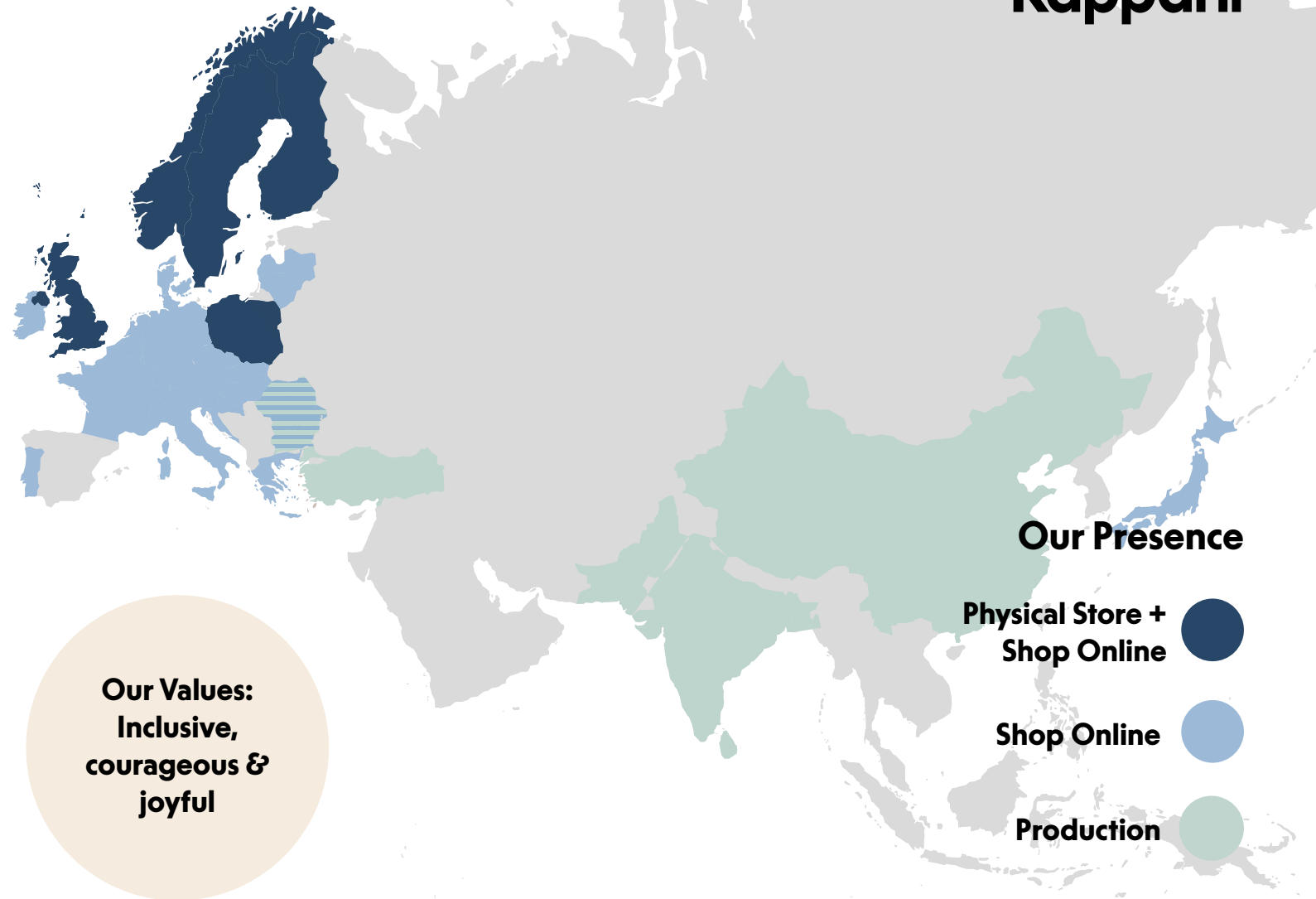
The Kappahl team consists of some 4,000 colleagues in nine countries, with different backgrounds, ages, skills and styles. Our common motivation is to create a responsible world of fashion and offer fashion to a wide variety of people and lifestyles

In 2023 our sales were 5.0 (5.1) billion SEK and profit before tax was 487 (398) million SEK. Kappahl is owned by Mellby Gård AB, a family owned, long-term investor based in Malmö, Sweden. The total capitalization was 4,531 million SEK, whereof total liabilities 2,307 million SEK and total equity 2,224 million SEK.

**We exist to create a responsible world of fashion**

**Our Brands**

newbie  
Kappahl



## Our presence

The most significant changes to Kappahl Group's activities, value chain and other business relationships during 2023 has been the reorganization of the Kappahl Group and its two brands Kappahl and Newbie as separate business units and closing the Kappahl office in Hong Kong. Last year's values are presented in parenthesis.

### Sales Countries

#### Sweden

Net sales, million SEK: 2,621 (2,703)  
Kappahl's presence: 150 (156) physical stores plus Shop Online  
Newbie's presence: 6 (6) physical stores  
Average number of full-time positions<sup>1,2</sup>: 1,496 (1,509)

#### Norway

Net sales, million SEK: 1,484 (1,495)  
Kappahl's presence: 91 (93) physical stores plus Shop Online  
Newbie's presence: 6 (6) physical stores  
Average number of full-time positions<sup>1</sup>: 585 (602)

#### Finland

Net sales, million SEK: 453 (497)  
Kappahl's presence: 45 (48) physical stores plus Shop Online  
Newbie's presence: 1 (1) physical stores  
Average number of full-time positions<sup>1</sup>: 220 (183)

#### Poland

Net sales, million SEK: 307 (304)  
Kappahl's presence: 26 (29) physical stores plus Shop Online  
Newbie's presence: 9 (7) physical stores  
Average number of full-time positions<sup>1</sup>: 202 (217)

#### United Kingdom

Net sales, million SEK: 51 (53)  
Newbie's presence: 4 (4) physical stores plus newbiestore.com  
Average number of full-time positions<sup>1</sup>: 10 (9)

### Online Sales Countries

**Denmark, Austria, Belgium, Croatia, Cyprus, Czech Republic, Greece, Germany, Hungary, Ireland, Italy, Japan, Romania, Switzerland, France, Latvia, Lithuania, Luxembourg, Netherlands, Portugal, Slovakia**  
Net sales, SEK million: 8.4 (2)

### Production Countries

#### Bangladesh

Share of production<sup>3</sup>: 44 (52) %  
Number of employees<sup>4</sup>: 52 (54)

#### China

Share of production<sup>3</sup>: 31 (31) %  
Number of employees<sup>4</sup>: 60 (48)

#### India

Share of production<sup>3</sup>: 8 (6) %  
Number of employees<sup>4</sup>: 16 (14)

#### Turkey

Share of production<sup>3</sup>: 7 (5) %

#### Cambodia

Share of production<sup>3</sup>: 5 (6) %

#### Sri Lanka

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

#### Pakistan

Share of production<sup>3</sup>: 2 (<1) %

#### Bulgaria

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

#### Romania

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 Group'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.

# Sales in numbers

## Percentage of sales per brand in 2023

16% Newbie  
84% Kappahl

**26**

Newbie stores  
in 5 markets

Shop Online: 27 markets

**5.0 billion SEK in sales**

**487 million SEK profit  
before tax**

**Percentage of sale  
in 2023**

Woman 48%,  
Men 7%, Kids 45%

**312**

Kappahl stores  
in 4 markets  
Shop Online: 5 markets

**34.7**

million products sold

## Selected important events

- Kappahl Group's higher purpose was developed: "We exist to create a responsible world of fashion."
- Kappahl makes the Newbie brand a separate business unit and appoints Thomas Kusoffsky as its Vice President
- Newbie expanded into eleven new markets: Croatia, Cyprus, Germany, Greece, Hungary, Ireland, Italy, Japan, Romania, Slovenia and Switzerland
- Kappahl Group launched the TrusTrace tool to all suppliers to enable traceability and measurability in the entire supply chain
- All Kappahl and Newbie denim trousers are traceable from garment to fibre from Fall/Winter season 2023 as a first product group

**3940**

employees in 8 countries

# Our CEO in conversation

**We exist to create a responsible world of fashion. 2023 was a year of updates and improvements. In the last year, the Kappahl Group revised its higher purpose and sustainability strategy. Additionally, the organizational structure was modified creating a solid foundation for growing stronger distinct brands under the overarching Kappahl Group umbrella. The revision of higher purpose and sustainability strategy extends beyond our brands; it's a commitment at the Kappahl Group level guiding our entire organization.**

Kappahl Group aims to set the standard by consistently fulfilling our commitments: caring for the environment by reducing the environmental footprint of every garment and prioritizing the well-being of our team members. Kappahl Group is a forward-leaning organization that, coupled with a realistic mindset, is stepping up to the task in the sustainability transformation, says Elisabeth Peregi, Kappahl Group President and CEO

As part of our updated strategy, we prioritize creating fashion that's made for more while using less, says Sandra Roos, Vice President Sustainability. This entails manufacturing clothes with a reduced negative impact on our planet and people, ensuring they're designed for long use.

Under the "Made for more" principle, our garments are crafted to last, emphasizing

both design and quality. We facilitate circularity and emphasize product benefits and services to maximize garment usage. This aspect underscores our commitment to quality and responsible consumption.

Simultaneously, under the "Made with less" spirit, we focus on minimizing environmental impact during the manufacturing process. This includes reducing chemical and water usage compared to conventional production methods, thereby lessening harm to the planet and its inhabitants. We address materials, processes, and circularity within this framework.

**We promise our customers fashion made for more, while using less**



Elisabeth Peregi, Kappahl Group President and CEO



**Elisabeth Peregi and Sandra Roos together at Kappahl second hand department in the Frölunda Torg store**

In 2023, we updated our organization structure forming Kappahl Group consisting of two separate brands: Kappahl and Newbie, and the so called Core functions. This updated organizational framework enables each brand to grow under the Kappahl Group umbrella. By uniting under a common higher purpose, we establish the essential framework for our brands to operate sustainably. Our overarching mission, "We exist to create a responsible world of fashion," guides every aspect of our operations.

Our updated organizational structure empowers us to fulfill our commitments to our financial partners, customers, and colleagues in the supply chain. Our updated

higher purpose fosters cross-department collaborations and functions, ensuring the continued responsible growth of our brands while prioritizing the needs of all our stakeholders, says Elisabeth.

Furthermore, we have revised our sustainability strategy to ensure it transcends our individual brands; it's now a commitment at the Kappahl Group level. Grounded in guidelines and principles from esteemed international bodies like the United Nations, Ethical Trading Initiative, and the Science Based Targets initiative, our sustainability strategy undergoes annual updates. These updates are informed by insights gleaned from our value chain

and stakeholder dialogues. The updated strategy has three strategic areas: 1; climate and environment, 2; social sustainability, and 3; transparency and engagement. Making this commitment at the Kappahl Group level enables us to grow responsibly.

A significant achievement in terms of transparency in the supply chain is the implementation of the TrusTrace tool in December 2023. All our suppliers will utilize the tool, and the data is directly integrated into our PLM system, enabling us to make even more informed decisions, says Sandra.

**Our new sustainability strategy extends beyond our brands; it's a commitment at the Kappahl Group level**

It's important to note that no matter how great a Kappahl Group product might be, we also make sure to have our customers onboard. One of our actions to ensure we engage our customers is our service promise. We must take responsibility and guide our customers towards a responsible world of fashion.

When you shop at a Kappahl or Newbie store, you can expect our store staff to be knowledgeable and provide good tips on how to care for your garments. We're not just encouraging you to buy a new garment; we also want to guide you how to style and take care of the clothes you already have. Clear and concrete advice, such as how to best care for your clothes for

example, how to wash your jeans or how to store a knitted sweater to maintain its shape, is part of our service promise, says Elisabeth.

In 2023, we also began our second-hand sales venture in stores in Norway and Sweden, as part of our transition to a sustainable and circular fashion experience. From the initial response, we can see that our customers appreciate the initiative. This reinforces our commitment to offering "made for more", promoting a more responsible approach to fashion consumption by extending the lifespan of existing garments. As we continue to expand our second-hand offerings, we aim to inspire even more customers to embrace responsible shopping practices.

For garments that cannot be resold directly due to excessive use, we have also initiated a restore concept. In a collaboration with the startup company RecoMended, we are exploring ways to improve the value of garments that are currently unsellable in the Swedish market by restoring them. This initiative aims to breathe new life into garments and make sure they can be used and loved again by other customers, says Sandra.

Finally, a notable achievement from 2023 is our "Fashion Company of the Year" award at the Market Awards. With bold decisions and significant sustainability efforts, alongside a strong business results in challenging times, Kappahl was honored with this prestigious award in the clothing and fashion category. We see this as a proof that our teamwork and forward-thinking initiatives are recognized and appreciated by both customers and the industry, says Elisabeth.

**Traceability from garment to fiber on all our denim trousers from Fall/Winter 2023**

**Committed to SBTi**

Our near-term and net-zero targets were validated by the Science Based Targets initiative and finally approved in February 2024. Science-based targets provide companies with a clearly defined path to reduce emissions in line with the Paris Agreement goals.

**Launch of second hand for Kappahl kidswear and Newbie in Sweden and Norway**

**82%**  
Factories representing 82% of our business volume report environmental sustainability data via Higg Facility Environmental Module (FEM)

**86%**

of our assortment is fabrics made with less environmental impact than conventional one\*

**The average climate emission per sold product was 4.5 kg CO<sub>2</sub>e**

**15%**

reduction of climate emissions since new baseline year 2022

**90%**

Factories representing 90% of our business volume reported climate data to us, either via Higg FEM module or the STICA questionnaire

**45%**

Factories representing 45% of our business volume report social sustainability data via Higg Facility Social and Labor Module (FSLM)

# Kappahl Group Key Sustainability Achievements in 2023

\*

At our website you can find more information about the materials that meets this criteria: [Kappahl.com/en-US/about-kappahl/sustainability/our-products/sustainability-product-information/](https://kappahl.com/en-US/about-kappahl/sustainability/our-products/sustainability-product-information/)

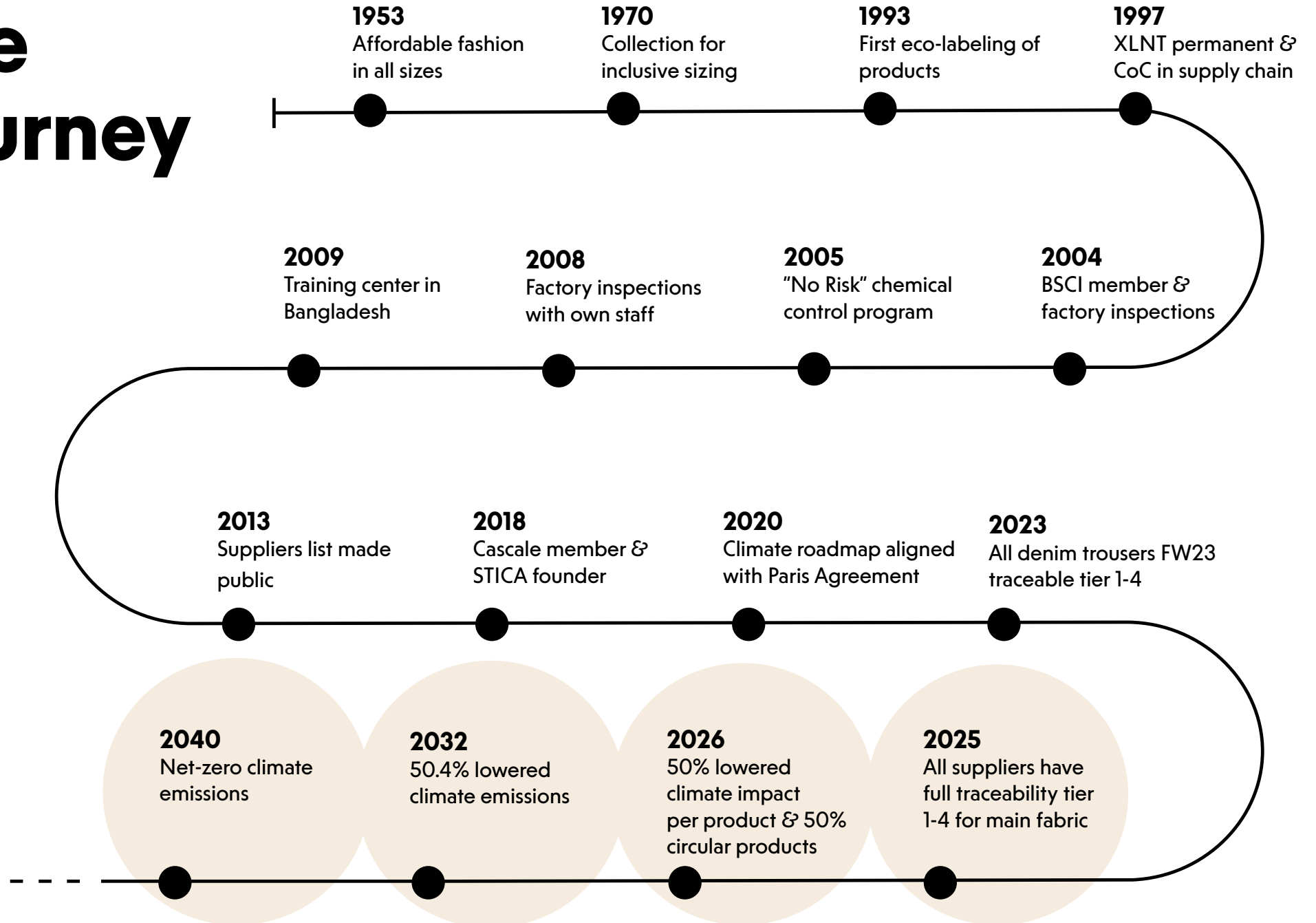


# Sustainability Strategy KPIs & Status 2023

Focus area	KPI	Target	2023	2022	2021
Climate	Reduction in absolute climate emissions	50.4% by 2032	15%	SBTi new base year <sup>1</sup>	-
	Reduction in climate emissions per sold product <sup>2</sup>	50% by 2026	7%	0%	0%
	Share of garments in fabrics made with less environmental impact than conventional ones	100% by 2025	86%	80%	75%
Circularity	Share of assortment enabled for circular offers	50% by 2026	19%	-	-
	Yearly revenue from circular business models	100 MSEK by 2026	0.2	-	-
Transparency	Share of assortment where main fabric is traced to tier 4	100% by 2026	8%	-	-
	Share of suppliers with full traceability tier 1-4	100% by 2025	5%	-	-
Engagement	Share of customers that agree Kappahl/Newbie inspires them to make sustainable choices	70% by 2025	24%	18%	18%
	Share of customers that agree Kappahl/Newbie shows diversity in marketing	70% by 2025	49%	46%	45%
	Share of customers that have great trust in Kappahl/Newbie sustainability work	70% by 2025	31%	26%	26%

1. 2022 is our new base year after our commitment to Science Based Targets initiative (SBTi).
2. This KPI is measured against old base year 2017

# The Journey



# Exploring New Design

## Made for more, Made with less

**We promise our customers fashion that fits their lives, guided by our principle: 'made for more, made with less.' To fulfill this promise, we ensure our collections seamlessly complement existing wardrobe pieces, each offering versatility. Embracing modular design, we enable one garment to serve multiple purposes. With each collection, we empower our customers to update their style responsibly and affordably through small adjustments.**

At Kappahl, we focus on crafting fashion pieces that seamlessly integrate with your existing wardrobe, much like pieces of a puzzle fitting together. When we introduce a new style, it effortlessly merges with what you already own, ensuring a cohesive look without the need for a complete wardrobe overhaul, says Caroline Ahlberg Vice President Kappahl Assortment & Marketing

When designing new styles or collections, we prioritize our customers' needs and our planet's well-being. Fashion fit for life involves crafting clothes that are both functional and stylish, ensuring longevity. Even minor adjustments, such as pocket depth in a dress, play a crucial role in everyday comfort and style. Our goal is to create designs that endure, considering both physical durability and

emotional aesthetics. By crafting styles that are long-lasting and timeless, while also minimizing environmental impact during the manufacturing process, we encourage responsible fashion consumption.

Our concept revolves around viewing our assortment as an ongoing stream rather than individual drops. If you purchase a pair of jeans in September, we won't pressure you to buy new ones in May. Instead, through our service promise, we're dedicated to helping you style the jeans you already own. None of our styles should feel out of fashion after just one season, emphasizes Caroline.

In 2023, we introduced a modular dress that offered 12 different styling options. This initiative encourages the frequent use of pieces like dresses, which are often reserved for special occasions. Since then, we've expanded our assortment to include more modular design pieces, such as a coat that can transform into a skirt or a short jacket. The feedback from our customers, both in-store and during live shopping events on Instagram, has been overwhelmingly positive. We remain committed to exploring this principle in future pieces.



**Caroline Ahlberg**  
VP Kappahl Assortment  
& Marketing



## Modular Design

**In 2023, we embarked on an innovative venture in modular fashion, introducing a new garment—a dress that could be styled and worn in 12 different ways. Our goal was to inspire our customers to have fun with fashion and reconsider traditional wardrobe practices.**

Creating one garment enabling multiple uses, is one of the new ways we are developing our design philosophy. For us, it is not just about the garment itself; it is about embracing the future and exploring new dressing methods, says Louise Plato, Designer at Kappahl.

The innovative dress, crafted from recycled polyester, pushes the boundaries of modular fashion by offering 12 distinct looks. Comprising of four separate pieces, it allows for versatile styling options. Each piece can also be worn individually and paired with other garments, catering to a wardrobe filled with enduring styles with a fashionable twist. This merger emphasizes the significance of a changing industry, infusing creativity and enjoyment into fashion.

Throughout the design process, we developed innovative details to maximize styling versatility. The dress effortlessly transitioned from timelessly classic to a more dressed-up look, suitable for various life occasions.

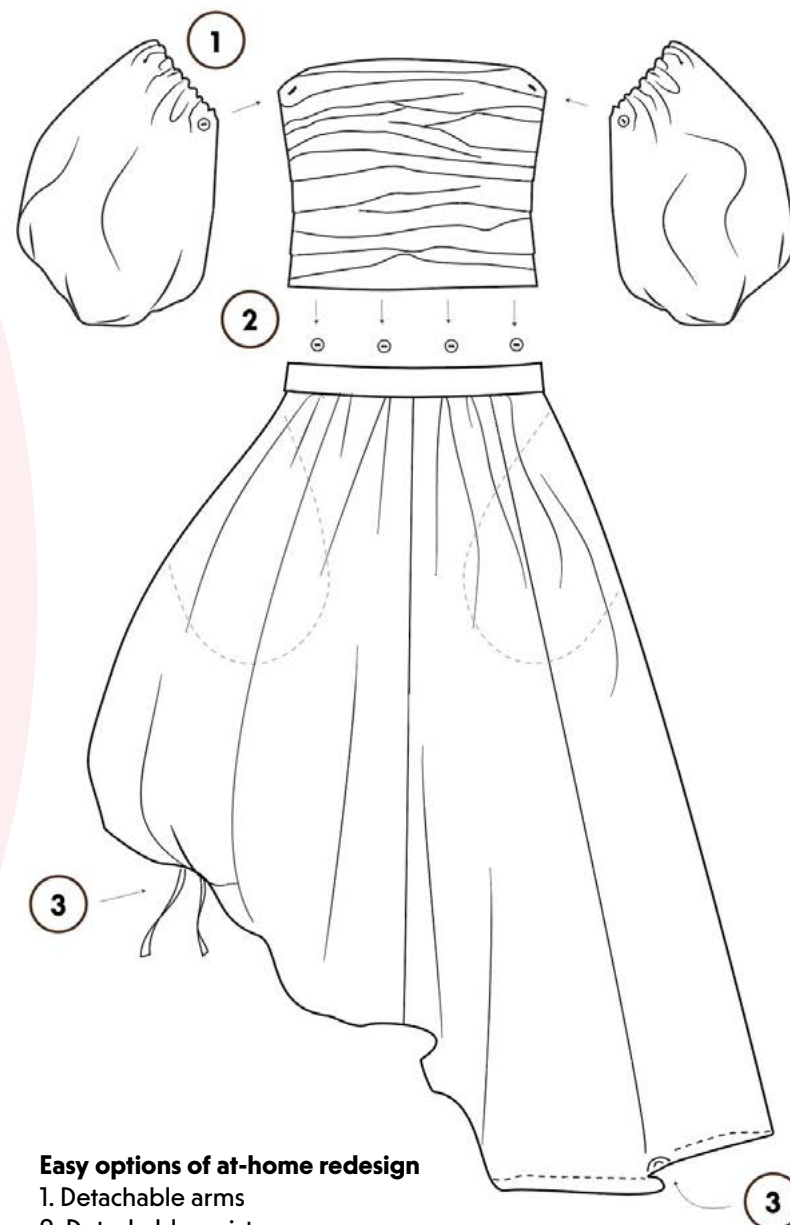
At Kappahl, we are transitioning to a sustainable business model, focusing on two main areas. One is manufacturing clothes with less negative impact on our

planet and people. The other is designing and offering garments with extended usability and longevity, in terms of design, versatility, and materials. This dress exemplifies both, says Sandra Roos, Vice President Sustainability.

Dresses are highly sought after during certain times of the year, such as summer or Christmas, but perhaps not as commonly worn during other parts of the year. It would be fantastic if this garment could be used as a skirt and top year-round also for less special occasions. The overall goal is to ensure that every item in our customers wardrobe has a long life. Being able to divide and use the same garment on multiple occasions can help us achieve longevity and multiple uses for the same item. This goes along the line with Kappahl's vision to create design that last, concludes Louise Plato, Designer at Kappahl.



**Louise Plato**  
Designer, Kappahl woman



### Easy options of at-home redesign

1. Detachable arms
2. Detachable waist
3. Possibility of altering length

# Exploring New Way

## Traceability Denim

**We believe that knowledge and awareness are key to driving change. During the fall/winter season of 2023, we successfully achieved our goal of ensuring that all our denim trousers are traceable from garment to fiber. This information is now publicly accessible on each product's respective website at Kappahl Shop Online.**

Throughout 2023, we worked diligently to implement the traceability software, TrusTrace, integrating it seamlessly with our other software systems. This allowed us to automate traceability across our entire product range. Simultaneously, we conducted a pre-pilot study focusing on denim, manually collecting supply chain data from all facilities involved in producing our FW23 denim products.

Starting in August 2023, our customers have been able to access information such as the name and address of the factory, the number of workers, and the parent company involved in producing our denim. Additionally, sustainability performance self-assessments were distributed to suppliers and upstream facilities in tiers 2-4. This accomplishment marks a significant milestone in our commitment to being a leader in sustainability and transparency within the fashion industry.



## Accelerating Organic Cotton Farming

**Organically grown cotton is limited in the world. Given that cotton is Kappahl Group's most used fiber we decided in 2021, to partner up with The Organic Cotton Accelerator (OCA). Together we strive to accelerate the growth of certified organic cotton and reduce environmental impact as well as promote better working conditions at the farm level.**

We are currently participating in OCA's Farm Programme, sourcing cotton from the state of Madhya Pradesh, India. In 2022/2023 year's project 365 farmers were included, 540 metric tons of seed cotton were booked and 400 hectares of land was cultivated with organic methods.

OCA's Farm Programme links Kappahl Group to nominated farm groups, establishing a purchase commitment and premium payment for the farmers. Kappahl Group guarantees to purchase the fiber produced at a premium price, as well as supporting the farmer with access to training and non-genetically modified (non-GMO) cottonseed. As a contributor to OCA's Farm Programme, Kappahl Group knows where the cotton is coming from and can directly contribute to reducing poverty by protecting the economic livelihood of local communities in Madhya Pradesh. OCA's monitoring of our farm project, supported by third-party validation, is an assurance for Kappahl Group that our premium payments reach the farmers.

OCA works on improving non-GMO cottonseed availability as a critical first step in working towards setting up

organic cottonseed value chains. In our collaboration with OCA, non-GMO cottonseeds are procured and distributed to organic farmers by the Implementing Partner after testing for GMO presence.

### **Promoting Better Working Conditions For Farm Workforce**

As organic agriculture standards generally do not address decent work or social criteria at farm workforce level, Kappahl Group is happy to see that OCA is currently developing a Decent Work strategy. By combining capacity-building support with the implementation of Decent Work guidelines, along with risk-mapping and monitoring tools at the farm-level, OCA aims to systematically promote better working conditions for the workforce in the long-run.

### **Regenerative Agricultural Practices**

OCA enables farmers to develop resource-efficient farming practices to improve soil health, including efficient use of water, and eliminating the use of agrochemical fertilizers and pesticides. OCA also ensures a supply of climate change-resilient cotton seed varieties. The farmers in Kappahl Group's 2022-2023 project have been practicing most of the 11 regenerative agriculture practices established by OCA. For more details see [OCA's website](#).



# Exploring New Business

## Kappahl Group Resale & Restore

**An important aspect of the sustainability transformation is enabling an extended lifespan for already produced garments. Resale and restoration are part of the solution. In 2023, we embarked on our second-hand sales journey in Norway and Sweden, and our customers appreciate the initiative.**

### Resale

Our customers value the opportunity to submit Kappahl and Newbie children's clothing, enabling a second life for the garments. The option to receive payment immediately, rather than waiting until the garment is sold, was highly appreciated. The demand for second-hand clothes proved to be high, and the small-scale test in 2023 provided us with many important insights regarding handling the reused garments, transactions, and presentation of the offer.

### Restore

Another potential avenue to accelerate progress in circular development was explored through Kappahl's partnership with the catapult program NEST – New Entrepreneurship for a Sustainable Textile Industry. In a project with the startup company RecoMended, we tested ways to increase the value of garments that are currently unsellable on the Swedish market by restoring them through various

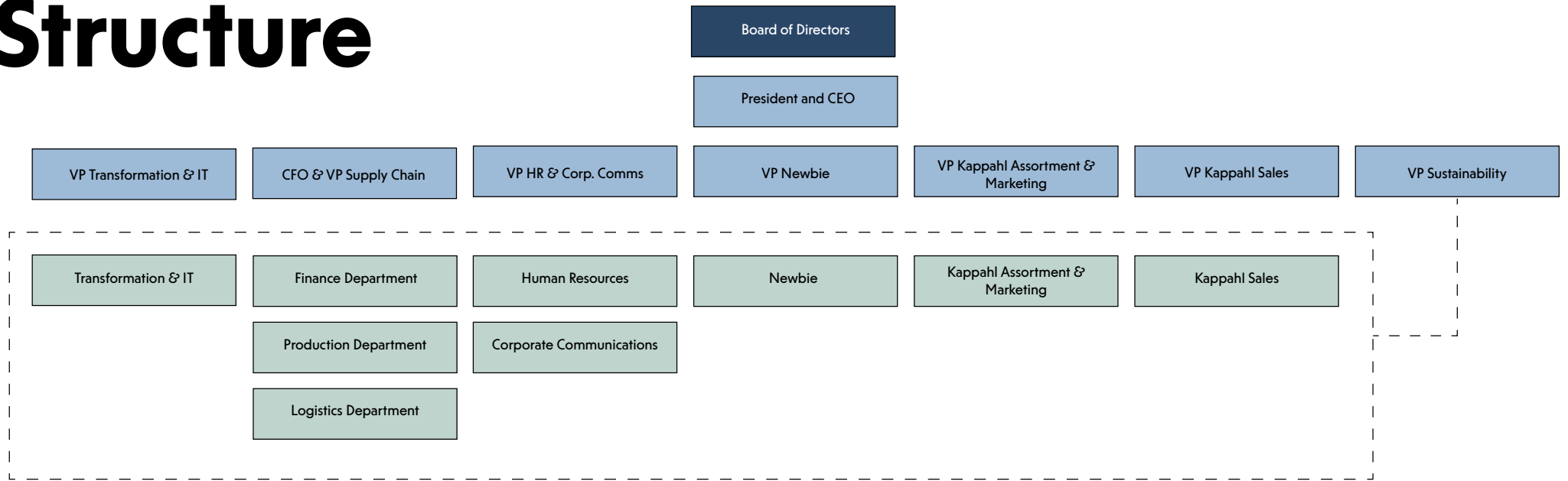
techniques. This initiative aims to give garments a new life and enable them to circulate to new users.

- We know that all companies need to contribute to a sustainable fashion business, and we are currently making investments to continue taking big steps on our journey towards a sustainable fashion future for our customers. The collaboration with RecoMended is part of maximizing the use of clothes and making it scalable and profitable – one of the most important parts of the transition, says Viktoria Arndt, Sales & Business Development Manager at Kappahl.



**Viktoria Arndt**  
Sales & Business Development Manager

# 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 54](#). 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. The evaluation is performed by a third party every second years, last occasion in 2022. Mellby Gård has chosen not to share information publicly of its processes

## 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 continuously and/or in the sustainability report, see [page 19-38](#)

## Vice President Sustainability

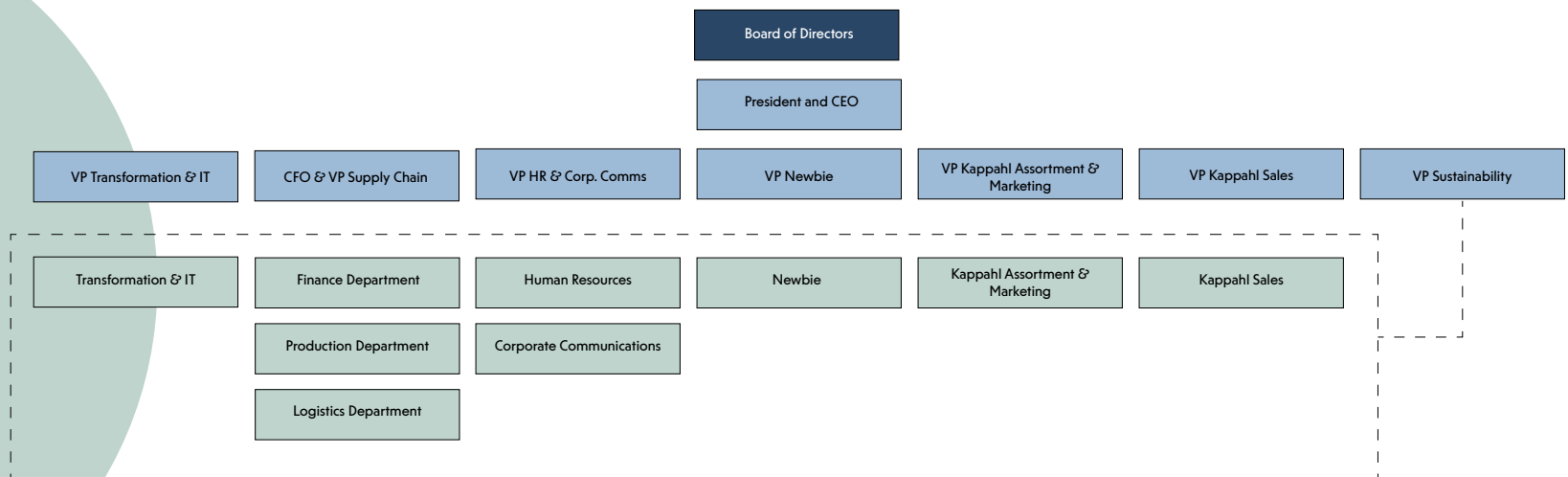


The Vice President Sustainability is part of the Kappahl Executive Management Team and reports to the President and CEO. The Vice President Sustainability leads the Sustainability Management Team, which is a matrix team with representatives from the departments Supply Chain, Kappahl Sales, Human Resources and Corporate Communication and the Kappahl Assortment & Marketing and Newbie.

policies, and goals related to sustainable development, and lead and develop the work within the sustainability area, including the stakeholder dialogues.

The Sustainability Management Team develop together with the Executive Management Team the strategies,

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.



# Sustainability Strategy

**Our sustainability strategy aims to facilitate Kappahl Group's sustainability transition and create a responsible world of fashion. All the functions in the Kappahl Group, Kappahl, Newbiew and the Core functions, share the same sustainability strategy.**

At Kappahl Group we work in three strategic areas in order to reduce our salient sustainability risks, contribute to creating a responsible world of fashion and drive the transformation to a sustainable business model. **These three areas are: Climate & environment, Social sustainability and Transparency & engagement.**

Kappahl Group's sustainability strategy is based on guidelines and principles from international bodies such as the United Nations, Ethical Trading Initiative, OECD, and the Science Based Targets initiative, see full list on [Our Commitments](#). Kappahl Group applies the Precautionary Principle, works proactively and participates in industry collaborations to achieve longterm sustainable development.

The sustainability strategy is updated on a yearly basis with input from the insights we get from our value chain and our stakeholder dialogue. We work towards both the short-term and long-term goals ([see page 18](#)) in a world that is rapidly changing both in terms of customer behavior, policy development as well as availability of technology and knowledge. The short-term goals are revised on yearly basis.



## 1. Climate & Environment

The ongoing climate change is the biggest sustainability threat that we face today. Neither financial, social or environmental sustainability can be achieved if areas that are currently densely populated become uninhabitable by humans. Our climate roadmap aims to reduce our emissions in line with the Paris Agreement and the 1.5 C warming pathway

The environmental roadmap is preventing harm to people and planet due to water scarcity, emissions of toxic chemicals and other environmental risks.



## 2. Social Sustainability

We recognize our responsibility to protect human rights and our ability to contribute to a responsible world of fashion.

The social sustainability roadmap covers our entire value chain. We are committed to being a responsible employer and provide good working conditions and fair wages to our employees. We wish to be a diverse and inclusive workplace, where all employees are treated with integrity and respect.

Throughout our supply chain, we strive for safe, healthy, and fair working conditions and that people are treated with dignity and respect. We respect the rights of the people who wear and use our products.



## 3. Transparency & Engagement

A sustainable business model for fashion can only be realized in collaboration with our customers to make each garment worn for longer. We embrace change and aim to be transparent about every part of our design and our journey to a sustainable and circular fashion experience.

We are committed to working with transparent, responsible, and sustainable partners. Better and more transparent data about the whole value chain means better and more informed decisions. We use our platform to promote human rights issues such as equality, diversity and inclusivity.

## Climate & Environment Goals



### 2025

- All garments in fabrics with materials and/or processes with less environmental impact than conventional ones

### 2026

- 50% reduction in climate emissions per sold product\*
- 50% of assortment enabled for circular offers
- 100 MSEK yearly revenue from circular business models

### 2032

- 50.4% reduction in absolute climate emissions with base line year set to 2022

### 2040

- Kappahl will have net-zero emissions of greenhouse gases

## Social Sustainability Goals



Developing goals and KPIs on Kappahl Group level is one of the tasks in the social sustainability roadmap. Read more on the progress on [page 27](#).

# 50.4%

reduction in absolute climate emissions by 2032

## Transparency & Engagement Goals



### 2025

- All suppliers have full traceability tier 1-4
- 70% of customers agree that Kappahl/Newbie inspires them to make sustainable choices
- 70% of customers agree that Kappahl/Newbie shows diversity in marketing
- 70% of customers have great trust in Kappahl/Newbie sustainability work

### 2026

- Whole assortment has main fabric traced to tier 4

\* This KPI is measured against old base year 2017

# Climate & Environmental Roadmap Progress

## Climate change mitigation

### Climate Roadmap

During 2021, Kappahl Group 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 transport. It 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 Group 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 Group as a company has a climate budget that we must keep within. Kappahl Group'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.

### Science-Based Targets

The Science Based Targets initiative (SBTi) has approved Kappahl AB near-term science-based emissions reduction target. Kappahl AB has also committed to set long-term emissions reduction targets with the SBTi in line with reaching net-zero by 2050.

**Overall Net-Zero Target:** Kappahl AB commits to reach net-zero greenhouse gas emissions across the value chain by 2040.

**Near-Term Targets:** Kappahl AB commits to reduce absolute scope 1 and 2 GHG emissions 50.4% by 2032 from a 2022 base year.\* Kappahl AB also commits to reduce absolute scope 3 GHG emissions from purchased goods and services, fuel- and energy-related activities, upstream transportation and distribution, business travel, and employee commuting 50.4% within the same timeframe. Kappahl AB finally commits to reduce indirect use phase emissions from business travel, downstream transportation and distribution, and use of sold products 50.4% within the same timeframe.

**Long-Term Targets:** Kappahl AB commits to reduce absolute scope 1 and 2 GHG emissions 90% by 2040 from a 2022 base year.\* Kappahl AB also commits to reduce absolute scope 3 GHG emissions 90% within the same timeframe.

### STICA

Kappahl Group is a member of the Swedish Textile Initiative for Climate Action (STICA). We have committed to reducing our absolute greenhouse gas emissions by 50.4% by 2032 from a 2022 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 [www.sustainablefashionacademy.org/stica](http://www.sustainablefashionacademy.org/stica)

The Swedish Textile Initiative for Climate Action (STICA) is an initiative jointly launched by Peak Performance, H&M, Sustainable Fashion Academy, Elco and Kappahl Group in 2018. Today, STICA has more than 50 members in the Nordic Countries and Kappahl Group 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. 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.

### Climate Risks & Opportunities

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, heatwaves, and food scarcity. The short term risk for Kappahl Group is reputational in terms of changed customer preferences, and policy-related risks as climate-related legislation increases. In the longer sight Kappahl Group faces a risk of not having access to the same supply chains if these are heavily affected by climate change. Our primary risk mitigation actions are the implementation of transparency to decarbonize the supply chain and the transition to a circular business model.

\*The target boundary includes land-related emissions and removals from bioenergy feedstocks.

# Results for 2023

This year's climate calculation shows a 15 percent decrease in Kappahl Group's total emissions compared to 2022, which is our new base year after our commitment to SBTi. The reason for the decrease in 2023 is that we produced less products in 2023 compared to 2022 and due to more renewable energy at our Tier 1 suppliers. The amount of, and ratio between, products produced respective sold varies from year to year. We have included previous years in the graph to show how important it is to look at the trend over several years when interpreting the results.

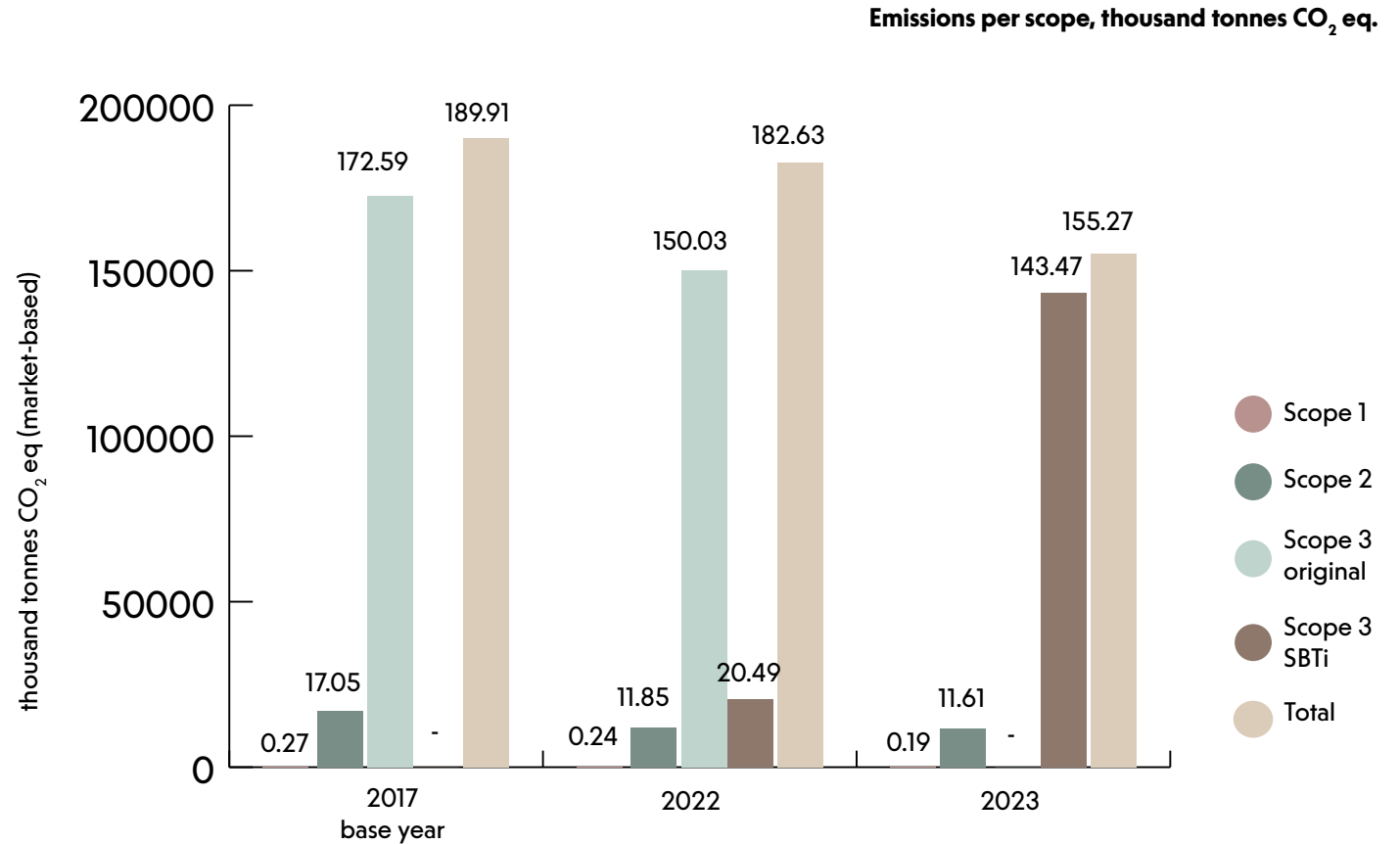
The average level of emissions per sold product decreased 7 percent from 4.8 to 4.5 kg CO<sub>2</sub>-equivalents. This is the KPI we use on company level to follow our development to account for any overproduction. In the long run, Kappahl manages to sell 99.9 percent of the products we produce. The average level of production emissions per produced product decreased 9 percent from 2.3 to 2.1 kg CO<sub>2</sub>e.

**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.

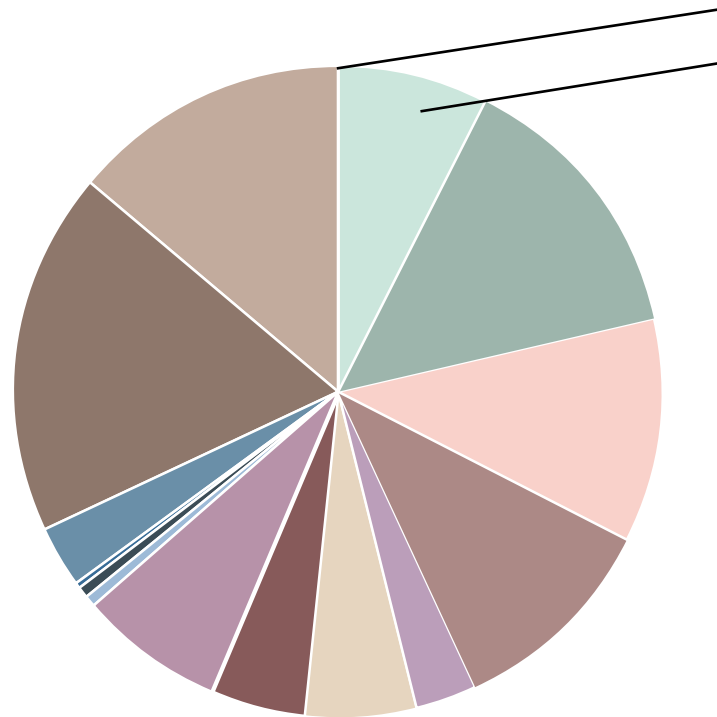


# Climate Calculation Methodology

Kappahl has reported our climate emissions since 2014/15 but we have set 2022 as the base year after having our targets approved by the SBTi. Calculation and reporting of emissions are made in accordance with the Greenhouse Gas Protocol's "Corporate Accounting and Reporting Standard" and "Corporate Value Chain (Scope 3), see [page 55](#) for calculation details. Accounting and Reporting Standard" as well as the guidelines of the Swedish Textile Initiative for Climate Action (STICA). Our emissions are reported broken down into scopes 1, 2 and 3 according to the Greenhouse Gas Protocol. 8 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. 92 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.

For 2023, the latest update of Higg MSI (December 2023), that we use for standard values for tier 2-4 emissions, led to reductions across almost all materials. This resulted in a reduction of about 3,000 tons CO2e or 2% of our total emissions. 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 also for

tier 1. These standard values do not catch the real improvements that are made from year to year. Therefore, we will the coming years transition to using real data from all tiers in our supply chain in our calculations. In 2023, 91 percent of our Tier 1 suppliers (based on business volume) and 6 percent of our Tier 2 suppliers (based on fabric weight) reported climate data to us. We are moving in the right direction, but still have a lot to do to reach our climate goals. Besides making reductions in reality, we need to increase our ability to measure our progress, wherefore the traceability goals are closely linked, see [page 31](#).



Emissions per category, 2023

Scope 1	0.12%
Scope 2	7.48%
3.1 (Raw material processing)	14.00%
3.1 (Yarn formation)	11.00%
3.1 (Tier 2-4: fibre, yarn, fabric, coloration)	10.52%
3.1 (Land use-based emissions)	3.12%
3.1 (Tier 1 factories with T2 processes (vertical))	5.59%
3.1 (Tier 1 (Sewing))	4.78%
3.1 Purchased goods and services (Packaging material & spend)	7.20%
3.3 Fuel- and energy-related activities	0.48%
3.4 Upstream transportation and distribution	0.59%
3.6 Business travel	0.27%
3.7 Employee commuting	3.12%
3.9 Downstream transportation and distribution (incl. consumer transport)	18.08%
3.11 Use of sold products	13.64%
<b>Total (thousands tonnes CO2e)</b>	<b>155278</b>

# Energy

## Energy-Efficient Production Technology

Fossil energy use is the main source of anthropogenic greenhouse gas emissions and switching to renewable energy use is key to achieve our climate goals. In 2023, Kappahl Group added a KPI for measuring the use of fossil energy in our supply chain: Share of renewable electricity in tier 1 factories. The goal is that 60 percent of the electricity used in our tier 1 factories shall be renewable in 2030. We monitor progress via the Higg Facility Environmental Module and the STICA questionnaire. The result for 2023 was 4.8 percent.

One example of the switch to more energy-efficient technology is that 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, all our denim uses 100 percent either certified organic cotton, or cotton sourced through the [Better Cotton](#).

Kappahl Group collaborate 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.

## Own Energy Use

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 10 (9) percent renewable energy is reported separately.

We continuously work with energy-efficiency in our stores and for our IT applications. Our company car policy promotes fuel economy and electric vehicles, and we have charging posts for electric vehicles outside our headquarters. In 2023, we increased our electricity consumption by 2 percent compared with 2022, mainly in the stores.

## 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 and out-bound transports since 2020 also for delayed shipments when the supplier offers to pay for air freight.

In 2023, only four out-bound shipments to customers in Japan were granted exception as the long-term logistics solution for Japan was not yet developed. 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 2023, transportation contributed greenhouse gas emissions of 27 (31\*) g CO2e per garment. Compared to our average carbon footprint per sold product of 4.5 kg CO2e, the transportation is 0.6 percent.

\* The 2022 value is corrected from 109 to 31 CO2e.

Internal energy consumption <sup>1</sup>	2023	2022	Change 2023/2022
Share of energy under own agreements from renewable sources, Sales countries%	100	100	-
Share of energy under own agreements from renewable sources, Production countries%	10	9	+1%
Electricity, MWh	26,875	25,0043	+2%
Heating, MWh	1,441	1,285	+12%
Fuel <sup>2</sup> , GJ	2,725	3,000	-9%
Energy intensity: Energy per square meter/open hour in stores and warehouses, Wh <sup>3</sup>	0.078	0.069	+13%

1. See page 55 for details on energy and climate calculations

2. Fuel refers to diesel for Kappahl Group's company cars

3. The report for 2022 included only electricity use under own agreements, which was 15,694 MWh, this year total electricity use is reported

## Pollution of Water, Air, Soil & Substances of Concern

The greatest risk for Kappahl Group to contribute to pollution of water, air and soil lies in the supply chain. We use the Higg Facility Environmental Module (FEM) and supplier factory visits to follow up on our suppliers' performance and in 2023, factories representing 82 (79) % of our business volume reported environmental sustainability data via the Higg FEM.

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. Phasing out the use of hazardous chemicals in the production is the most efficient way to see to that they do neither pollute in the production countries nor occur in any end products. Kappahl Group aim for continuous improvement and always apply the precautionary principle in our chemicals program "No Risk" that started already in 2005.

We participate in the Swedish Chemicals Group at RISE to be proactive in our work with chemicals and set stricter demands than legislation. 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 2023 we carried out 859 (1,398) chemicals tests which corresponds to 10 (9) % of our purchase orders. 99.9 (99.6) percent of the garments were approved according to the Kappahl Group requirements. No garments had restricted chemicals present above legal limits.

### 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 Group 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 2023, Kappahl Group was asked to provide information about the amount of microplastics yearly released from Kappahl Group's products in the country of Norway on the basis of the Norwegian Environmental Information Act. Based on the available information, we estimated that the yearly emissions in Norway of micro-

sized plastic particles from Kappahl Group's products amount to between 0.06 – 60 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.







## Water

The water consumption in the textile supply chain is dominated by conventional cotton cultivation, where the intense irrigation contributes to water scarcity. Kappahl Group has chosen to phase-out conventional cotton and use either certified organic cotton, or cotton sourced through [Better Cotton](#).

However, the manufacturing processes in factories do also consume water. Kappahl Group's transition to production processes with less environmental impact 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 Group 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 2024 we will develop a roadmap for mitigating water use and water scarcity.

## Direct Impact Drivers of Biodiversity Loss

The fashion industry impacts animal life and biodiversity, particularly in the production of fiber. 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. Our goal is that all wood-based cellulosic fibres shall be certified and/or sourced from traceable suppliers by 2025. This way we can reassure that the cellulose is either recycled or origins from responsible forestry certified by Forrest Stewardship Council (FSC) or equivalent. Today, 94 (81) percent of our wood-based cellulosic fibres are certified and/or sourced from traceable suppliers.

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 and packaging is another risk area where Kappahl Group works with FSC under license number FSC® N003228. Biodiversity is also affected by for example climate change, water scarcity and emissions of toxic substances. s. Therefore, the work at Kappahl Group to select materials and produce at factories with less environmental impact 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 in 2022 and during 2024 we will develop a roadmap for mitigating biodiversity loss.

## Resources Inflows, Including Resource Use

### Sourcing of Raw Materials

Kappahl Group produced and sold about 34 (38) million products in 2023. The total weight of materials that were used to produce and package Kappahl's primary products was 6,801 (7,290) tonnes during the reporting period. 73 (73) percent were renewable materials and 15 (20) percent were nonrenewable, whereof 21 (12) percent were recycled. Today, 86 (80) percent of our assortment is made in fabrics with less environmental impact than conventional ones. Our goal is that 100 percent of our garments will be made in fabrics with less environmental impact by 2025. During 2023 we have updated the goals for raw materials with less environmental impact than conventional ones.

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 Group has chosen to phaseout conventional cotton and only use certified cotton. Since 2020, all the cotton we use is either certified organic cotton, or cotton sourced through [Better Cotton](#). 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 Group promotes the increase in the

share of organic cotton globally and the improvement of the living conditions of cotton farmers.

### Handling of Returned Goods

The most important environmental aspect of online shopping is the return rates and routines for returned goods. Kappahl Group 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 Group 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 Group'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 2023, 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 sustainably sourced material, such as recycled plastic or FSC labelled paper\*. In Sweden we have a fully circular flow for our plastic hangers, which are mended or recycled in cooperation with our supplier in Lidköping in Sweden.

Raw material KPIs	2023	2022	2021
100% garments in fabrics made with less environmental impact by 2025, %	86	80	75
100% accessories in materials made with less environmental impact by 2026, %	no data	-	-
100% denim made with less environmental impact by 2020, %	100	100	100
100% cotton certified and/or sourced from traceable suppliers by 2020, %	100	100	100
80% synthetic fibres certified and/or sourced from traceable suppliers by 2025, %	69	51	31
100% wood-based cellulosic fibres certified and/or sourced from traceable suppliers by 2025, %	94	81	62
100% materials with animal origin certified and/or sourced from traceable suppliers by 2025, %	wool: 74% other: 100%	wool: 51% other: 100%	-
100% flax fibres certified and/or sourced from traceable suppliers by 2025, %	main fabric: 100%	-	-

\* FSC license number FSC® N003228



## Resources Outflows Related to Products & Services

### **Prolong the Life Length**

Circular business models are an important tool to take Kappahl Group to a point where we have a sustainable business model. 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 Group 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". In order to prolong the life of each garment, thereby reducing the environmental cost per use, circular business models are key. In 2023 Kappahl Group has developed our circular business models, now offering second hand in both Sweden and Norway in selected stores. We have also performed a pilot project on restoration of garments together with the start-up company RecoMended.

### **Waste**

Waste volumes is an indicator of the material resource efficiency throughout our value chain. Improper waste handling can lead to pollution of air, water and soil. 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 2023, a total of 650 (798) tonnes of waste was generated, of which 95 (94) percent was sent for recycling, 5 (6) percent for energy recycling and 0 (0) percent for landfill via our waste disposal contractor.

Since 2022, we work with a global waste disposal contractor, TES, for our electronics waste that has systems in place for reuse of electronic components.

All our stores offer textile collection for reuse together with our partners [Myrorna](#) and [Fretex](#). In 2023, we collected 122 (155) tonnes, which is lower than our target of collecting 250 tonnes of textiles for reuse per year in our stores. Myrorna and Fretex describe in their sustainability reports how they work with reuse at the local markets primarily, and the due diligence they perform on their business partners.

### **Animal Welfare**

Kappahl Group's policy for animal welfare is based on our collaboration with the Swedish Trade Federation and their animal welfare policy, and implemented via our Sustainability Commitment which is a contractual assurance with all business partners. Today Kappahl Group accepts only certified raw materials for high-risk materials such as down and mohair. Our goal is that all materials with animal origin shall be certified and/or sourced from traceable suppliers by 2025.

# Social Sustainability

## Roadmap Progress

### Own Workforce - Working Conditions

Our employees in offices, stores and the distribution center play a big part in creating a responsible world of fashion. We are a diverse group and take pride in using this strength as it is an opportunity to reach a sustainable business model.

#### Good Work Environment

At Kappahl Group, our 4,000 employees take responsibility for their jobs and to create a good work environment where we reach our common goals together. Kappahl Group is a popular workplace, and our annual employee survey shows a high Loyalty score of 84 (82), and a high Satisfaction and Motivation score of 78 (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 Group's sustainability work, which is something we measure in our annual employee survey. This year the figure was 88 (86) 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 90 (91) percent of Kappahl Group'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 Group's employees and workplaces follow the countries laws, rules and regulations on work environment. The Kappahl Group has implemented a global routine for reporting accidents, both physical and psychosocial and safety rounds in all our countries through the IA system. The system tracks incident reporting, contributes to risk assessment and statistics, and contributes to the strategic development of work environment and the understanding and prevention of work incidents. The IA system was globally implemented in 2023. For 2023, 2 (3) cases of actual severe work-related incidents were reported, 45 (5) moderate and 184 (61) minor, together with 35 (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 (7.3) 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 & Education

At the Kappahl Group, Capable Leaders is our leadership development program, focusing on strengthening our managers in their leadership role. Capable Employees

is our 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. New employees are offered an on-boarding training about Kappahl Group, our customers, values and sustainability work. All our employees receive continuous education and training for professional development, including sustainability competence, on average 5.9 (6.6) training hours per employee. The share of managers and specialists which were recruited internally was 51 (64)% during 2023.

## Workers in the Value Chain

### Working Conditions and Equal Treatment & Opportunities for All

Kappahl Group's activities have impact on people and the environment in all parts of our value chain, but the most significant actual and potential social impacts occur in our supply chain. The textile supply chain is generally divided into four main tiers:

- 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

Kappahl Group's business relationships are mainly with tier 1 suppliers but the risks are greatest in the lower tiers. In 2022, Kappahl Group made a strategic investment in the software TrusTrace to enable traceability in the entire supply chain. In 2023, the share of suppliers with full traceability tier 1-4 was 5% and the goal is to reach 100% by 2025. The share of assortment where main fabric is traced to tier 4 was 8%. For this KPI the goal is to reach 100 percent in 2026 since we will place a large part of these orders in 2025.

During 2023, Kappahl Group has opened the possibility for any stakeholder outside our organization to seek advice and raise concerns about the organization's business conduct.

Kappahl Group launched its first Code of Conduct (CoC) for Suppliers in 1997. Just as the CoC before, today's Sustainability Commitment is a binding document. The

suppliers commit to follow international human rights standards and prohibits human rights violations: Health and Safety; Forced labor; Freedom of Association and Collective Bargaining; Discrimination, Harassment and Abuse and Child labor, are sector risk factors listed by OECD

The Sustainability Commitment addresses also e.g.: Wages and Benefits, Working Hours, Access to Water Sanitation, Decent Work, Sexual Harassment and GenderBased Violence, Minorities' and Communities' Rights, and Responsible Sourcing from Homeworkers. Further, it

## Equal Treatment & Opportunities for All

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.

### Supplier Collaboration & Review

To have a positive impact, we work to ensure that we collaborate with responsible suppliers. We are working to consolidate our supply chain and 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 Group 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 Group's Sustainability Commitment in three steps:

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

KPIs for supply chain	2023			
	CMT (Tier 1 or vertical)	Processing factories	Nominated fabric factories	Agents & Importers factories
Total number of factories	154 (182)	65 (163)	16 (17)	34 (34)
Total number of factory reviews at new factories	15 (16)	22 (3)	2 (12)	0 (0)
Total number of factory reviews at existing factories	98 (35)	38 (9)	7 (12)	3 (0)
Total number of follow up visits	107 (141)	0 (3)	0 (0)	0 (0)
Approved	125(155)	N/A	N/A	N/A
Temporarily approved	29 (26)	0 (1)	0 (16)	3 (1)
Unsatisfactory, corrective action plan established <sup>3</sup>	1(3)	0 (2)	0 (0)	0 (0)
Unsatisfactory, relation terminated <sup>3</sup>	0(1)	0 (0)	0 (0)	0 (0)
Not reviewed	0 (0)	0 (151)	0 (5 <sup>1</sup> )	34 (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.

### Supplier Collaboration & Review (cont.)

Another important task is to coordinate and cooperate with the purchasing organization to ensure production at factories that live up to our requirements. Kappahl Group performs Supplier Evaluations once a year with all 136 (142) 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, 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 responsibility for continuous improvement of social and environmental conditions. During the year we carried out 205 (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-conformities. If a supplier does not cooperate, or a factory does not carry out agreed improvements, we limit or stop the order

placement. During 2023 we had no non-conformities related to environmental requirements. One non-conformity related to social requirements was discovered at a CMT (cut-make-trim) factory leading to a corrective action plan. The non-conformity consisted of verbal abuse of workers by supervisor. Remedial measures have been put in place by conducting a series of awareness sessions to prevent such issues from happening again.

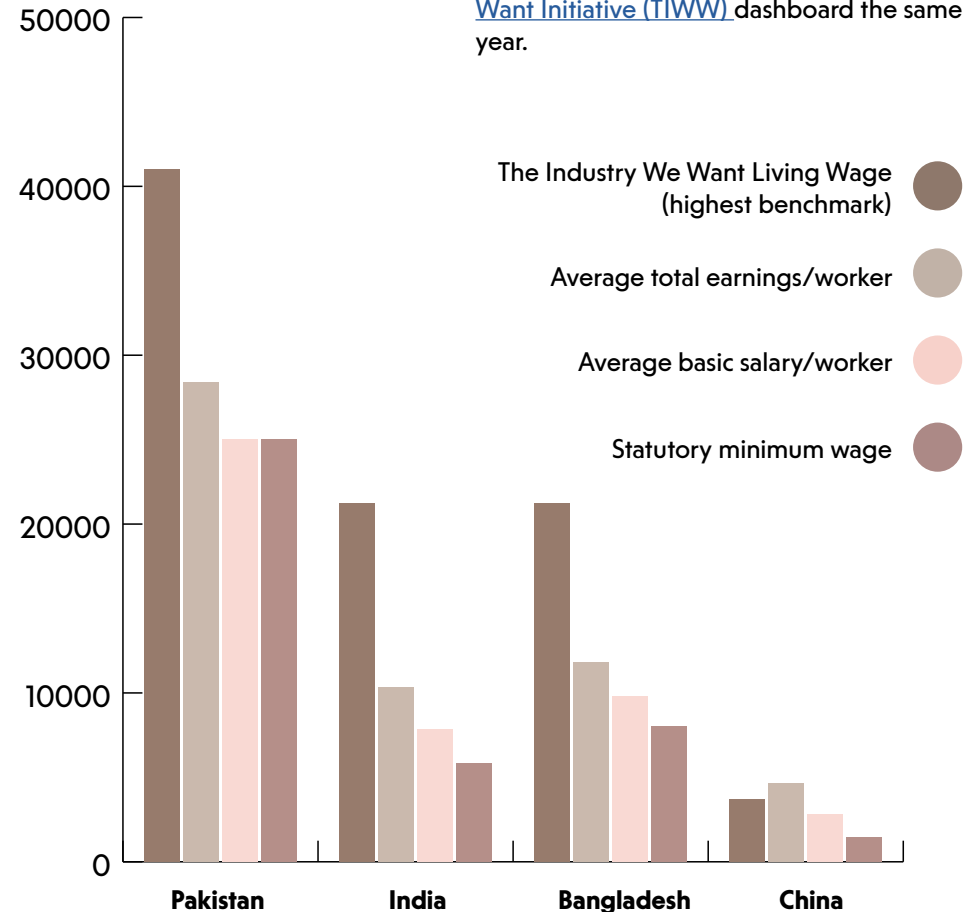
### Control of New Production Markets & Sites

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.

### Fair Wages

Recent wage related protests in Bangladesh have redrawn attention to the topic of fair wages in global supply chains. We identify fair wages as one of our key human rights issues and recognize that minimum statutory wages are often insufficient for factory workers to support their families. In line with our ETI membership and social sustainability goals, we are mapping wage levels at tier 1 suppliers representing over 85% of business volume. The wage gap calculations for 2023 were done in comparison with the highest living wage benchmark provided by [The Industry We Want Initiative \(TIWW\)](#) dashboard the same year.



## Other Work-Related Rights

**Kappahl Group's Sustainability Commitment is a binding document that forbids violating social and human rights such as forced labor and child labor in all our business relations. Our work towards traceability in our supply chain that is described on pages 31 is important as our supply chain is localized in parts of the world where there is a geographical risk of child labour, or of forced or compulsory labour.**

One part where the risk is recognized to be high is the cotton harvesting, and to mitigate this risk Kappahl Group has phased out conventional cotton, using only either certified organic cotton, or cotton sourced through the [Better Cotton](#). We also believe that partnership is needed to protect human rights and are part of several initiatives for a more transparent supply chain.

### Cascale

Since 2018 we are a member of the industry initiative Cascale (former Sustainable Apparel Coalition). This partnership is important to Kappahl Group 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 Group uses the Higg Index set of tools and encourage our merchandize goods suppliers to do that too. 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 45 (41) percent of Kappahl's order value.

### Ethical Trading Initiative

The Ethical Trading Initiative (ETI) is a leading alliance for businesses, trade unions and other NGOs campaigning for workers' rights. Kappahl Group 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.

### International Accord

The Kappahl Group is a signatory of the renewed International Accord for Health and Safety in the Textile and Garment Industry since the launch in 2023 and has renewed its commitments in Bangladesh by signing the Bangladesh Safety Programme and committing to expanding this work progressively to other countries. We are also signatories of the Pakistan Accord. We are contributors to the Accord's complaints mechanism, which has a rich experience of over ten years of complaints received and handled.

### Transparency Pledge

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 Group 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.



# Transparency & Engagement

## Roadmap Progress

A sustainable business model for fashion can only be realized in collaboration with our customers to make each garment worn for longer. We embrace change and aim to be transparent about every part of our design and our journey to a sustainable and circular fashion experience.

We are committed to work with transparent, responsible, and sustainable partners. Better and more transparent data about the whole value chain means better and more informed decisions. We use our platform to promote human rights issues such as equality, diversity and inclusivity.

### **Circularity**

Kappahl Group believes in designing for long and circular product lives, we are constantly looking for new assortment solutions and services to help us develop our circular offer. We have one circularity goal that 50% of our assortment shall be enabled for circular offers by 2026, which we define as fulfilling the EU Taxonomy criteria for substantial contribution to transition to a circular economy for wearing apparel. As these criteria are still preliminary we have based the KPI on our current Sustainability Product Scorecard (SPS) by which 19% of our assortment fulfilled the

criteria in 2023. Another circularity goal is that we shall reach 100 MSEK in yearly revenue from circular business models by 2026. The result on this KPI for 2023 was 0.2 MSEK. We are still on pilot study level but are learning how to develop a scalable circular offer that is both profitable and increases the life length of our products. The demand for second hand apparel has grown the past years and is expected to grow much faster than sales of new apparel the coming year and we want to meet our customers' expectations and demand for resale.

During 2023, Kappahl Group started with resale of both Newbie and Kappahl kids garments in stores in Sweden and Norway. The resale has been small scale but the response from our customers has been very positive. During 2024 we plan to start resale also in our physical stores in Finland, Poland and UK. We also performed a pilot project in collaboration with an innovative start-up company: RecoMended. Together with RecoMended, we have piloted to sort out Newbie and Kappahl women's garments from the fraction of a charity organization deemed to have too low quality for the Swedish market. These garments were restored by different

treatments and thereby possible to offer for sale. The response from our customers was also very positive in this test.

Kappahl Group also joined two research projects aimed at improving circularity in 2023. We are partner in the project Systemdemonstratorer lead by Science Park Borås aiming at creating a system level development towards circular economy in the textile sector. We are also partner in the Rewin project aiming at creating an industrial scale polyester recycling plant in Sweden.

### **Transparency**

Kappahl Group views traceability as a core part in our work to create a responsible world of fashion. For the fall/winter season of 2023, we achieved the goal that all our denim trousers are traceable from garment to fiber and the information is publicly accessible on each of the product's website at Kappahl Shop Online. Our customers can see the name and address of the factory, as well as number of workers and parent company. This is a major achievement in our ambition to be a pioneer when it comes to sustainability and transparency in fashion.

In 2023 the TrusTrace traceability tool was launched to all our tier 1 suppliers, who will be required to map their supply chain and then provide traceability for each purchase order. We have one traceability goal that 100% of our suppliers will have full traceability tier 1-4 by year 2025. The result for 2023 is 5% which represents our denim for the fall/winter season. Another traceability goal is that 100% of our assortment has main fabric traced to tier 4 by 2026. The result for 2023 is 8% which again represents our denim for the fall/winter season.

Probably sometimes after 2027, so-called digital product passports (DPP) will be mandatory for textiles, batteries and electronics in the EU and a couple of years later all product groups. This means that consumers will be able to access information about products' climate footprint and sustainability data in order to make informed choices. Kappahl Group is participating in a pilot project, Trace4Value, to test the product passports and to investigate what the new system will look like, what data needs to be collected and how it can be presented to customers.



### **Anti-Corruption**

Bribery and corruption may harm Kappahl Group's business and reputation and lead to lower economic, environmental as well as social performance. 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 Group has Ethical Guidelines that are included in all contracts with employees and business partners and communicated to the [Kappahl AB Board of Directors](#). All employees regardless of region or category are regularly trained in our Ethical Guidelines and our leaders work continuously to create an open business climate and good business ethics. During 2023 we have developed a new training for employees on anti-corruption that will be rolled out globally during 2024. Employees can anonymously report on grievances or misgivings about circumstances that violate our values and ethical principles through our whistleblowing service that is handled by an external party. During 2024, this tool will be rolled out also to people outside of Kappahl Group.

We continuously assess all our operations for risks related to corruption. During 2023, 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 Group has started implementing the TrusTrace traceability software to gain

visibility in the lower tiers of the supply chain. During 2023 we have developed a new training for employees on anti-corruption that will be rolled out globally during 2024.

### **Responsible Actions**

Kappahl Group'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 training 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 8.8 (9.7) 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 organizations promoting environmental protection, and Medicins Sans Frontiers on a global level. Read more about all the organizations we support through Responsible Actions at our website: [Kappahl.com/Our Commitment](#).

### **Higg Index and Cascale**

Kappahl Group has been a member of Cascale (former Sustainable Apparel Coalition) since 2018. Cascale 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. During 2022, Higg BRM was subject to a major update to align with the growing flora of sustainability frameworks and regulations. Due to the major changes, Kappahl Group did not have the 2022 module third-party verified and we cannot therefore not report the results publicly. The module for 2023 will be verified and Kappahl Group will report the results in the 2024 sustainability report.

### **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 82 (79) percent of Kappahl Group'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 45 (41) percent of Kappahl Group's order value.

### **Higg Product Tools**

Kappahl Group 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.



**Information-Related Impacts for Consumers and/or End-Users**

In our Human Rights Policy we commit to respect the rights of the people who wear and use our products. We set strict requirements, which adheres to the precautionary principle on product safety and chemicals, and work in a rigorous process with our suppliers with testing and when required corrective actions. In our marketing and communication, we work for increased transparency, and use our platform to promote human rights issues such as equality, diversity and inclusivity.

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 2023, Kappahl Group could make substantiated claims of environmental and/or social benefits with a raw material and/or a production process for over 86 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.

During 2023, we had no incident with non-compliance with regulations and/or voluntary codes.

**Social Inclusion of Consumers and/or End-Users**

Kappahl Group work in accordance with the Swedish Ethical Fashion Charter's guidelines for the fashion industry's ideal body image and diversity. The Kappahl brand'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. The XLNT 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.

We continuously check to what extent the Kappahl /Newbie 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 2023 annual customer survey, there is scale between 1-6 (1 = strongly disagree, 6 = strongly agree), a method change to previous years to better understand the respondent's standpoint. Thus, the results increase 2023.

If the score is 5 or 6 we have assumed that the respondent agree with the statement. The results from February 2023 were: 49 (46) percent of our customers agree that the brand shows variation in ethnicity, body shape and age in the marketing. 31 (26) percent of our customers answered that they have great confidence in our sustainability work and 24 (18) percent feel

that the brand 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 5 or 6 on these questions.

**Personal Safety of Consumers and/or End-Users**

When it comes to quality and child safety, Kappahl Group sets high demands via the Kappahl Group Product Quality Standard. We carry out regular quality and safety tests throughout the production process. 37,580 (3,930) products were tested for safety requirements during 2023. 100% of the garments in child sizes are tested. We had 2 (2) cases of product recalls during 2023, both which concerned child safety. 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 2023, we sent 1,678 (25,249) products for incineration and 2,592 products back to the supplier for health, safety or environmental reasons. Products that have non-hazardous faults, such as incorrect sewing, are sent to our partner Fretex International/ Myrorna for reuse at other markets. 7,530 (6,781) products were sent for reuse via Myrorna in 2023.

<b>KPIs for consumer engagement</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Annually collect 250 tonnes of textiles by 2020, tonnes	101	155	195
Reduction of bag use compared to 2016/2017, %	76	73	78
Share of customers that agree Kappahl/Newbie shows diversity in marketing	49	46	45
Share of customers that have great trust in Kappahl/Newbie's sustainability work	31	26	26
Share of customers that feel that Kappahl/Newbie inspires them to make more sustainable choices	24	18	18



## Employee Survey Score

**Loyalty: 84 (82) of 100**  
**Satisfaction & Motivation: 78 (75) of 100**

High Score: 75-100  
Employee net promoter score on a scale from -100 to +100 (eNPS): 41 (28)

# Employment at Kappahl Group

During 2023, 3,940 people were employed by Kappahl Group, working in five sales markets and in three production countries. The highest respective lowest number of employees during a month was 4,320 respective 3,737, and the average number of employees during 2023 was 3,940 people. In addition, 70 (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 2023. 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 & gender	2023		2022		2021	
	Women	Men	Women	Men	Women	Men
Number of employees, Sweden permanent	1,403	137	1,398	136	1,367	126
Sweden, temporary	554	68	686	74	531	32
Number of employees, Norway, permanent	591	6	540	6	567	5
Norway, temporary	465	10	477	6	414	6
Number of employees, Finland, permanent	247	3	234	4	246	5
Finland, temporary	73	0	94	0	73	0
Number of employees, Poland, permanent	157	6	119	2	158	6
Poland, temporary	54	4	81	4	80	4
Number of employees, United Kingdom, permanent	34	0	30	0	30	1
United Kingdom, temporary	0	0	0	0	0	0
Number of employees, production offices, permanent	69	58	64	59	65	61
Production offices, temporary	1	0	0	0	0	0
Number of employees on permanent contracts, Group	2,501	210	2,385	207	2,435	201
Number of employees on temporary contracts, Group	1,229	82	1,338	84	1,099	42
<b>Total for Group</b>	<b>3,730</b>	<b>292</b>	<b>3,723</b>	<b>291</b>	<b>3,534</b>	<b>243</b>





## In-Depth Information: Employees

Percentage of employees by employment type (full-time and part-time) and region	2023		2022		2020	
	Women	Men	Women	Men	Women	Men
Employees on full-time contracts, Sweden	525	120	537	119	1	1
Employees on part-time contracts, Sweden	1432	85	1,547	91	1	1
Employees on full-time contracts, Norway	161	4	160	4	1	1
Employees on part-time contracts, Norway	905	2	858	7	1	1
Employees on full-time contracts, Finland	80	3	89	4	1	1
Employees on part-time contracts, Finland	240	0	239	0	1	1
Employees on full-time contracts, Poland	196	10	159	4	1	1
Employees on part-time contracts, Poland	15	0	41	2	1	1
Employees on full-time contracts, United Kingdom	10	0	8	0	1	1
Employees on part-time contracts, United Kingdom	24	0	22	0	1	1
Employees on full-time contracts, production offices	69	57	63	59	1	1
Employees on part-time contracts, production offices	1	1	1	0	1	1
Number of employees on full-time contracts, Group	1,041	194	1,016	190	937	177
Number of employees on part-time contracts, Group	2,617	88	2,708	100	2,636	27
<b>Total for Group</b>	<b>3,658</b>	<b>282</b>	<b>3,723</b>	<b>291</b>	<b>3,534</b>	<b>243</b>

1. Not reported for previous years



New employee hires	< 30 years old		30-50 years old		Over 50 years old	
	Women	Men	Women	Men	Women	Men
New employee hires, Sweden	60	5	74	9	34	3
New employee hires, Norway	59	0	27	0	7	2
New employee hires, Finland	8	0	30	1	5	0
New employee hires, Poland	15	0	12	1	0	0
New employee hires, United Kingdom	5	0	0	0	0	0
New employee hires, production offices	0	0	1	5	0	0
<b>Total for Group</b>	<b>147</b>	<b>5</b>	<b>144</b>	<b>16</b>	<b>46</b>	<b>5</b>

Employee turnover*	2023	2022
Employee turnover, Sweden, %	53	55
Employee turnover, Norway, %	28	49
Employee turnover, Finland, %	26	28
Employee turnover, Poland, %	41	45
Employee turnover, United Kingdom, %	15	27
Employee turnover, production offices, %	5	9
<b>Total for Group</b>	<b>41</b>	<b>49</b>

\* The employee turnover figures include all types of employees at Kappahl Group as is recommended by GRI. Temporary employment is common in the retail industry and we include all those that have been on-boarded to an employment at Kappahl during 2023, regardless of period.

## In-Depth Information: Inclusion & Gender Equality

Kappahl Group's higher purpose is to create a responsible world of fashion. Our Employee Promise is "We promise you the right to always be yourself. A place to belong". We had no formally reported incidents of discrimination during 2023. However, in the anonymous annual Kappahl Attitude Survey, 1% of our employees stated that discrimination occurs at Kappahl Group.

Our annual KAS had completion rate of 80% or 2,601 responses. 2.5 % of the respondents answered that they were exposed to any harassment past 12 months, or 66 people. We include questions about inclusion and diversity in the annual employee survey based on self-identification. 4% identify as being part of an underrepresented group in workplace and we keep track so that the group's employee promise (the right to always be yourself) score on level with the total results for Kappahl Group.

Gender breakdown of the Board and employees %	2023	2022	2021
Board, % Women	62	50	50
Board, % Men	38	50	50
Employees, % Women	93	93	94
Employees, % Men	7	7	6

Age breakdown of the Board and employees %	2023	2022	2021
Board, % under 30 years	–	–	–
Board, % 30–50 years	25	25	25
Board, % over 50 years	75	75	75
Employees, % under 30 years	41	39	1
Employees, % 30–50 years	37	39	1
Employees, % over 50 years	22	22	1

Female managers %	2023	2022	2021
Management team	62	75	75
Total, Sweden	93	93	93
Head office, Sweden	91	92	92
Stores, Sweden	95	94	94
Distribution centre, Sweden	75	75	50
Total, Norway	98	98	95
Total, Finland	94	93	93
Total, Poland	91	91	90
Total, United Kingdom	100	100	100
Total, production offices	71	60	61

1. Not reported for previous years

# Key Impacts, Risks & Opportunities

## Management Approach

Kappahl Group's management approach to its material impacts, risks & opportunities is informed by the GRI standards, the Norwegian Transparency Act, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles as well as the proposed EU Corporate Sustainability Due Diligence Directive (CSDDD). 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

The table below provides a guide to the disclosures required under the Norwegian Transparency Act. At Kappahl Group, our President and CEO has the ultimate responsibility for Kappahl Group's sustainability performance.

The Vice President Sustainability is responsible for leading, developing and reporting the sustainability work, including stakeholder dialogue and risk assessment and for developing strategies, policies, and goals. Kappahl Group carries out due diligence in accordance with the OECD Guidelines for Multinational Enterprises.

The risk assessment is carried out on a 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 for the human rights of the people whose work contributes to our business; respect for the environment; and good governance in all our business relationships and throughout our value chain via our [Sustainability Commitment for Kappahl and all business partners](#) (previously Code of Conduct). A transparent supply chain is the common denominator for managing our impacts and risks related to sustainability.

Disclosures for the Norwegian Transparency Act	Page
Our company structure, products and area of operations	2-3, 54
Guidelines and procedure for the due diligence process	39-40
Embedding responsible business conduct into policies and commitments	40
Grievance mechanism and whistle-blower services	28, 30
Stakeholder dialogue	42-43
Industry collaboration	30, 32
Actual adverse impacts identified through our due diligence	27, 29, 32, 38
Significant risks of adverse impacts identified through our due diligence	27-28, 41
Implemented and planned measures to cease actual adverse impacts or mitigate significant risks of adverse impacts, and the results or expected results thereof.	17, 27-32, 38
Processes to remediate negative impacts	29



## Due Diligence

The Kappahl Group is committed to respect human rights and the environment in our whole value chain through proactive due diligence aligned with the UN Guiding Principles on Business and Human Rights. We work in accordance with the Norwegian Transparency Act and the OECD Guidelines for Multinational Enterprises. We welcome legislation in the area such as the proposed EU Corporate Sustainability Due Diligence Directive (CSDDD) which we envisage can provide a level playing field for companies placing products on the European market.

Due diligence is a process under constant development in Kappahl Group. To be able to identify, prevent, mitigate, remediate and account for adverse impacts in our value chain we need to take actions at several levels. Currently we work closely with our tier 1 suppliers that share our values and can support our aim to create a responsible world of fashion. When entering a partnership with a tier 1 supplier our Sustainability Commitment is signed and we have own staff annually visiting and reviewing these suppliers. If adverse impact regarding human rights or the environment is discovered, measures will be taken and openly reported in the next sustainability report.

One major milestone will be to create traceability in our products' value chain. In 2023 the TrusTrace traceability tool was launched to all our tier 1 suppliers, who will be required to map their supply chain. Our goal is to have full traceability from all suppliers in all tiers from garment to fiber by year 2025.

Kappahl Group views traceability as a core part in our sustainability work. In 2019, we joined the [Transparency Pledge](#), who presents three benefits for us with a transparent supply chain. First of all, a transparent supply chain enables workers' rights in the different tiers as it make brands accountable for their supply chain. Secondly, transparency and traceability are crucial for decision-making at Kappahl Group. When we have visibility in our supply chain we create opportunities to take sustainable decisions and navigate within an industry with huge challenges. Thirdly, by implementing traceability and communicating our due diligence process we create opportunities for our consumers to take sustainability-driven decisions. We want our customers to feel confident that the Kappahl and Newbie brands do what we promise regarding sustainability and due diligence in our value chain, both regarding human rights and the environment.

We are today working with both human rights and environmental due diligence but we have a lot left to do. We are constantly developing our policies and risk management systems regarding due diligence to respect human rights and the environment, to meet and exceed the expectations placed on us. Increased product traceability will make it possible to prevent, mitigate and take actions regarding adverse impacts in our entire value chain, and enable us to track and fulfill our sustainability goals as well as legislation.

## Embedding Responsible Business Conduct Into Policies & Commitments

Kappahl Group's purpose is to create a responsible world of fashion and our business idea is to develop sustainable, profitable and strong brands in an efficient way. Our sustainability strategy is integrated in our strategic plan for 2024-2030. Our strategic plan aims to create a sustainable and profitable Kappahl Group, growing with strong brands and is based on four objectives:

- An efficient and scalable core;
- Kappahl - the preferred fashion brand;
- Newbie – a global brand; and
- A family of brands

For each of the four objectives, strategic initiatives implement business- as well as sustainability-focused targets.

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 (more info on page x).

Our [Human Rights 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. The Human Right Policy 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.

We implement our human rights commitment through our Ethical Guidelines for our employees and through our Sustainability Commitment 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.

Kappahl has several additional policies and commitments in the area of sustainability: Inclusion & Diversity; Working Environment; Equity; Whistleblowing; Climate; and Animal Welfare. All policies and commitments are embedded in our strategies, steering documents and routines. We prioritize and address salient risks first. 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 human rights and environmental due diligence throughout our value chain.

## Double Materiality Assessment

Kappahl Group's ambition has since our first sustainability report in 2008 been to provide a full and honest picture of our material sustainability-related impacts, risks and opportunities. Based on our stakeholder dialogue and external monitoring we review our materiality assessment on a yearly basis to keep our list of material impacts, risks and opportunities updated.

During 2023 we conducted a double materiality assessment (DMA) informed by the Corporate Sustainability Reporting Directive (CSRD) with a focus on negative impacts and risks but also describing positive impacts and opportunities. The DMA was performed by representatives from sustainability expert functions as well as the executive management team at Kappahl Group with input and guidance from a third-party consultant. Requirements from the Task Force on Climate-related Financial Disclosures (TCFD), the Norwegian Due Diligence Act, and the proposed EU Corporate Sustainability Due Diligence Directive (CSDDD) were also considered. The European Sustainability Reporting Standards (ESRS) subtopics were analyzed taking our entire value chain into consideration. The identification and assessment of impacts, risks and opportunities was made through summarizing findings from our stakeholder dialogue together with facts from a number of guiding documents and tools from GRI, Cascale (former SAC), OECD, UN, WEF, WWF and Canopy. Each subtopic was graded on a scale from 1-5 based on impact as well as financial risks\*. The assessment of

severity and likelihood was based on the current state, i.e. taken into consideration which risk management measures that Kappahl Group is already conducting today. Prioritization is based on the severity of harm at first hand. The list of material topics consists of those that were graded 3 on either impact or risk, see [pages 44-45](#).

Our largest impacts and risks are found in the logistics operations and tiers 2-4 of our supply chain where our visibility is low and mitigation actions limited. [Pages 19-38](#) describe the actual and potential, negative and positive impacts of each material topic, mitigation and remediation actions.

## Our Value Chain

Kappahl Group's value chain is divided in nine different parts in the figure below:

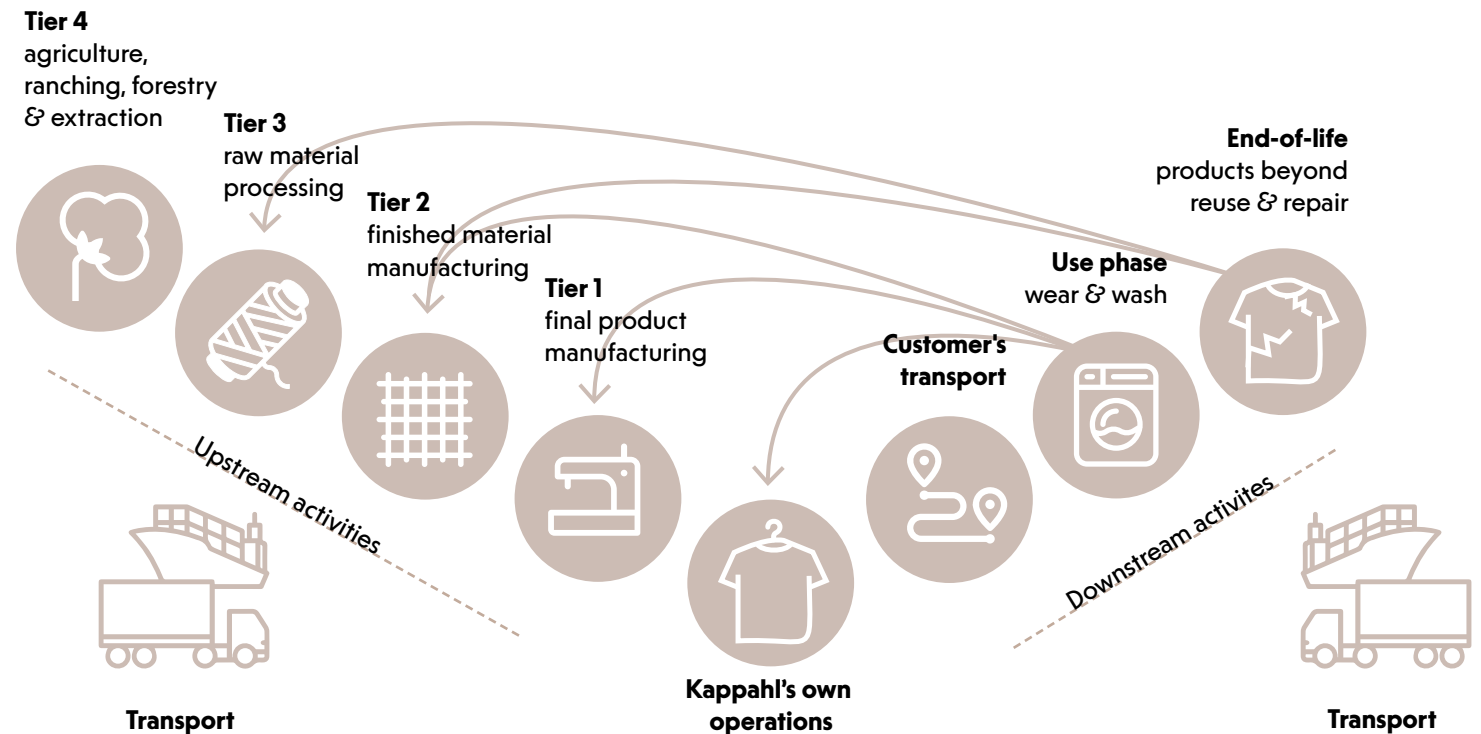
### Upstream activities

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

### Downstream activities

Kappahl's own operations; Customers' transport; Use phase; End-of-life.

Inbound and outbound transports throughout the entire supply chain



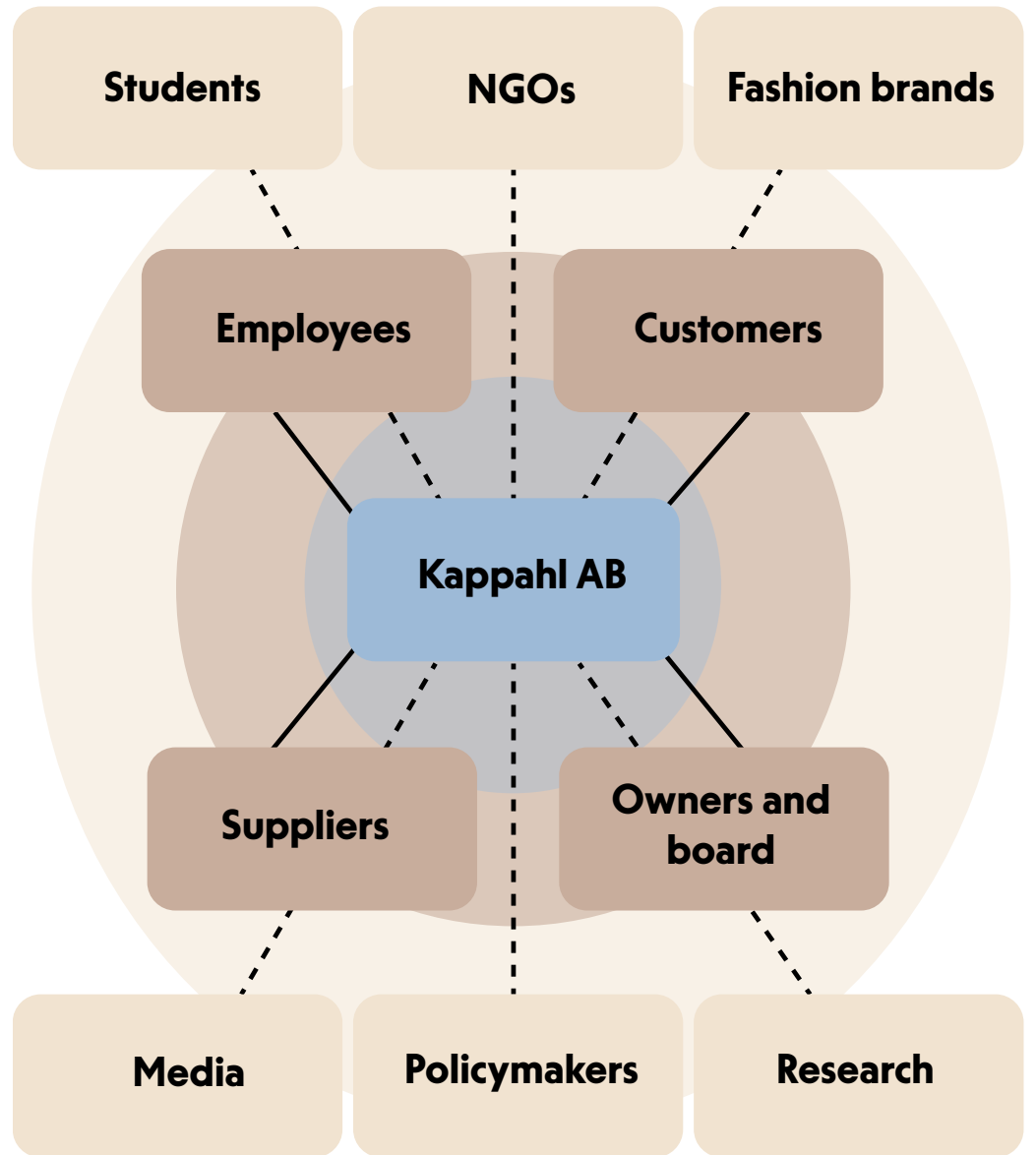
\* Please note that the grading has not been subject to audit.

## Our Stakeholders

As part of our due diligence process, Kappahl Group 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 to 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 nongovernmental 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 & 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><b>Good working conditions in the company</b></p> <p><b>Reduced use of chemicals</b></p> <p><b>Responsibility in supply chain and improved conditions for the workers</b></p> <p><b>Supply safe, good quality products</b></p> <p>Collect used clothes for reuse and recycling</p> <p>Good working conditions at suppliers</p> <p>Fair wages throughout the entire value chain</p> <p>Reduce microplastics emissions</p> <p>Promote diversity and gender equality in the company and actively combat discrimination</p> <p>More sustainable materials</p>
<b>Employees</b>	<p>Kappahl attitude survey, once a year.</p> <p>Close dialogue with local unions.</p> <p>Company Information four times a year with possibility to ask questions.</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>Seasonal Supplier Evaluation and continuous dialogue in the daily work.</p> <p>Annual Sustainability Dialogue started in 2021.</p> <p>Interviews with workers during factory visits.</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 VP 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>

<b>Material topics</b>	<b>Geographical risks</b>	<b>Impact, risks and opportunities</b>	<b>GRI Disclosures 2023</b>	<b>Material topics 2022</b>
Climate change mitigation	Global	See pages 19-21	305-1, 305-2, 305-3, 305-5	Reduced energy use & greenhouse gas emissions
Energy	Global	See page 22	302-3	Reduced energy use & greenhouse gas emissions
Pollution of air	Production countries*	See page 23	413-2	Sustainable production technology (energy, water, chemicals, etc). Local communities
Pollution of water	Production countries*	See page 23	413-2	Sustainable production technology (energy, water, chemicals, etc). Local communities
Pollution of soil	Production countries*	See page 23	413-2	Sustainable production technology (energy, water, chemicals, etc). Local communities
Substances of concern	Production countries*	See page 23	Own disclosure: Share of approved No Risk-tests	Product quality & safety
Microplastics	Production countries*, Sales countries	See page 23	413-2	Microplastics
Water	Production countries*	See page 24	"Own disclosures: Water withdrawal by source. Water sources significantly affected by with- drawal of water "	Sustainable production technology (energy, water, chemicals, etc)
Direct impact drivers of biodiversity loss	Production countries*	See page 25	413-2	Biodiversity. Local communities
Resources inflows, including resource use	Production countries*	See page 26	301-1	More sustainable materials More sustainable packaging
Resources outflows related to products and services	Sales countries	See page 26	"Own disclosures: Number of sold products. Yearly revenue from circular business models "	Sustainable business model Reuse & recycling of clothes
Waste	Production countries*, Sales countries	See page 26	306-3	-

\*Production countries indicate: India, China, Bangladesh, Pakistan, Turkey, Sri Lanka and Cambodia

<b>Material topics</b>	<b>Geographical risks</b>	<b>Impact, risks and opportunities</b>	<b>GRI Disclosures 2023</b>	<b>Material topics 2022</b>
Working conditions	Production countries*, Sales countries	See page 27	401-1, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 404-1, 405-1, 406-1	Good working conditions in the company
Working conditions	Production countries*	See page 28	403-7, 407-1	Human rights in the value chain
Equal treatment & opportunities for all	Production countries*	See page 28	414-1, 414-2	Living wages /Fair wages. Partnership
Other work-related rights	Production countries*	See page 30	408-1, 409-1	Human rights in the value chain
Information-related impacts for consumers and/or end-users	Sales countries	See page 33	417-3	Transparent sustainability communication
Personal safety of consumers and/or end-users	Sales countries	See page 33	416-1, 416-2	Product quality & safety
Social inclusion of consumers and/or end-users	Sales countries	See page 33	Own disclosure: Share of customers that agree Kappahl/Newbie shows diversity in marketing	Inclusion and diversity
Animal welfare	Production countries*	See page 26	2-23 Policy commitments Own disclosure: Share of wool that is certified according to Responsible Wool Standard"	Animal welfare
Corruption & bribery	Production countries*, Sales countries	See page 32	205-2, 205-3	Anti-corruption

\*Production countries indicate: India, China, Bangladesh, Pakistan, Turkey, Sri Lanka and Cambodia

# Future Outlook

## Renewable Energy Gains Territory

**Decarbonization of our supply chain is key to achieve Kappahl Group's net-zero target. How do our suppliers reason when it comes to transition to renewable energy? We asked Mr. Halim at IRIS Fabrics Ltd. to share their journey so far and plans for the future.**

### **What motivated you to invest in renewable energy?**

Increasing the investment in renewable energy leads both to climate reductions and also enhance energy security. Moreover, it also reduces harmful health effect of polluted air, and finds new determinants of growth. We believe that investing in renewable energy aligns with our values and contributes to a more sustainable future for generations to come.

The investment in renewable energy can be financially rewarding. Though the initial costs may be higher, renewable energy systems often have lower operating and maintenance costs over their lifetime. Additionally, as fossil fuel prices fluctuate, renewable energy provides stability and reduces dependence on non-renewable resources.

### **What do you see as the biggest challenges moving forward in terms of reducing your carbon emissions?**

The first and most significant challenge we anticipate in implementing renewable energy is huge long-term primary investment in infrastructure development. This also involves implementing continuous innovation and regular costly maintenance and technical support. Not only this, it requires purchasing I-REC certificate from 3rd party which is very expensive. Bangladesh is a country where necessary technology is scarce. Although, we have the willingness to adopt and implement new technologies, inadequacy and limited support from available sources hinders us.

IRIS Fabrics Ltd has made significant progress in reducing their carbon emissions through initiatives like purchasing I-REC certificates as part of their commitment in line with reducing the Global GHG emission up-to 56%.

### **What is your plan forward?**

Achieving further reductions will require comprehensive strategies across our operations, supply chain, and product lifecycle. Additionally, navigating regulatory

frameworks and market dynamics presents ongoing challenges that require careful monitoring and proactive adaptation. We are always willing to be aligned with the requirements of our partners and ready to embrace renewable energy solutions, we can pave the way for a cleaner, healthier, and more sustainable future for generations to come. Let's work together to create a sustainable future!



**Mr. Halim Mohammad Ahsan  
General Manager Admin, HR &  
Compliance, IRIS Group (IRIS Fabrics  
Limited).**

# 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 41](#)

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).

Statement of use		Kappahl AB has reported in accordance with the GRI Standards for the period January 1 - December 31, 2023.				
GRI 1 used		GRI 1: Foundation 2021				
Applicable GRI Sector Standard(s)		Not currently available				
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, 55		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, 54				
	2-3 Reporting period, frequency and contact point	1				
	2-4 Restatements of information	21,22				
	2-5 External assurance	1, 53				
	2-6 Activities, value chain and other business relationships	2-3, 12, 28,41		Breakdown of non-guaranteed hours per gender and region	Information incomplete	We will develop system support to enable complete reporting
	2-7 Employees	2-3, 34-38				
	2-8 Workers who are not employees	34				
	2-9 Governance structure and composition	15-16, 38				
	2-10 Nomination and selection of the highest governance body	15		Processes and criteria not public	Information unavailable	Not public
	2-11 Chair of the highest governance body	15				



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	15-16, 42-43				
	2-13 Delegation of responsibility for managing impacts	15-16				
	2-14 Role of the highest governance body in sustainability reporting	15-16, 39				
	2-15 Conflicts of interest	15				
	2-16 Communication of critical concerns	16				
	2-17 Collective knowledge of the highest governance body	15				
	2-18 Evaluation of the performance of the highest governance body	15				
	2-19 Remuneration policies	15				
	2-20 Process to determine remuneration	15				
	2-21 Annual total compensation ratio	33				
	2-22 Statement on sustainable development strategy	5-6				
	2-23 Policy commitments	15-19, 28-29, 40, 43				
	2-24 Embedding policy commitments	27, 39-40				
	2-25 Processes to remediate negative impacts	28, 32, 39-43				
	2-26 Mechanisms for seeking advice and raising concerns	28, 32				
	2-27 Compliance with laws and regulations	23, 33				
	2-28 Membership associations	19, 29, 32				
	2-29 Approach to stakeholder engagement	41-43				
	2-30 Collective bargaining agreements	27				

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	41		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	44-45				
<b>Anti-corruption</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	32, 39, 40-41				
<b>GRI 205: Anti-corruption 2016</b>	205-2 Communication and training about anti-corruption policies and procedures	28, 32		Total number of employees and business partners that have received training	Information incomplete	We will develop system support to enable complete reporting
	205-3 Confirmed incidents of corruption and actions taken	32				
<b>Materials</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	25-26, 39-41				
<b>GRI 301: Materials 2016</b>	301-1 Materials used by weight or volume	25				
<b>Own disclosure</b>	Share of wool that is certified according to Responsible Wool Standard	25				
	Number of sold products	25				
	Yearly revenue from circular business models	8				
<b>Energy</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	22, 39				
<b>GRI 302: Energy 2016</b>	302-3 Energy intensity	22				
<b>Water and effluents</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	24, 39-41				
<b>Own disclosure</b>	Water withdrawal by source	24				
	Water sources significantly affected by withdrawal of water	24				

GRI standard/other source	Disclosure	Page reference	Notes	Omission		
				Requirement(s) omitted	Reason	Explanation
<b>Emissions</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	19-20, 39-41				
<b>GRI 305: Emissions 2016</b>	305-1 Direct (Scope 1) GHG emissions	20, 55				
	305-2 Energy indirect (Scope 2) GHG emissions	20, 55				
	305-3 Other indirect (Scope 3) GHG emissions	20-21, 55				
	305-5 Reduction of GHG emissions	21				
<b>Waste</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	26, 31-33, 39, 40-41				
<b>GRI 306: Waste 2020</b>	306-3 Waste generated	26				
<b>Employment</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	27, 39-41				
<b>GRI 401: Employment 2016</b>	401-1 New employee hires and employee turnover	37		Breakdown of employee turnover per age group	Information incomplete	We will develop system support to enable complete reporting
<b>Occupational health and safety</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	27-28, 39-41				
<b>GRI 403: Occupational Health and Safety 2018</b>	403-1 Occupational health and safety management system	27				
	403-2 Hazard identification, risk assessment, and incident investigation	27				
	403-3 Occupational health services	27				
	403-4 Worker participation, consultation, and communication on occupational health and safety	27				

GRI standard/other source	Disclosure	Page reference	Notes	Omission		
				Requirement(s) omitted	Reason	Explanation
<b>Occupational health and safety</b>						
<b>GRI 403: Occupational Health and Safety 2018</b>	403-5 Worker training on occupational health and safety	27				
	403-6 Promotion of worker health	27				
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	28				
<b>Training and education</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	27, 39-41				
<b>GRI 404: Training and Education 2016</b>	404-1 Average hours of training per year per employee	27		Breakdown per age group and gender	Information incomplete	We will develop system support to enable complete reporting
<b>Diversity and equal opportunity</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	38-41				
<b>GRI 405: Diversity and Equal Opportunity 2016</b>	405-1 Diversity of governance bodies and employees	38				
<b>Non-discrimination</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	38-41				
<b>GRI 406: Non-discrimination 2016</b>	406-1 Incidents of discrimination and corrective actions taken	38				
<b>Freedom of association and collective bargaining</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	17, 28-29, 39-41				
<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	28-29, 40				
<b>Child labor</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	28-29, 31, 39-41				
<b>GRI 408: Child Labor 2016</b>	408-1 Operations and suppliers at significant risk for incidents of child labor	28-29				

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	28-29, 39-41				
<b>GRI 409: Forced or Compulsory Labor 2016</b>	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	28-29				
<b>Local communities</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	17, 23-24, 28-29, 39-41				
<b>GRI 413: Local Communities 2016</b>	413-2 Operations with significant actual and potential negative impacts on local communities	3, 23-24, 28-29				
<b>Supplier social assessment</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	28-29, 39-41				
<b>GRI 414: Supplier Social Assessment 2016</b>	414-1 New suppliers that were screened using social criteria	28				
	414-2 Negative social impacts in the supply chain and actions taken	28-29				
<b>Customer health and safety</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	23, 33, 39-41				
<b>GRI 416: Customer Health and Safety 2016</b>	416-1 Assessment of the health and safety impacts of product and service categories	23, 33				
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	23, 33				
<b>Own disclosure</b>	Share of approved No Risk-tests					
<b>Marketing and labeling</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	33, 39-41				
<b>GRI 417: Marketing and Labeling 2016</b>	417-3 Incidents of non-compliance concerning marketing communications	33				
<b>Own disclosure</b>	Share of customers that agree Kappahl/Newbie shows diversity in marketing	33				

# 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 & 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.

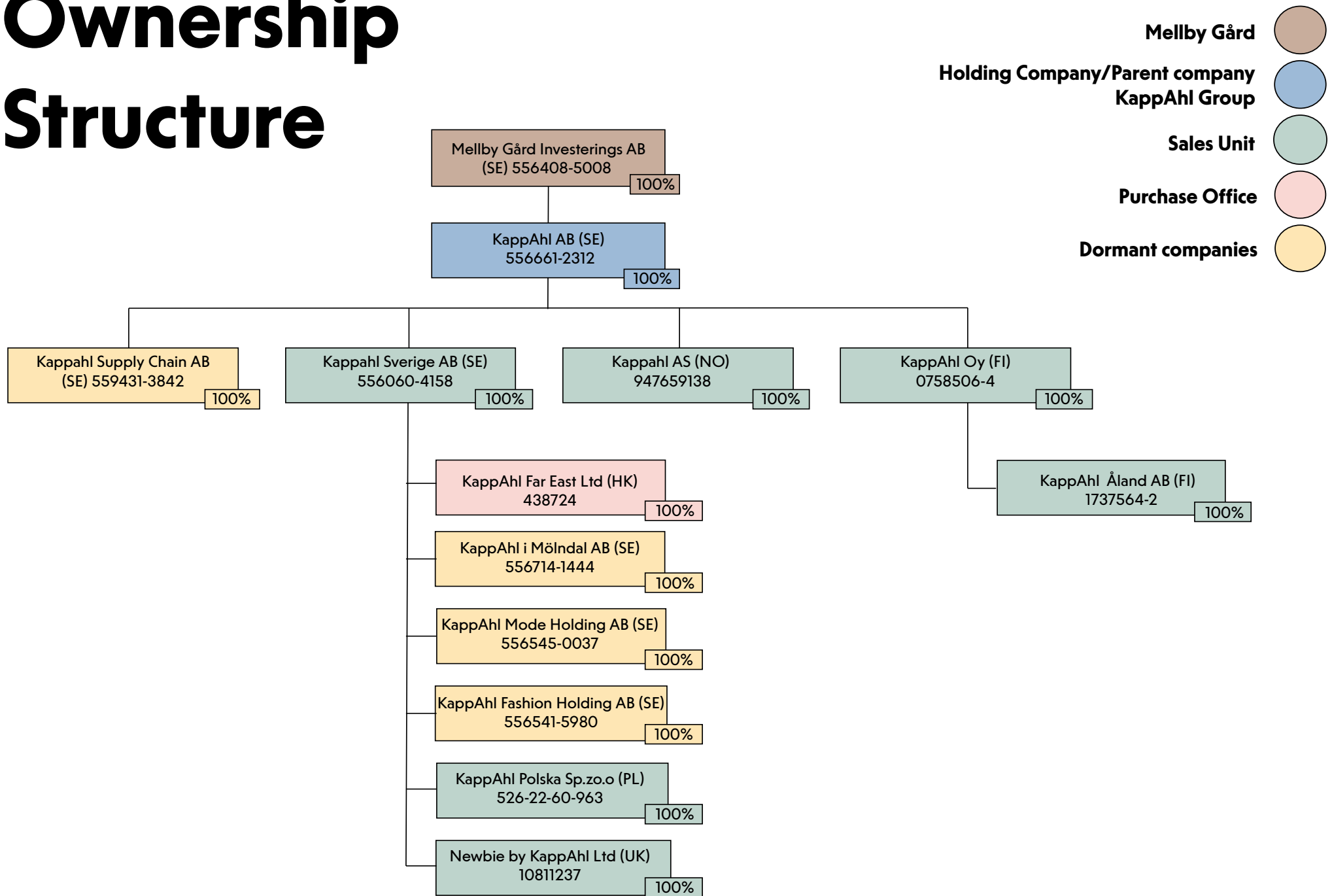
## **Opinion**

A statutory sustainability report has been prepared.

Malmö, 2024 , 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 Cascale
<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>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 Group has three different webshops at <a href="https://www.Kappahl.com">https://www.Kappahl.com</a> , <a href="https://newbie.com/">https://newbie.com/</a> and <a href="https://newbiestore.com/">https://newbiestore.com/</a>

## Definitions for Energy & 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 all GHG Protocol gases. 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 all GHG Protocol gases.

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 all GHG Protocol gases.

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 all GHG Protocol gases.

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 all GHG Protocol gases.

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 all GHG Protocol gases.

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 all GHG Protocol gases.





Annual Sustainability  
Report 2023 ©

# Kappahl