

TOTEME

Social Report 2023

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INTRODUCTION

TOTEME is a Swedish fashion house that creates meticulously curated, timeless pieces in consideration of people, animals and the planet. We employ 87 individuals across our offices in Stockholm, London and New York, as well as 37 global retail employees and five consultants. Our Sustainability team works directly with all managers and teams – every single employee has an important role to play in our sustainability strategy and the ambitious goals we have set as part of it.

This Social Report reinforces our commitment to responsible and sustainable practices with a focus on transparency and accountability. It is a platform to share the milestones and progress we achieved on this topic in the financial year running from May 2022 to April 2023, as well as our ongoing efforts to help improve the fashion industry's social and environmental practices in collaboration with our suppliers and peers.

Each year, we create an in-depth version of this report as part of our membership with Fair Wear Foundation (FWF). FWF is a non-profit organization that supports us by auditing our manufacturing partners and facilitating tools to ensure fair and safe working conditions along our supply chain. Its work is aligned with guidelines set by the Organization for Economic Co-operation and Development (OECD) and the United Nations' Guiding Principles on Business and Human Rights.

2022-2023 SUMMARY

Our sustainability strategy has been and continues to be shaped through collaborations with internal and external stakeholders, including shareholders, managers, employees, customers, suppliers and external experts, as well as learnings from broader challenges and developments in the fashion and textile industries. This ongoing process is informed by direct conversations with these stakeholders, online surveys, focus groups and other forms of research.

A key milestone in 2022-23 was carrying out a materiality assessment following standards set by the Global Reporting Initiative (GRI) and the European Union's Corporate Sustainability Reporting Directive (CSRD). Materiality is a term used to identify the material (or relevant) areas where a company makes the most impact on the economy, the environment and people, including human rights. This assessment allowed us to analyze and prioritize key issues along our supply chain, from broader sustainability issues to social issues associated with FWF's Code of Labour Practices. This assessment also reinforced the need to continue implementing and following Human Rights Due Diligence (HRDD) processes across our business.

Some of the actions we have taken based on our recent findings include:

- Updating our internal policies and ensuring they are aligned with Human Rights Due Diligence processes to embed these into our management and business-wide practices.
- Establishing a Responsible Business Conduct (RBC) Policy that serves as a foundation for our work in sustainability and promotes responsible practices across our operations and supply chain.
- Creating a Responsible Purchasing Practices (RPP) that outlines ethical and environmental standards and guidelines (including fair labor practices) applicable when sourcing materials, products and services from suppliers.
- Sending a Supplier Agreement or contract to all our suppliers that includes a section where they commit to sustainable practices. So far, most of them have signed it.
- Conducting risk assessments on existing and potential suppliers and manufacturing countries.
- Initiating the Living Wage Project to collaborate with suppliers and allied brands on paying fair living wages along our supply chain, a goal we intend to meet by 2025.
- Earning a certification by the Global Organic Textile Standard (GOTS), which promotes and verifies the use of organic materials in the textile industry.

“The materiality assessment reinforced the need to prioritize human rights in our supply chain and to continue evaluating our involvement and responsibilities. We have set clear goals to ratify our commitment to recognizing and respecting human rights in the fashion industry.”

Johanna Andersson, CEO of TOTEME

SOURCING STRATEGY

TOTEME’s offering consists of ready-to-wear as well as shoes and accessories crafted in different countries across Europe and Asia. In 2022-23, we continued refining our sourcing strategy, implementing HRDD practices and supporting suppliers who comply with labor laws and regulations, promote ethical working conditions and follow environmentally responsible practices. Actions taken in this period included auditing potential suppliers, continuously monitoring and evaluating existing suppliers, and strengthening long-term relationships with suppliers who share our values and vision.

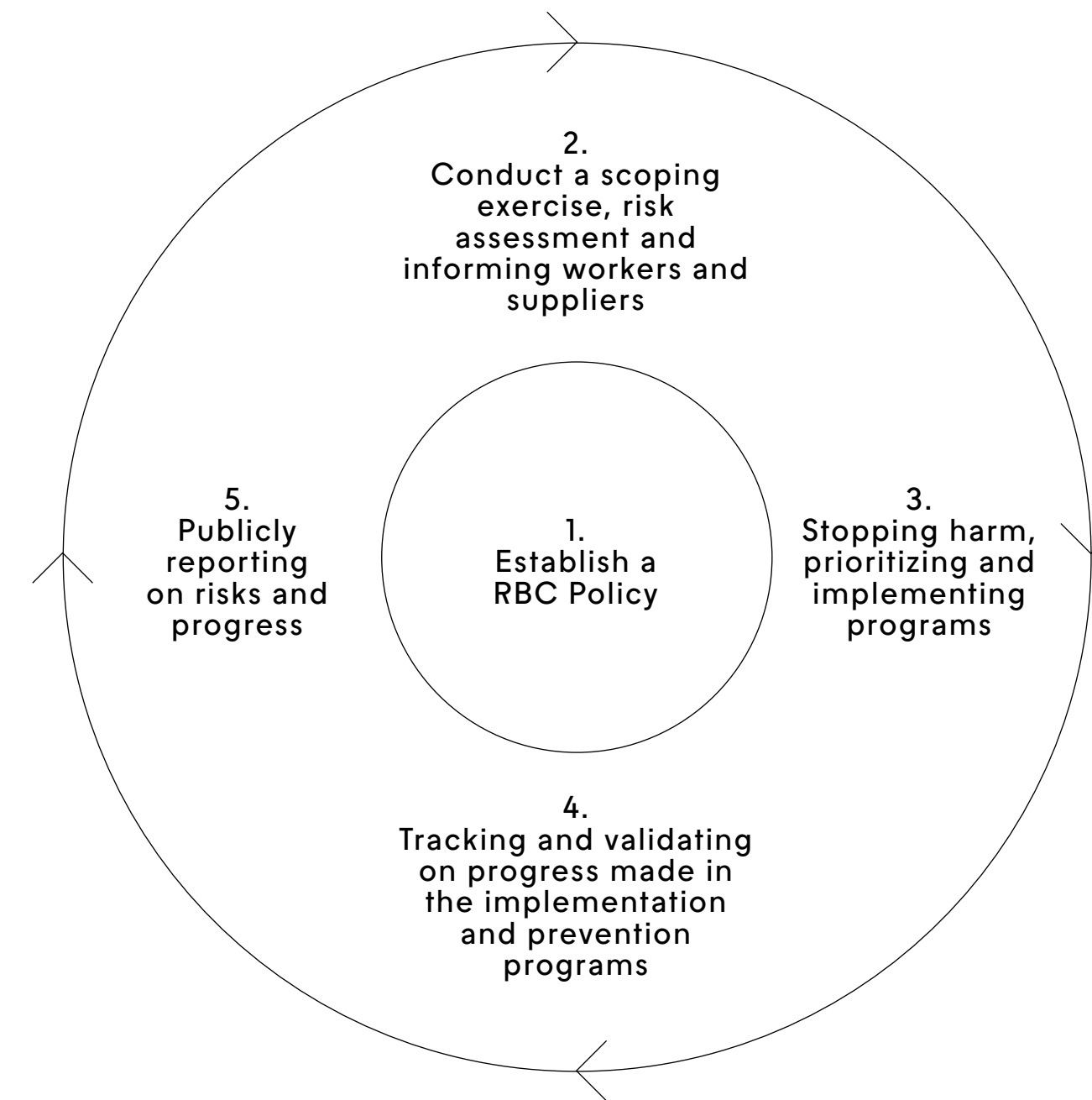
Our approach to sourcing includes:

- Acknowledging that our suppliers play an integral part in creating our products and that it is crucial to have good, stable and long-term relations with them.
- Consolidating our supplier base as much as possible, seeking to increase our production volumes and our ability to build meaningful relationships with suppliers.
- Exploring low-risk sourcing alternatives such as nearshoring for new product categories.

HUMAN RIGHTS DUE DILIGENCE (HRDD)

To ensure we exercise Human Rights Due Diligence (HRDD), we follow the OECD’s and FWF’s guidelines in the development of our sourcing strategy. We consider HRDD when producing tools to raise awareness, monitor and act on human rights issues that may take place in our supply chain.

The chart below summarizes our approach to HRDD:



OUR PRODUCTION CYCLE

Our product development cycle starts a year before garments are delivered to our retail channels. Our collections are designed with a trans-seasonal approach, which means that as much as 62% of the pieces we produce are part of our permanent core, carryover or denim collections. This allows us and our suppliers to plan for the long term, avoiding overproduction and overstocking. In 2022-23 we improved our planning methods to allow our internal teams and suppliers to collaborate more on the production process.

Recently, we have experienced a significant surge in sales and a rise in orders placed for seasonal products, which poses challenges from a production and logistics perspective. We have tackled these challenges by investing in a Planning team and coordinating partial product deliveries with our suppliers.

OUR SUPPLIERS

We strive to work with suppliers who pay fair wages to their workers, provide safe and healthy working conditions, and respect their workers' rights to organize and bargain collectively. To ensure this, we ask that our suppliers:

- Take part in our onboarding training to learn about their rights and responsibilities.
- Sign our Supplier Agreement, which includes a commitment to sustainability and the Code of Labour Practices.
- Are transparent about their company's practices, agree to be audited and to have their business' name published on [Open Supply Hub](#).
- Have the potential to build a long-term relationship and grow alongside TOTEME.
- Are open to collaborating with us on paying workers a living wage.

For 2022-23, 56% of our production value was in Europe and the remaining 44% was in Asia. In total, we worked with 30 suppliers across various product categories.

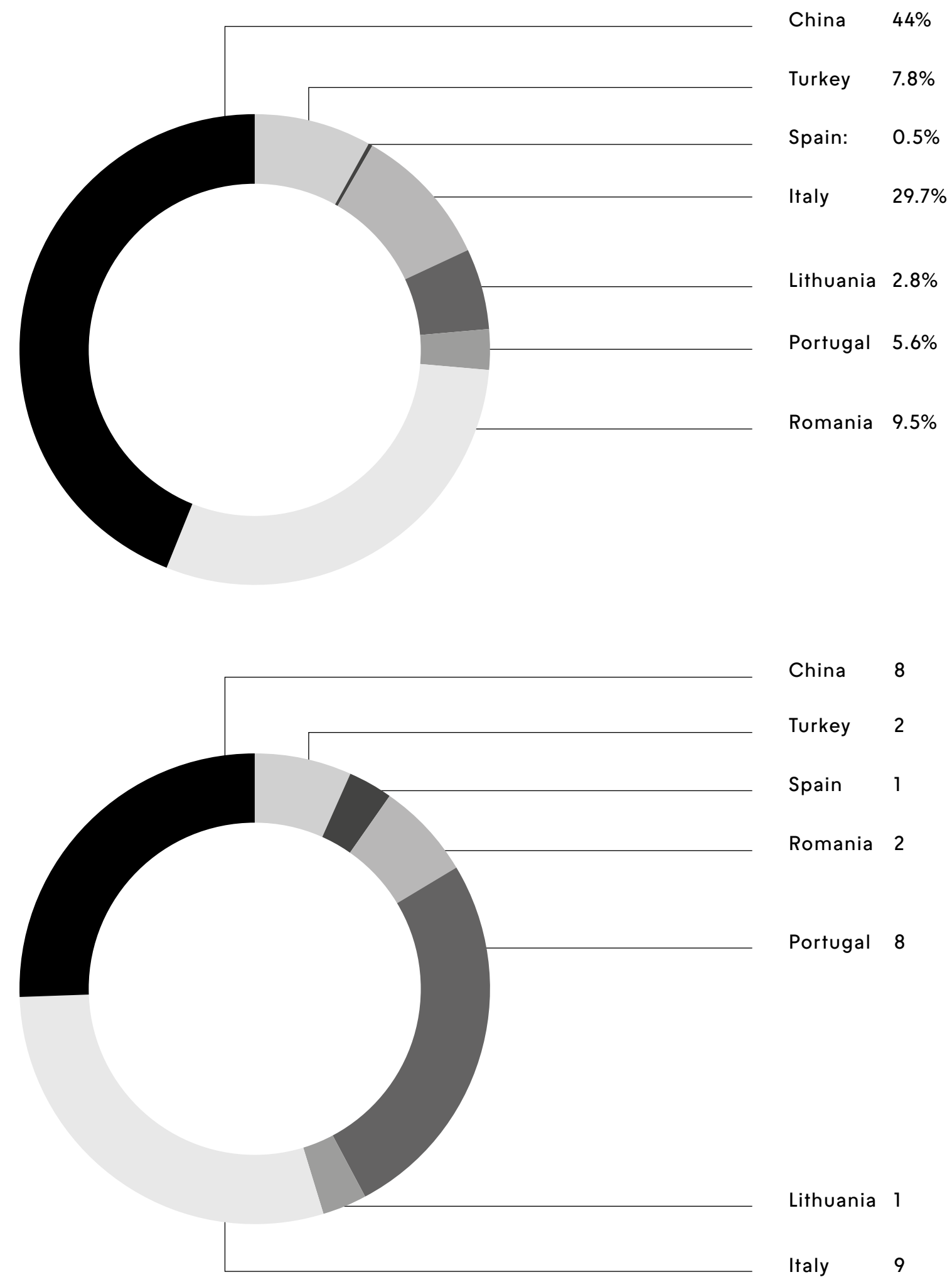


FIGURE 1. TOTEME's manufacturers by percentage of order value (top chart) and by number of suppliers (bottom chart).

Our supplier relationships are important to us. Long-term connections allow for better communication, practices and products and can lead to stronger partnerships and more leverage with our suppliers. In the ten years since we were founded, we have sought to establish lasting relationships with our suppliers; on average, we have worked for at least five years with suppliers from our top ten list and have good leverage with most of them. The following table shows an anonymized list of all our suppliers for the year 2022-23, our order value and leverage with them, and the length of our partnership:

Supplier No.	Order value (%)	Leverage (%)	Collaboration length (years)
1	12	31	10
2	0	2	10
3	1	2	8
4	3	12	8
5	21	91	7
6	3	14	7
7	3	12	7
8	8	24	5
9	2	2	4
10	12	30	4
11	9	7	4
12	1	4	4
13	1	1	4
14	1	2	3
15	12	22	3
16	0	1	3
17	0	1	2
18	5	7	2
19	0	1	2
20	0	1	2
21	0	0	2
22	0	3	1
23	1	1	1
24	2	1	1
25	0	1	1
26	0	1	1
27	0	2	1
28	0,52	3	<1
29	0,43	1	<1
30	1,41	2	<1
31	0,74	10	<1

NEW SUPPLIERS

We are in the process of expanding our supplier base due to new product categories and a need for skilled craftsmanship. Our Product Development and Production teams have been visiting and onboarding the following new suppliers:

Supplier No.	Latest FWF audit	Latest external audit	Order value (%)	Leverage (%)	Ranking position	Risk level
22	-	SMETA 2022	0,2	3	32/32	3
23	-	amfori BSCI 2022	0,69	1	N/A	5
25	-	Intertek 2023	0,32	1	32/32	2
26	-	SGS S.A. ISO 9001 2022	0,06	1	N/A	2
27	September 2021	Yearly GOTS audit	0,26	2	N/A	2
28	-	September 2023	0,52	3	30/32	3

TERMINATED SUPPLIERS

We follow a series of steps before deciding to terminate a supplier. These include sharing audit results with them and developing actions to tackle issues. However, if these steps do not lead to improvements, we begin a phasing-out process with them. The following suppliers are in a phasing-out stage:

Supplier No.	Order value (%)	Leverage (%)	Collaboration length (years)	Ranking position	Risk level
17	0	1	2	31/32	2
2	0	2	10	32/32	1
11	9	7	4	32/32	2
13	1	1	4	N/A	3

SUPPLY CHAIN MANAGEMENT (SCM)

At TOTEME, we have different procedures and tools to monitor our suppliers’ performance and find solutions to issues that may arise, a practice also known as monitoring and remediation. These include audits and evaluations, internal monitoring, and follow-up meetings with staff and suppliers. At the moment we mainly focus on our manufacturers and their subcontractors, however we intend to expand this scope to include fiber, fabric and raw material providers as part of our goal to offer full visibility and transparency.

AUDITS AND EVALUATIONS

We regularly audit and evaluate our suppliers, either via FWF, third-party organizations or directly by a member of our Product Development or Production teams. We start by carrying out a risk assessment, which is a health and safety checklist, when we visit our suppliers. This tool helps us assess risks, rated from 0 to 5, in our suppliers’ operations and act on them based on the risk level and the supplier’s country. These actions may include training, follow-up meetings or audits carried out by external organizations. We also have an internal ranking in which we rate our suppliers on a scale from 0 to 32 based on sustainability and production attributes.

COUNTRY-BASED RISK ASSESSMENTS

Following FWF’s guidelines, we monitor our suppliers and the countries where they are based to determine how likely they are to commit violations against the Code of Labour Practices. Among our manufacturing countries, China, Turkey, Italy and Romania are categorized as high-risk countries, which means they should be audited regularly, either by us directly, by other brands who share the audit’s results with us, or by third parties. Below is a table summarizing the frequency and circumstances in which we audit or visit our suppliers based on their countries’ risk level. This is followed by a brief country-specific analysis.

Country	Audit by FWF or third party	Audit frequency	Visit	Visit frequency
China	Yes, before production starts	Every 2 years	Not possible in 2022-23 due to COVID-19 restrictions	At least once a year
Turkey	Yes, before production starts	Every 2 years	Once a year	At least once a year
Romania	Yes, before production starts	Every 2 years	Once a year	At least once a year
Italy	Not needed if required documents are signed and supplier’s ranking is high	Every 2-3 years	TOTEME team visits regularly unless FWF audit takes place	At least once a year
Portugal	Not needed if required documents are signed and supplier’s ranking is high	Every 2-3 years	TOTEME team visits regularly unless FWF audit takes place	At least once a year
Lithuania	Not needed if required documents are signed and supplier’s ranking is high	Every 2-3 years	TOTEME team visits regularly unless FWF audit takes place	At least once a year
Spain	Not needed if required documents are signed and supplier’s ranking is high	Every 2-3 years	TOTEME team visits regularly unless FWF audit takes place	At least once a year

CHINA

China is an important manufacturing country for us, with 44% of our production taking place there. We work with two Chinese agencies that oversee eight factories between them. We audit our Chinese

suppliers every two years – in 2022-23, three audits were carried out on our behalf following FWF’s guidelines. Due to COVID-19 restrictions still being in place, TOTEME employees were unable to visit the suppliers directly.

Some issues evidenced by the audits include workers being paid below the living wage, working excessive overtime and being unaware of the union’s function. We plan to tackle these issues through the Living Wage Project we initiated and are part of, a training program, and CAP follow-up meetings.

Supplier No.	Last FWF audit (MM/YY)	Last external audit (MM/YY)	Last FWF training (MM/YY)	Order value (%)	Leverage (%)	Collaboration length (years)	Ranking position	Risk level
9	04/23	05/21	09/21	2	2	4	26/32	4/5
15	01/22	-	02/23	12	22	3	28/32	3/5
5	09/21	-	09/22	21	91	7	21/32	4/5
6	05/22	-	-	3	14	7	23/32	4/5
18	10/21	-	-	5	7	2	25/32	4/5
16	08/21	08/21	-	0	1	3	25/32	4/5
23	05/16	-	-	1	1	1	Phasing out	5/5
29	05/16	03/21	-	0	1	2	N/A	4/5

ITALY

Nearly 30% of our products are made in Italy. There, we work with nine direct suppliers and 15 subcontractors, all of whom have signed our Code of Conduct and placed an informational poster for employees in a visible location. The denim supplier we have worked with from the beginning is based in Italy, and so is one of our long-standing footwear suppliers. These steady relationships translate into stable production processes, pricing and quality.

We have directly visited and conducted health and safety audits on all our suppliers based in Italy. Our denim washing facilities were audited by a third-party agency with positive results.

Supplier No.	Last external audit (MM/YY)	Auditor/certification	Order value (%)	Leverage (%)	Collaboration length (years)	Ranking position	Risk level
3	02/21	amfori BSCI	1	2	8	32/32	2/5
14	03/21	Most CSR	1	2	3	32/32	2/5
10	N/A	-	12	30	4	32/32	3/5
12	09/20	SA8000	1	4	4	32/32	2/5
17	N/A	-	0	1	2	N/A	3/5
24	N/A	-	2	1	1	32/32	2/5
1	07/22	Smeta	12	31	10	32/32	2/5
21	02/21	-	0	0	2	N/A	3/5

PORTUGAL

Portugal currently accounts for 6% of our production value, which is 2% percentage points less than the previous year. There, we began collaborating with two new suppliers in the past year, one for sneakers and one for suits. We also produce some of our swimwear and core products such as T-shirts and shirts there. The country has a long-standing textile tradition and has strict human rights laws; so far, we have found no evidence of supplier misconduct and have seen no need to carry out any third-party audits.

Supplier No.	Last external audit (MM/YY)	Last FWF training (MM/YY)	Order value (%)	Leverage (%)	Collaboration length (years)	Ranking position	Risk level
22	N/A	Sedex	0,2	3	1	32/32	3/5
4	12/21	amfori BSCI	2,71	12	8	32/32	1/5
30	5/21	amfori BSCI	1,4	2	2	32/32	1/5
19	3/21	amfori BSCI	0,24	1	2	32/32	1/5
31	N/A	-	0,74	10	3	31/32	3/5
26	4/22	SGS ISO 9000	0,06	1	1	30/32	2/5
2	3/22	Smeta	0,24	2	10	32/32	2/5

TURKEY

In the past year we began working with a new Turkish supplier, Mergü. Mergü already works with other FWF member brands and is participating in our Living Wage Project. Mergü additionally uses FWF's Fair Price app, which promotes the payment of living wages. We have encouraged our other Turkish supplier to connect with Mergü and expect them to also use the app so we can achieve our goal of paying living wages.

Supplier No.	Last FWF audit (MM/YY)	Last external audit (MM/YY)	Last FWF training	Order value (%)	Leverage (%)	Collaboration length (years)	Ranking position	Risk level
8	02/22	12/20	N/A	7,51	24	5	25/32	4/5
27	09/21	N/A	11/22	0,26	2	1	30/32	3/5

ROMANIA

In Romania, this past year we began collaborating with a new supplier and began a phasing-out process with another one.

Supplier No.	Last external audit (MM/YY)	Order value (%)	Leverage (%)	Collaboration length (years)	Ranking position	Risk level
11	06/21	9,3	7	4	32/32	3/5
25	11/21	0,3	1	1	32/32	2/5

INTERNAL MONITORING

Our Product Development and Production teams use Product Lifecycle Management (PLM) software into which we are gradually incorporating information resulting from our audits, evaluations and rankings for visibility and better decision-making. For example, we include the supplier’s risk level, whether they pay living wages, whether they have signed the Supplier Agreement and Environmental Policy, their energy sources, their greenhouse emissions and more.

Sustainability Attributes

Supplier Risk Level	HIGH	Scope Certification	Gots
Living Wages	IN Project	Renewable Energy Sources	
Supplier Agreement Signed	<input checked="" type="checkbox"/>	Environmental Compliance	
Social Compliance	<input checked="" type="checkbox"/>	Environmental Compliance Rating	
Social Compliance Rating		GHG Emission	
Environmental Policy Signed	<input type="checkbox"/>	Emissions per Unit	
Governance Rating		Plastic Waste	<input type="checkbox"/>
Transparency	Share data to tier 1-2	Paper Waste	<input type="checkbox"/>
Communication	Good	Textile Waste	<input type="checkbox"/>
Ownership	Led by a woman		
Total Supplier Capacity	200000		

FIGURE 2. A screenshot of TOTEME’s PLM software.

FOLLOW-UP MEETINGS

We share results from audits, evaluations and our internal ranking with our suppliers every year and carry out follow-up meetings with them and our direct employees to discuss these. For example, after an audit, we develop a Corrective Action Plan (CAP) to identify improvement opportunities and set a timeframe with our suppliers to tackle them. These CAP follow-up meetings with our suppliers have become opportunities for both parties to share ideas and collaborate on solutions. Internally, our Sustainability team holds monthly meetings with the Product Development and Production teams in which findings are discussed with a focus on supplier performance, progress and actions taken to resolve issues. Normally, if suppliers have a high score in terms of sustainability, they also tend to perform well in other areas.

TRAINING AND CAPACITY-BUILDING

EMPLOYEES

Our Sustainability team takes part in regular training, webinars and conferences offered by various organizations, including FWF's online seminars on Responsible Business Conduct policies, risk assessments and living wages.

The Sustainability team then sends out bi-weekly newsletters and takes part in monthly team meetings to share exciting and important news with all TOTEME employees. These include progress made on certification applications, new policies and developments in sustainability.

In the year 2022-23 we introduced a new learning platform, Udemy. This platform allows us to share internal policies and training and also allows employees to learn about other topics that are relevant and interesting to them.

Twice a year, we conduct Employee Net Promoter Score (eNPS) surveys to learn more about our employees' wellbeing and motivation levels. These surveys allow us to track our employees' engagement with the company as well as the impact of our People and Culture team's initiatives. The results are shared with all employees and managers are held responsible for acting on any issues flagged.

AGENTS

We work with three agents, two in China and one in Turkey, who act as intermediaries between TOTEME and our suppliers in those countries. We carry out regular online meetings with them to keep them informed about our work in sustainability and learn more about their circumstances.

SUPPLIERS AND FACTORY WORKERS

In 2022-23 we held various CAP follow-up meetings with suppliers to discuss living wages, overtime, production planning, contracts for temporary workers and more. We additionally facilitated training on FWF's Fair Price app in Turkey and China.

For factory workers, we offer Workplace Education Programs (WEP) that educate about worker rights and human rights more generally.

COMPLAINTS AND COMMUNICATIONS

HANDLING OF COMPLAINTS

One of our requirements for suppliers is that they keep a Worker Information Sheet (WIS) visible in the local language for their employees to learn about their rights, including how to file complaints and what Workplace Education Programs (WEP) are available to them. No complaints have been submitted as of yet.

TRANSPARENCY AND COMMUNICATION

We believe in being transparent about our practices and manufacturing facilities. We acknowledge that there is more work to do, such as implementing more processes to track information and ensure compliance, but we are also proud of our progress so far and are excited about the projects and initiatives that lie ahead.

Currently, we publish our tier 1 and tier 2 suppliers on our website. In 2022-23 we also began publishing this information on Open Supply Hub. Open Supply Hub gives us visibility on other brands that work with our suppliers, allowing us to reach out to them and seek collaborations. It also offers the possibility to identify high-risk countries and hotspots for environmental issues such as water scarcity, flooding and earthquakes.



FIGURE 3. TOTEME's different supply tiers.

MEMBERSHIPS AND CERTIFICATIONS

MEMBERSHIPS

To inform and develop our sustainability work we are currently members of or are involved with the following organizations:

FAIR WEAR

We believe fashion should be fair for everyone. That is why we are an official member of Fair Wear. We are working toward being more open about how our clothes are made and improving working conditions for the people making them.

FUR FREE RETAILER

An international initiative run by the Fur Free Alliance that brings together 1500+ retailers who commit to not using fur in their designs. It encourages companies to go fur-free and provides consumers with accurate information about retailers' fur policies.

LEATHER WORKING GROUP (LWG)

An international not-for-profit organization with 2000+ stakeholders that promotes responsible leather manufacturing in leather supply chains through audit certifications that assess manufacturers' environmental performance.

OPEN SUPPLY HUB (OS HUB)

Open Supply Hub is an accessible and collaborative supply-chain mapping platform used and populated by stakeholders across different sectors and supply chains. It is a neutral, non-profit organization registered in the USA.

SCANDINAVIAN TEXTILE INITIATIVE FOR CLIMATE ACTION (STICA)

A network of 40+ Scandinavian clothing brands led by the Sustainable Fashion Academy and working toward science-based targets to reduce emissions and promote accountability. As members, we report our greenhouse emissions to them annually to show how we are progressing toward our targets.

TEXTILE EXCHANGE

We joined Textile Exchange – a global non-profit driving positive impact on climate change across the fashion and textile industry – in 2020 to speed up our adoption of preferred fibers. Our membership gives us the tools we need to set preferred fiber goals and holistically reduce our impact, right from the start of our supply chain.

THE CHEMICALS GROUP

(run by the Research Institutes of Sweden, RISE)

A Swedish network of researchers and members from different industries that shares information and tools on chemical and environmental issues. The network, with whom we have collaborated since 2019, helps members like us avoid using dangerous chemicals in their products and supply chain.

CERTIFICATIONS

Certifications guide us in our selection of materials that minimize harm to the environment, animals and people. They also help us demonstrate to our customers and stakeholders that our pieces are made to the highest standards.

FOREST STEWARDSHIP COUNCIL® (FSC®)

Certification issued by the Forest Stewardship Council, a global not-for-profit organization dedicated to the promotion of responsible forest management.

GLOBAL ORGANIC TEXTILE STANDARD (GOTS)

GOTS is an independent, self-funded, non-profit organization that issues a leading global standard for organic fibers that considers both ecological and social criteria. We became GOTS-certified in 2022-23 and are currently working with our suppliers for them to obtain their own certifications

GLOBAL RECYCLED STANDARD (GRS)

The Global Recycled Standard (GRS) verifies the percentage of recycled material and tracks it from the source to the final product.

RECYCLED CLAIM STANDARD (RCS)

The Recycled Claim Standard (RCS) verifies the percentage of recycled material and tracks it from the source to the final product.

ORGANIC CONTENT STANDARD (OCS)

The Organic Content Standard (OCS) verifies the percentage of organically grown material and tracks it from source to final product.

RESPONSIBLE ANIMAL FIBERS (RAF)

RAF stands for Responsible Animal Fibers and it encompasses The Responsible Wool Standard (RWS), the Responsible Mohair Standard (RMS) and the Responsible Alpaca Standard (RAS). It verifies animal welfare and land management requirements for wool, mohair and alpaca fibers and tracks them from farm to final product.

