

MODERN SLAVERY STATEMENT

This statement is published in accordance with the UK Modern Slavery Act 2015. It sets out the steps taken by KappAhl AB, which, through KappAhl Sverige AB, has a subsidiary in the UK, during the financial year ending 31 December 2020, to address modern slavery and human trafficking in its own business and supply chain.

THIS IS KAPPAHL - ORGANISATION STRUCTURE AND SUPPLY CHAINS

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

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

In 2019/2020 our sales were SEK 6.0 billion and profit after tax was 199 million SEK. The total capitalization was 4,013 million SEK, whereof total liabilities 2,222 million SEK and total equity 1,791 million SEK. KappAhl is since 30 October 2019 fully owned by Mellby Gård AB, a family owned, long-term investor based in Malmö, Sweden, managed by Johan Andersson.

KappAhl does not own any factories but cooperated during the financial year with approximately 160 suppliers and 320 factories, mainly in Asia. **You'll find our Supplier List on [kappahl.com/sustainability](https://www.kappahl.com/sustainability).**



For more information about KappAhl or Newbie, visit kappahl.com/sustainability or newbiestore.com/pages/sustainability.

OUR POLICIES PROMOTING HUMAN RIGHTS AND ANTI-SLAVERY

At KappAhl, we respect human rights. We recognize our responsibility to protect human rights and our ability to contribute to the advancement of human rights in the world. We believe that these issues are essential to our business and sustainable growth and important to all of us who work at KappAhl, as well as our customers, business partners, owners, civil rights groups, and the communities where we operate.

Our policy on human rights is aligned with UN Guiding Principles on Business and Human Rights, 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), the International Labour **Organization's Declaration on Fundamental Principles and Rights at Work**, the Convention on the Elimination of All Forms of Discrimination against Women and the **Ethical Trading Initiative's Base Code** which applies to us as members of the organization.

Our Ethical Guidelines build on our human rights policy. Everyone who works at or with KappAhl is continuously informed of our Ethical Guidelines and what they entail so as to form an approach to important issues such as corruption and conflicts of interest. In addition, our suppliers undertake to comply with our requirements regarding business ethics and anti-corruption practices.

We are committed to ensuring that the people who work for our suppliers have decent working conditions, reasonable working hours and a fair wage. Our Code of Conduct for Suppliers plays a big role in enabling that. This is a key element in the agreements we have with our suppliers, and covers areas such as freedom of association, wages, working hours and workplace safety. We have zero tolerance of forced labour and child labour.

RESPONSIBLE FASHION – OUR SUSTAINABILITY STRATEGY

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

- Design: Developing fashion fit for life.
- Supply chain: Strategic and long-term cooperation with suppliers.
- Organization and stores: Social and environmental responsibility in all activities and operations.
- Consumption: Conscious choices made easy

Our strategy enables us to contribute to many of the UN Sustainable Development Goals, for example #8 Decent Work and Economic Growth, #5 Gender Equality and #12 Responsible Consumption and Production. **By working in the strategy's four focus areas, we promote human rights, anti-corruption, safe working conditions and fair wages, as well as sustainable use of water, energy, chemicals and raw materials throughout our entire value chain. We report on our progress and sustainability strategy in our annual sustainability report.**

RISK ASSESSMENT AND MANAGEMENT

KappAhl's impact on people and the environment is in all parts of our value chain, but we identify the most significant actual and potential negative environmental as well as social impacts in our supply chain.

Risks in the supply chain

The textile supply chain is generally divided into four tiers: Tier 1: final product manufacturing, Tier 2: finished material manufacturing (fabric

mills, dye houses etc.), Tier 3: raw material processing, and Tier 4: agriculture, ranching, forestry and extraction. The most important issues are safety at work, wages and working hours, but also environmental issues such as climate, water and chemicals. Both the risks and the lack of transparency are greatest early in the supply chain (tier 2-4).

Risk management and capacity-building

Violations of human rights constitute a risk where also vulnerability is greatest: in our production countries. We work to protect and promote human rights in several ways, addressing working conditions, wages, child and forced labour, freedom of association, safety and health. Requirements in our purchasing and sourcing practices, partnership with suppliers, capacity building such as training for factory workers and running an education centre for women in Dhaka, are some examples of our ongoing work to increase awareness of these matters, both internally and among our suppliers. We see a need to work for greater transparency and to increase **suppliers' capacity, giving them clearer responsibility**, via a combination of our own initiatives and industry initiatives such as through the industry initiative, the Sustainable Apparel Coalition (SAC).

The risk for corruption is greatest at the supplier stage. We have zero tolerance of any type of corruption and have a high level of internal control. It is highly unusual for us to identify cases of corruption among employees or suppliers. No cases of corruption were reported during 2019/2020.

DUE DILIGENCE PROCESSES

KappAhl's Code of Conduct promotes sustainable development in all parts of the production chain. Through cooperation and long-term commitments in our supply chain we can strengthen work on human rights and anti-corruption, promote just and safe working conditions, fair wages and cleaner production.

Responsible suppliers

To have a positive impact, we have worked during the reporting period to consolidate our supply chain to ensure that we collaborate with responsible

suppliers. Our sustainability strategy, ethical guidelines, our supplier strategy, our binding Code of Conduct for suppliers and regular supplier evaluations are important instruments in this work. All suppliers undertake to comply with the Code of Conduct, which prohibits forced and child labour, and sets requirements concerning freedom of association and organisation, wages and working hours, safety at the workplace, anti-discrimination as well as environmental aspects.

Control of production

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

Monitoring the code of conduct

Employees at our local Production Offices¹ **monitor KappAhl's** Code of Conduct in three steps: identify non-conformances, initiate improvement measures, and support the work of improvement. Another important task is to coordinate and cooperate with the purchasing organisation to ensure production at factories that live up to our requirements. We have an ongoing dialogue on sustainability issues with our suppliers, with the ambition that our visits and follow-ups will encourage them to take own responsibility, for example for social conditions and environmental impact. We conduct regular inspections at the factories and suppliers we cooperate with. Year 2020 has been a real challenge due to the COVID pandemic, which in certain countries and periods has hindered us from physical visits at the factories. During the reporting period (16 months) we carried out 302 (365) inspections and follow-up visits at **suppliers' factories, which is less** than would have been performed during a normal year. Especially at these exceptional times, the KappAhl method of visiting and inspecting all **suppliers' factories before order placement**, dialogue with and selecting of suppliers that share our sustainability ambitions has led to a substantially

¹ KappAhl's Production Offices are located in Bangladesh, China, India and Turkey.

lower risk for non-conformance with our Code of Conduct. The factories that are inspected in the agents and importers category (roughly 5% of our order value) are in countries where the risk of deficiencies in the work environment and safety conditions are estimated to be higher. See Table 1 for the performance on the key performance indicators related to monitoring the Code of Conduct.

Table 1 Monitoring the Code of Conduct

	19/20	18/19	17/18
Share of PO supplier factories approved for social conditions, % ¹	100	100	100
Number of factories	312	330	357
Number of inspections	127	199	228
Number of follow-up visits	175	166	254
Approved, %	51	54	64
Temporarily approved, %	28	31	36
Unsatisfactory, %	0	0	7
Not inspected, % ²	21	15	12
Number of inspections, new factories	12	50	37

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

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

Inspections

All new factories are inspected by us. If a new factory meets our requirements at the first inspection it is classed as Temporarily Approved. To ensure that the factory meets our requirements, follow-up visits and subsequent new inspection are made within 12 months. Only then can the factory be classed as Approved. If we discover non-conformances at our inspections our default position is to bring about change instead of discontinuing the collaboration. In these cases the supplier and factory draws up a plan of action to correct the non-conformances. If a supplier does not cooperate, or a factory does not carry out agreed improvements, we limit or stop the placing of orders.

PROMOTE CHANGE

To influence and drive development forward in the production countries we are active and involved in several partnerships and industry initiatives.

The Transparency Pledge is a coalition of a number of large global organizations (Human Rights Watch, IndustryAll, Clean Clothes Campaign, etc.) **to improve transparency in the fashion industry's supply chains.**

KappAhl has published our supplier lists on our website since 2013 and are also working on a number of different solutions for increased transparency. To be clear with our commitment, we joined the Transparency Pledge in Autumn 2019 and follow their requirements for transparency linked to the supply chain.

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

Bangladesh is one of the most poverty-stricken countries in the world. Women are often very disadvantaged here, with few rights and they typically lack education. Many of them live in poverty and suffer from malnutrition. But one way out of poverty is education and employment. To that end, KappAhl established an education centre for women on the outskirts of Dhaka, the capital, daily run by the TCM Foundation. They receive wage compensation during their months with us, and after their education they are all offered employment. Here the women learn how to sew and get weekly class training in reading and writing, financial issues as well as female rights issues. All get healthy lunch, and the whole family is included in the programme. Almost 1000 women have completed our education programme to date, and as soon as they are able to start providing for themselves, not only their lives, but also the lives of their family members are changed. And in many cases, their dream comes true about starting a new life for themselves and their family back at the home village and being able to leave the poor situation in Dhaka.

The content of this statement is an extract from our sustainability report for 2019/2020 on <https://www.kappahl.com/en-US/about-kappahl/sustainability/responsible-fashion/sustainability-report> which has been approved by KappAhl AB's Board of Directors on April 20th 2021.

Elisabeth Peregi

Elisabeth Peregi
President and Chief Executive Officer, KappAhl AB
June 2021

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KappAhl Modern Slavery Statement 19_20

Final Audit Report

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