

A woman with long dark hair, wearing a bright pink jacket and blue jeans, is sitting on a grassy hill. She is looking down at a white dog lying next to her. The dog is looking towards the camera. The background is a blurred, rocky hillside.

EXTENDED

SUSTAINABILITY REPORT

ELLOS GROUP

ellos **Jotex** STAYHARD



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STATEMENT OF THE ELLOS GROUP CEO HANS OHLSSON



It is both a challenge and an opportunity to be in a business where it matters so much about how you handle sustainability. The textiles and apparel sector is a major user of natural resources and an important user of chemicals. The industry is also directly connected to society's prevailing trends such as: digitalization and connectivity, climate change and scarce resources, and globalization. We are in a position where our activities contribute directly to the impact on global sustainability.

Throughout the year we continued to work on sustainable materials. We remained focused on cotton as it is the most commonly used fibre in our product range, and found in about 65% of all our textiles. Cotton is also a very resource-intensive fibre to cultivate, harvest and produce, counting for 11% of the world's pesticide and fertilizer consumption. I am proud to say that sustainable cotton today represents 69% of our cotton range and our target is to reach 100% by 2020. We continue to be an active participant with BCI and Cotton Connect in supporting the development of sustainable cotton production. Other sustainable materials we are focusing on and increasing to use are recycled polyester and lyocell. Over the year we also developed and introduced a new strategy for sustainably-sourced wood.

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It is important for us that our products are manufactured with regard to the people who produce them, as well as the environment.

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We favour reusing products, and an example during the year was our launch of the Ellos Vintage Collection, making used products desirable. Another example was Jotex carpets by recycled PET bottles developed into a material with properties similar to wool. You can read more about this in the report.

We continue to be part of the Sweden Textile Water Initiative, (STWI), with the aim of achieving a better understanding of the water challenges faced by the industry, and finding the right mechanisms to address them. We are proud to be one of 13 Nordic companies who made the

STWI's results possible for 2017.

We contributed to saving 5.21 million cubic meters of water, corresponding to 1-day's need of water for 104 million people, a reduction of 39 million kWh of electricity and to the reduction of 18,700 tons of chemicals. All this was done very cost-effectively, as the paybackperiod of the investments was 15-18 months.

It is important for us that our products are manufactured with regard to the people who produce them, as well as the environment. As the production of the Ellos Group's products is located in high-risk countries from a working condition perspective, there is a need for regular inspections of all our suppliers, regardless of the sourcing



volume the Ellos Group has with them. We continued our work in 2017 to audit and externally certify 100% of the Ellos Group's suppliers within 24 months by 2020. In 2017, the Ellos Group reached 84% coverage for all suppliers. The figure for 2016 was 77% and for 2015 27%.

Throughout 2017, we continued within the framework of Accord Bangladesh to improve the Bangladesh Ready-Made Garment Industry as a safe and healthy working environment.

Another way we are showing concern is that we started a project with the Hand in Hand organisation, to jointly improve living conditions for residents in the village of Visoor, India. For example, the children there are encouraged to start or return to school and women to form self-help groups where they are trained in entrepreneurship.

In addition to this it is important for us to be active in our local community. We are, for example, a committed partner of E-handelsstaden Borås in developing the relevant education in the region. We also support Mitt Liv, a social enterprise working for diversity and integration in the Swedish labour market. We have our own activities to support the integration of immigrants, including our regular language lunches for immigrants and various Ellos Group employees. We are active in the Point project, a local project aimed at creating internships at different companies in Sjuhäradsbygden. We regularly welcome people for internships who are having difficulties getting into the labour market, which gives them valuable work experience.

Over the last few years we have focused on sustainable materials, fair working conditions, human rights and anticorruption. From 2018 we will also focus on two other important areas. The first is last mile transport and returns. This area affects the environmental impact of our business model. The second topic is packaging. This includes packaging used by our suppliers in shipments to us and the packaging we use to send our products to customers.

Finally, I would like to say we are proud of what we have achieved, but also respectful of the amount of work that lies ahead of us and our industry regarding sustainability.

A handwritten signature in blue ink, appearing to read 'Hans Ohlsson'.

Hans Ohlsson CEO

The Ellos Group in brief

The Ellos Group, which includes Ellos, Jotex and Stayhard, is a leading e-commerce group in the Nordic region. Ellos is the online department store for women: fashion, home furnishings and beauty. Jotex is the online home interior expert, and Stayhard is the leading fashion destination for men. We continually strive to develop market-leading consumer brands and to build close relationships with our customers. Our own brands are the foundation, supplemented in our range by selected external brands.

We are proud of the heritage of the Ellos Group, which goes back to 1947 when Olle Blomqvist started Ellos. The cornerstone has been a strong entrepreneurial and merchanting culture that is still an important part of who we are. Over the years, success has been built on a close relationship with the customer, a passion to deliver value and develop products and services. Over the past four years, the Ellos Group has undertaken a major transformation to become a modern e-commerce player. We believe that the strong platform we have built, as well as the ability to transform, will enable us to generate continued profitable and sustainable growth.

Governance Structure

The Board of Directors is the highest governance body of the Ellos Group. The Board consists of the Chairman of the Board and five Board members. In addition, four employee representatives are part of the Board of Directors. The Board has established the following committees for handling specific matters: the Audit Committee and Remuneration Committee. The Board of Directors is responsible for establishing business objectives and strategy, ensuring that there is satisfactory control of the Group's compliance with laws and regulations, and ensuring that key policies are adopted for the Group.

The progress of the Group's sustainability work is followed-up bi-annually by the Board and monthly by the management team. The centre of expertise, strategic and tactical work is underpinned by the Sustainability Director, who is part of the management team. The implementation and follow-up of the sustainability work is driven by the head of each function.

THREE ONLINE STORES:
ellos Jotex
STAYHARD

**SALES &
OPERATIONS IN**



LOCATED IN
 **Borås** Sweden
since 1947

Turnover: SEK
2 Billion
in 2017

AROUND
1.6 million
ACTIVE CUSTOMERS*

AROUND
700 *employees*

*Design and production of
own brands and over*

500
*external brands
in the portfolio*

OWNERSHIP: MAJORITY-OWNED BY
Nordic Capital
SINCE 2013



OUR CORPORATE CULTURE

We are proud of who we are at the Ellos Group, what we stand for and where we are heading. Since 1947, our success has been driven by innovation and creativity. We care for and nurture our identity, our heritage and our expertise.



OUR VISION

To be the leading e-commerce platform in the Nordic region in fashion and home furnishings.



OUR VALUES

- We are proud and passionate
- We are strong together
- We believe in a frank dialogue - and the freedom to speak out
- We are brave and take responsibility
- We deliver "High Touch - Low Cost"

WORDS FROM THE SUSTAINABILITY DIRECTOR ANNIKA MÅRTENSSON



”

The exciting journey continues for Ellos Group, towards becoming a sustainable company. In 2017 we have again taken large steps in several of our most important areas from a materiality perspective. To take one example, the share of sustainable cotton products is now 69% in 2017, up from 44% in 2016. We have also focused on introducing more recycled materials and reused products and launched products made of recycled material in different product categories, such as underwear, jackets, carpets and bed covers. Reducing material use and reusing materials is one of the keys to lower the environmental impact of textile companies.

But there are also areas where we need to challenge ourselves even more to reach our targets. Transportation

of products to reach our customers, accounts for 92% of our CO₂ emissions. Together inbound and outbound transportations rose in 2017 by 14% compared to 2016, mainly driven by increased sales of large goods in the Home segment. From 2018 we will work harder on how we can reduce CO₂ emissions from our transports in total, with focus on last mile transport and returns.

As a business, we believe that we have an important role to play to achieve sustainable change, together with our stakeholders. During the year our work has directly supported eight of the SDG goals, and we will continue to work on these goals to achieve sustainability improvements.

”

*Annika Mårtensson
Sustainability Director,
Ellos Group*



69%

sustainable cotton



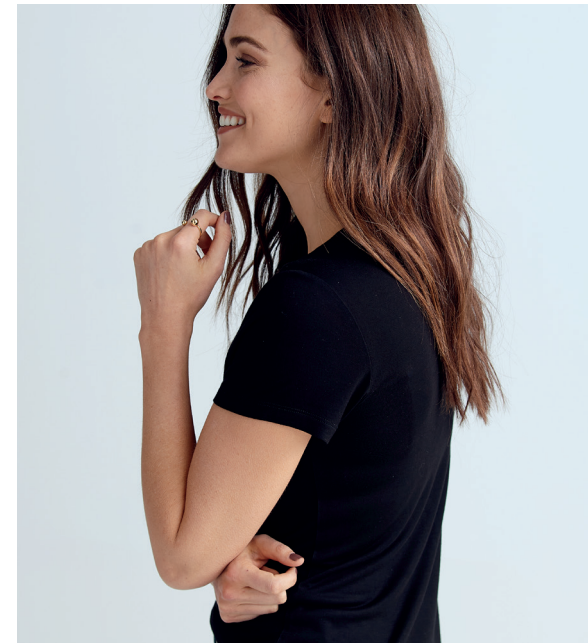
52%

female managers



84%

coverage of all suppliers with
inspection protocols



SUSTAINABILITY AT THE ELLOS GROUP

Sustainability is a natural and value-creating part of the daily business at the Ellos Group. A sustainable business approach with a long-term perspective challenges us to be innovative, curious and transparent, and creates value for our customers, employees, business partners, and owners, as well as for the communities in which we operate. We want to contribute to a better world for future generations and aspire to building a business that can be part of the solution.



Customers

We believe in transparency and friendly, respectful and supportive communications. Our customers can always trust our generous advice, and our products, to be safe and responsibly produced.

Employees

We treat each other with mutual respect and provide equal opportunities in a healthy, safe and creative working environment. The competence, loyalty and entrepreneurial drive of our team enable us to reach our goals. Our key to success is constant progress.

Suppliers

We expect our suppliers and business partners to share our views about business ethics, human rights, fair working conditions and the environment. We believe in co-operation and work with our suppliers to continually improve the sustainability of our value chain.

Environment

We strive to contribute to a sustainable future by using natural resources more efficiently and to minimize the negative environmental impact of our operations.

Community

We want to make a positive contribution to the communities in which we operate by supporting chosen causes and initiatives that create a lasting difference, but always from a non-political and non-religious standpoint.



OUR CODE OF ETHICS & ANTI-CORRUPTION

Our Code of Ethics with its different policies is an essential guide for us to ensure that we take the right decisions and right action, and that we apply the precautionary principle. Our Code of Ethics is available on our intranet for everybody employed at the company. The Code of Ethics includes policies for anti-bribery, competition, data protection, trade sanctions, equality and diversity, the environment, sponsoring and the community, products and whistleblowing. An internal Code of Conduct explaining how to act according to our Code of Ethics is also available for all employees.

Our Suppliers' Code of Conduct is linked to our Code of Ethics. Our Suppliers' Manual guides all our relations with our suppliers. The Suppliers Manual was made available online in 2017, and all suppliers have to re-sign it annually to confirm general agreements.

The Ellos Group works to counteract all forms of corruption and our Anti-bribery policy is the foundation for this. There were no confirmed incidents of corruption at the Ellos Group in 2017.

EXTERNAL WHISTLEBLOWING SYSTEM

Our whistleblowing policy prescribes how to report concerns, and how reported concerns are dealt with. It is a tool for the employees to report suspected or detected violations of the Code of Conduct or other corporate policies. The whistleblowing channel is provided by an external partner. No incidents were reported through the whistleblowing channel in 2017.

SUSTAINABILITY ISSUES IN OUR VALUE CHAIN

The industries of apparel and home textiles and furnishings face significant sustainability challenges. These sectors are major users of natural resources, including water and petroleum. Other environmental topics in our industries include heavy use of chemicals in the supply chain, and the contribution to a "wear and tear" consumption pattern. Social issues are significant, with complex supply chains and production in countries where there is a risk of poor working conditions and human rights adherence. As a responsible company, we seek to address these challenges by making better choices for the material and production processes we use and by working closely with our suppliers to ensure fair working conditions and environmental management in our supply chain. We strive to maintain a high level of fashion with good quality that our customers can keep using for a longer time, and we encourage our customers to recycle their used clothes, textiles and furniture.

Design and purchasing

Our sustainability efforts begin at the drawing board, and in the design and purchasing processes we make several important decisions that affect the impact that our business has on the economy, environment and social issues.

- A key topic in this stage is materials. Our choice of using BCI cotton instead of conventionally grown cotton, for example, has an impact on both environmental and social conditions in our supply chain.
- Supplier social and environmental assessments are also significant topics. Our choice of which suppliers that we entrust the production of our range to needs to be an informed decision, in which we require suppliers to adhere to our Code of Conduct.
- Closing the loop through reuse and recycling also begins in design and purchasing, through recycled materials, design solutions that facilitate recycling, and offering vintage items in our assortment.

Production

Production takes place outside of our direct control, at the production sites of our suppliers. While not in our direct control, we recognize that our business can have a significant social and environmental impact at our suppliers' and sub-suppliers' operations.

- We require our suppliers to ensure fair working conditions and adherence to human rights for the people that make our products and monitor our suppliers through supplier social assessments.
- Important environmental topics such as the use and treatment of water and chemicals are also controlled through supplier environmental assessments.
- We strive to develop long-term relationships with our suppliers and work with them to ensure compliance with our social and environmental standards. Regular audits and corrective action plans are used to monitor and continually improve our social and environmental impact in production.

Transport

The transportation of our products, inbound from production to our central warehouse, and outbound to our customers, is carried out by transport companies.

- The key topics in this stage are energy and emissions, and we work with our transport providers to optimize the flow of goods and understanding how we can reduce the negative environmental impact of our transportation.

Operations

Our operations are located in Borås, and are under our direct control.

- Important topics in our operations are related to our responsibility as an employer, including working conditions in which we include occupational health and safety as well as employee satisfaction.
- Diversity and equal opportunity are cornerstones when we build a strong organization that is dynamic, leverages differences and reflects our customer base.
- Environmental impacts in our operations include energy, emissions and waste.

Customers

Our customers also have a significant impact on sustainability in their care of our products, how long they keep them and whether they choose to recycle them after use.

- We do not have a direct impact on the behaviour of our customers, but we seek to influence them to a sustainable behaviour with, for example, clear instructions for how to care for the products best and by encouraging reuse and recycling.



TOPICS RELEVANT ACROSS THE ENTIRE VALUE CHAIN

Anti-corruption is a topic that is not isolated in one of the value chain steps, but must be taken into account across all steps. In all interactions with suppliers, customers and other business partners, we must ensure that business is conducted in an ethical manner and that corruption is prevented.

Community engagement is also an important topic to us – we want to contribute positively to the communities in which we operate by supporting relevant causes and initiatives.

		OUR IMPACT			
		Direct	Indirect		
		Design & Purchasing	Production	Transport	Operations
		<ul style="list-style-type: none"> Mainly apparel and home interiors Own products 66% of sales 2016 External brands 34% of sales Approx. 9,000 own styles/year 	<ul style="list-style-type: none"> 350 suppliers Main sourcing markets 2017: <ul style="list-style-type: none"> - China 53% - India 18% - Bangladesh 14% 	<ul style="list-style-type: none"> Inbound freight from suppliers: <ul style="list-style-type: none"> - Sea 93% - Road 4% - Air 3% Outbound freight to customers 	<ul style="list-style-type: none"> Total permanent headcount: 591. <ul style="list-style-type: none"> - 566 in Borås, Sweden - 15 in Norway - 5 in Finland - 3 in Denmark
		Customers			
		<ul style="list-style-type: none"> 1.6m active customers 5m shipments 2017: <ul style="list-style-type: none"> - Sweden 60% - Finland 19% - Norway 14% - Denmark 7% 			
VALUE CHAIN ISSUES	Economic	Anti-corruption			
		Community Engagement			
	Social				
		Supplier Social Assessment			
				Occupational Health & Safety	
	Environment			Diversity & Equal opportunity	
		Material			
		Supplier environmental assessment		Energy	Recycling
				Emissions	
				Effluents & Waste	
				Customer Mailing	

*Influence on
stakeholder
assessments
and decisions*

FOCUS ON MATERIAL TOPICS

In our sustainability strategy for 2017, and in this report, we focus on the topics that we have identified as material in our analysis concluded 2014/2015. The process of defining our material topics is described in more detail on pp 74 in this report. The potential topics were ranked in these two dimensions:

Influence on stakeholder assessments and decisions

Expectations and concerns among key stakeholders. What do our stakeholders care about and what do they expect from us? According to our stakeholders, which topics are most important to the Ellos Group?

Significance of economic, environmental and social impacts

The importance of the Ellos Group's impact on economic, environmental and social topics. How do the Ellos Group's operations affect sustainable development, and in which topics is our impact most significant?



REPORTING ON THE MATERIAL TOPICS – OUTLINE

In the following pages of this report, we will describe the Ellos Group's sustainability efforts in 2017, with our goals, actions and results achieved so far. The below table outlines the report sections and the material topics covered in each section.

Report section	Material Topics
Sustainability at Ellos Group	Anti-corruption
Sustainable products	Materials and products
Supplier relations	Supplier social assessment Supplier environmental assessment
Environment	Reuse and Recycling Customer mailing Energy Emissions Effluents and Waste
Employees	Working conditions Diversity and Equal opportunity Occupational Health & Safety
Community	Community Engagement

NEW MATERIALITY ANALYSIS WHICH WILL GUIDE OUR WORK FROM 2018.

MATERIALITY ANALYSIS UPDATE

At the end of 2017, we carried out a new materiality analysis, in which we involved customers, employees, owners and the local communities. Based on the conclusions, we have updated our sustainability strategy going forward. Starting in 2018, we will increase our focus, primarily on the following two topics:

- Last mile transport and returns is a topic which affects the environmental impact of our business model.
- Packaging is a topic which is relevant in several value chain steps, as it includes the packaging used by our suppliers in shipments to us and the packaging that we use to send our products to our customers.

Customer mailings will be removed from our list of material topics in 2018. After an 88% reduction in mailings over the past four years, we are moving our focus to other topics.

Influence on stakeholder assessments and decisions

MEET EXPECTATIONS

Improve, find new solutions

- Supplier environment assessment
- Water
- Energy, Emissions and Waste

FOCUS

First priority, challenge ourselves to step-change performance

- Sustainable materials
- Supplier social assessment
- Chemicals
- Last mile transport and returns
- Packaging
- Reuse and recycle

MAINTAIN

Keep up at good level

- Working conditions
- Anti-corruption
- Community engagement

DEVELOP

Measure, understand and progress

- Diversity and equality

Significance of economic, environmental and social impacts

SUSTAINABLE MATERIALS AND PRODUCTS

We want to offer our customers an attractive range of products, which have been designed and produced in a sustainable way. We can achieve this by making sustainable choices in design and purchasing, and by finding ways to increase the proportion of sustainable materials in our products.

Our ambition is to develop attractive products made with more eco-friendly materials, and produced with less water, energy and chemical processes. We strive to inspire our customers to a more sustainable way of living by developing more sustainable products.

SUSTAINABLE MATERIALS

Our product range is the key focus for our sustainability work, beginning with the design and material decisions we make. We work constantly to search and find more sustainable materials and production methods. Every product should be produced with consideration for people, the environment and animal welfare.

With a wide product range, the challenges are many. Cotton accounts for around 65% of the textile content in our own range of products. However, cotton is a resource-demanding fibre, both when it comes to the cultivation and the production processes. It demands high use of water, chemicals and energy. Therefore we have decided to use more sustainable cotton in the production of our own product range. We define sustainable cotton as organic cotton, recycled cotton or cotton from the Better Cotton Initiative (BCI). Our target is that by 2020, 100% of the cotton in our own products should come from more sustainable sources.

We are steadily approaching this target. We started with 10% in 2015, increased the proportion to 44% in 2016 and reached 69% in 2017. Most of the sustainable cotton is BCI cotton (read more about BCI on page 20).

In specific product areas, such as baby clothing, 100% of our new cotton products sourced from the autumn-winter season 2017 were made from organic cotton. While cotton plays a major part in our product range we also want to work in a sustainable way with other materials. Going forward, we will increase the proportion of recycled materials such as recycled polyester and recycled polyamide to replace virgin synthetic petroleum materials.



HIGHLIGHTS 2017

- Launched GOTS certified organic cotton products and a grow-up collection for children.
- Launched a collection containing products made of GRS-certified recycled materials for underwears and rugs.
- Launched a bedroom campaign with products made of The Nordic Swan label, GOTS and recycled material.
- Increased the use of Lenzing Tencel® and lyocell.
- Introduced a new brand segment, Vintage Collection with focus on reuse.
- Developed and implemented a new strategy for sustainably sourced wood.
- Presented two sets of products and collections on STWI showcase. STWI, see page 39.
- Donated clothes made of sustainable materials to Almedalen's wardrobe library.
- Increased training sessions for Buying Department and Suppliers within Product Safety, Children's safety, sustainability and Quality.
- Created a sustainable material tool for internal use, for better design development.



GOING FORWARD

- Continue the transition to use only sustainably sourced cotton in own products by 2020.
- Participate actively with the BCI and Cotton Connect programmes to support the development of sustainable cotton production.
- Continue to build organizational capacity in sustainable material choices through training and developing design, purchasing and customer service functions.
- Develop our range of external brands with a greater focus on sustainable products.
- Increase the use of recycled materials.
- Focus on sustainable wood.

SUSTAINABLE COTTON

The most commonly used fibre in our product assortment is cotton accounting for around 65% of all textile materials. Cotton is a very resource-intensive fibre to cultivate, harvest and produce. The global cotton production counts for 11% of the world's consumption of pesticides and fertilizers (source: Naturvårdsverket 2016).

At the Ellos Group we want to contribute to a more sustainable cotton production. We define organic cotton, recycled cotton and cotton from the Better Cotton Initiative as sustainable cotton. The proportion of sustainable cotton used in our cotton products has increased from 44% in 2016 to 69% in 2017.

BETTER COTTON INITIATIVE AND COTTON CONNECT

The Better Cotton Initiative, BCI, exists to make global cotton production better for the people who produce it, better for the environment it grows in and better for the sector's future. Included in the training is, for example, how to manage safe harvesting, preventing child labour and how to create health and safety awareness at the farms. The BCI aims to transform cotton production worldwide by developing Better Cotton as a sustainable mainstream commodity. The Ellos Group joined the BCI in 2015.



CottonConnect was created in 2009 to deliver a market-driven approach to expanding economic opportunity, reducing poverty and protecting the environment. The organization works in India, Pakistan, China and Peru, impacting the lives of 675,000 farming families.

	2015	2016	2017	Target 2020
Sustainable cotton, % of purchased cotton products*	10%	44%	69%	100%

* For 2015 the figure is based on manual data analysis and should be regarded as an estimate. From 2016 the figures are based on results coming from new systems launched in 2017. The figure for 2016 has been updated since the Sustainability report 2016, in which the figure was 46%.



AN EXAMPLE FROM A PROJECT WITH COTTONCONNECT

The Ellos Group is supporting a BCI training program through CottonConnect - the BCI Implementing Partner, for farmers in Gujarat in India. The program's duration is three years, from 2015 to 2018 and covers 15 villages and 2000 farmers. 2017's results* show impressive numbers such as a 28.5 % higher yield, 34% lower water usage, 14% less chemical fertilizers, 32% less chemical pesticides, 18% lower input cost and 50% higher profits for the farmers in this project.

**Figures are compared with conventionally grown cotton.*



A pheromone trap is a type of insect trap that uses pheromones to lure insects. The trap is used by the farmers in the BCI training programme. It has a number of advantages compared to the conventional method with pesticides:

- Increase in bio diversity
- Pest population control
- Reduction of pollution
- No harm to farmers' health

Farmer Kanubhai Jamsangbhai from the village Budhana commented:

I have been a part of the BCI Farmer Training Programme with CottonConnect for the last two years and now I am the group leader of my LG group #25. CottonConnect and VRTI (the local partner) have conducted many training sessions and meetings, which I have attended and I now understand that it is important to reduce the use of chemical fertilizers and pesticides. This year, I have grown cotton in two acres of land, and I have reduced the use of chemical pesticides and followed the BCI guidelines and criteria. I have achieved good results by doing this. I have benefitted from the reduction in usage of chemicals in pesticides and fertilizers. This year, my total costs for land preparation, seed purchase, fertilizers and irrigation were almost 60% lower than last year, for the same input. I also share this information with other farmers and motivate them to do the same thing and see the benefit of it.



Farmer Kanubhai Jamsangbhai in the middle of the picture.

“ This year, my total costs for land preparation, seed purchase, fertilizers and irrigation were almost 60% lower than last year, for the same input. ”

Read more at
www.cottonconnect.org
www.bettercotton.org

RECYCLED & REUSED MATERIALS

By using recycled materials, we can lower the environmental impact instead of using virgin raw materials. The challenge is to find substitutes for existing fibres with lower environmental impact, while maintaining our high-quality requirement.

In 2017, we launched products made of recycled materials in different product categories, such as underwear, jackets, carpets and bed covers.

We use recycled polyester from old used PET bottles and recycled polyamide from leftover production material, or from fishnets that have been re-spun to new material. To secure that the material is recycled and comes from secured sources with no harmful content, we purchase certified materials according to the Textile Exchange Standard's Global Recycling Standard (GRS) or Recycling Claim Standard (RCS).

The Ellos Group's product range is wide with everything from clothing and shoes to home textiles, furniture, decorations and more. Most of the material content is textile-related, but we use many other materials, such as wood and metals. The challenge is to find good substitute materials without limiting our design, quality and cost requirements. Therefore, we investigate new ways and ideas to develop our products and to offer our customers an attractive and sustainable product range. We launched a collection of vintage interior decoration products in 2017 with a focus on reuse. Reused products save resources and have a much lower environmental impact than new products. The launch of the Ellos Vintage Collection has been a success, and going forward we will expand our vintage range to other product categories.



SUSTAINABLY SOURCED WOOD

Home furnishing is a growing product category for the Ellos Group. Wood is one of the most important materials within this category and it is important to us that the wood we use is sustainably sourced.

The world's old growing forests are being logged at an alarming rate. This puts endangered species, communities and our climate at risk. We strive for more sustainable sourcing to prevent illegal logging, irresponsible forest practices and to contribute to more sustainable sourcing.

Our ambition is that all our wood must be sustainably grown and harvested responsibly. All our wood and paper products comply with the EU Timber Regulation no 995/2010, securing legal harvesting.

We set up a new strategy in 2017 for all our wooden-based products.

There are three criteria for sustainably sourced wood where at least one must apply to the product:

- Be recycled
- Be FSC/PEFC-certified wood
- Have other certification that shares the principals of legal logging, economic and environmental practices i.e. the Rain Forest Alliance.

We have implemented our new strategy with buyers and suppliers.





INTERVIEW WITH ULRIKA SJÖVALL

DESIGN DIRECTOR - ELLOS

Why did Ellos Home decide to focus on vintage products?

- To mix old products with new products gives a dynamic in the home interior and brings along a sustainability aspect. The old products give us an opportunity to celebrate and love beautiful creations from the past. We wanted to surprise and show customers new sides of us as a brand. The first vintage collection consisted of a big mix of vintage products with the focus on decor such as pots, vases, bowls and candleholders. The inspiration for the collection comes from the 1960s, with the contemporary thinking and courage to change. The collection allows customers to use their own style, at the same time as they are creating sustainability over time.

”

We expected huge interest since customers have increased their environmental consciousness, at the same time as the interest in making your home more personal has become a major trend.

The products that we handpicked are old products which celebrate our Swedish design history with classics from Rörstrand, Kosta Boda and Höganäs. These are products that are easy to place and that many people would like to have at home.

What was the reception to the collection?

We expected huge interest since customers have increased their environmental consciousness, at the same time as the interest in making your home more personal has become a major trend. Even if we expected it, we never thought that the products would sell out immediately as they did, which was a very positive surprise!

”

Why is it important to work with sustainability and what does it mean to you?

I think we are in a mind shift where today's consumers look more at the way they consume and it's becoming more important to surround yourself with beautiful items, whether they are old or new. By mixing old and new products we have found an exciting decorating expression. There is a huge, growing interest in decorating with recycling and reusability in mind because our customers have a high regard for sustainability and make more and more conscious choices. We try constantly to keep sustainability in focus when we develop new products with a high level of fashion with good quality without compromising on design. Products that hopefully our customers will use often and that become their personal favourite items.

What more can we expect from Ellos?

We intend to release Vintage Collections on a regular basis, which creates dynamics in our product range. It can vary from garden furniture to more decorative objects with collector value, for example we are going to launch a collection with furniture such as arm-chairs and small tables. During spring 2018 we will also launch a collection of handpicked Boucherouite carpets from Marrakesh. Boucherouite means "reuse" and each carpet is loosely tied by different waste material from the textile industry in colourful and traditional patterns.



Over the past few years Ellos has undergone a major design development, from a post order company with basic home textile products to one of the leading e-commerce companies in the Nordic region in fashion and home furnishings.



INTERVIEW WITH JONAS EK

BUSINESS AREA MANAGER - ELLOS HOME

What major steps did Ellos Home take in 2017?

We have widened our product range and added more sustainable materials and products. Sustainability is one of our core concerns when developing new products.

We wanted to show customers that decorating their home can be done beautifully in a sustainable way at

the same time. We launched a campaign “Sustainable bedroom”, with the main idea of highlighting that all our skin-close products were sustainably produced. We decided to focus on bedding since it is a product

category in which we spend many hours and it is close to the skin. We wanted to communicate to customers that there are good alternatives that are sustainable and with a high design factor.

”

We wanted to communicate to customers that there are good alternatives that are sustainable and with a high design factor.

”

Design, quality and sustainability are all critical points that are very important and need to align with each other.

Could you tell us more about the “Sustainable bedroom” campaign?

The feedback we have got has been very positive. This shows that the demand for more sustainable products is there and that we are working in the right direction. The campaign contained a wide range of products with different material contents. For instance, we had The Nordic Swan certified sheets, bed-

covers made of organic GOTS certified cotton with recycled padding, a GRS certified recycled carpet and a reused cabinet made of old doors.

What more can you do to incorporate sus-

ustainability in your business?

We are looking at new ways of developing products and implementing new, unexplored business models such as reuse, renting or other ways of consuming products. Customers are more conscious about environmental problems and it is the right time to offer a wide product range with high design and focusing on sustainability.

What does sustainability mean to you?

All our products should be created with affection for our customers and the environment. Sustainability is a driving force today in society and creates innovation and ideas to develop.

What are you most proud of?

We are a large, fantastic team who are very dedicated and ambitious about making improvements to our sustainability work in the product range. We are proud of all our great products regarding their design and quality. Design, quality and sustainability - these three categories must work together, and all our products have these qualities.



ELLOS SUSTAINABLE ASSORTMENT

Looks good – makes a difference

It is important for us that our products are produced with respect for people and the environment. We want to use materials that are better choices for the environment – organic, recycled or innovative materials.





Tell us about Jotex's sustainability initiatives in 2017.

Our ambition is to continually make Jotex more sustainable year-by-year. We want to offer customers an attractive range of products focusing on people and the environment.

To give you one example: one of our suppliers told us about how a PET bottle can be recycled into a material with material properties similar to wool. We were very interested in this idea and thanks to our close cooperation, were able to act quickly. This resulted in a small collection of carpets for the living room and children's room, made of recycled PET bottles and certified according to GRS. This is fantastic since the PET

bottles would otherwise have been discarded and have now become useful both by minimizing raw virgin material and turning waste into a durable material. In India, where our recycled carpets are manufactured, plastic bottles are a major environmental problem as the recycling rate has been very low so far. The first carpets were machine tufted, which was well suited for the living room and the children's room. In spring 2018, the range will be increased with another ten carpets. We have developed the design to include flat-woven carpets with kelim* technology. Carpets produced with this technique do not absorb water and have wool-like properties. The carpets are also useful in an outdoor environment. We are the frontrunners in launching this type of carpet.

What has the reception been for Jotex's sustainability initiatives?

The response has been very positive for the launch of our organic GOTS-certified bed products. We have had three events with the theme

INTERVIEW WITH PETER KEERBERG

CEO - JOTEX

”

One of our suppliers told us about how a PET bottle can be recycled into a material with material properties similar to wool. We were very interested in this idea and thanks to our close cooperation, we were able to act quickly.

”

“Sustainable nights” to raise awareness about these issues. We invited influencers and journalists to sleep in our organic bedding. Through our sustainability efforts, we also want to increase clarity and transparency. The greater requirements we put on the supplier, the more we push each other in the right direction. Therefore, regarding our recycled materials, we have chosen to work with GRS certification only, as it is the strictest certification for recycled content, as GOTS is for organic material. It is important for us that our products are transparent and traceable.

Going forward what are your thoughts about sustainability actions?

We want to be at the forefront of development and if we set requirements on ourselves to take a step forward each year, we will also take our suppliers forward in the right direction. For future actions we will have a strong focus on sourcing wood more sustainably and with FSC certification. We want to make a difference and inspire people with what we do.

**Kelim means "coarse-woven" felt in Persian and is the name of how the kelim mat is woven.*

JOTEX
CARPETS MADE OF
recycled
PET bottles

The carpets are GRS-certified, which means that the products are responsibly produced throughout the supply chain - from raw material to final product.



PRODUCT SAFETY

The safety and quality of our products is a high priority at the Ellos Group. It is very important for us that products we put on the market are safe to use and not harmful in any way for our customers. We constantly follow updates and news to assure that our products meet the legal requirements and our own high-quality requirements that in some fields are even stricter than the legislation.

To ensure that our products meet the legal compliance and our requirements we have a Suppliers Manual with requirements and guidance that all our suppliers are obligated to follow.

We do mandatory testing and random spot checks to monitor that our products have fulfilled quality, chemical and safety requirements before being put on the market. The testing is done by external independent laboratories and by our own testing facilities, and is carried out during the production process or on products. All animal testing is prohibited.

In 2017, we made major improvements to our product safety and quality work. We launched a reworked version of our Suppliers Manual and held training sessions for our suppliers and our product buying teams.

Children's wear is a specifically sensitive area due to the high risk the products are exposed to due to wear and use. All our children's wear follows the requirements of European Standard, EN 14682. In 2017, we improved our established routines to minimize the risks. We trained a total of 61 people from our product buying organisation and suppliers about children's safety.

When a product does not meet our requirements, we immediately implement action and either improve it if possible or stop the product. This depends on what kind of risk the product has or what requirement the product does not meet.



ANIMAL WELFARE

Animal welfare is important to us. In our view, animals are, as sentient beings, entitled to be treated with respect. When our products are made of materials with animal origins, we require that the animals are treated well.

THE ELLOS GROUP:

- Does not sell products that contain real fur.
- Does not accept mulesing on merino sheep to prevent fly strike.
- Is restrictive in the usage of down and feathers and will only accept down and feathers as a by-product of meat. Live plucking is not accepted.
- Does not accept angora wool in any of our products.
- Will only accept leather from animals which have been bred for meat consumption.
- Does not accept animal testing on any cosmetic products, either during production or on finished products.
- Does not accept products that contain materials derived from endangered species.

We are members of: Fur Free Alliance, Djurens rätt

The Ellos Group is a member of the Fur Free Retailer programme. This programme is supported and endorsed by the Fur Free Alliance, an international coalition of leading animal and environmental protection organizations.



CHEMICALS

We want to ensure that our products do not include any harmful, restricted or unnecessary chemicals. Our suppliers are required to follow strict regulations and tests are performed.

THE ELLOS GROUP:

Does not sell products containing dangerous chemicals defined according to e.g. the regulations of the RoHS-directive and REACH regulation. Is restrictive in using:

- PVC, antibacterial additives, biocides, flame retardants and phthalates in textile products, leather or shoes.
- Moisture preventing products and moisture absorbers to avoid mould, for example Silica gel.
- Perfluorinated compounds (PFC) as water resistance/repellent treatment. PFC was phased out in own textile products in 2015.

We are members of: Swerea – The Chemical Group

The Ellos Group's environmental concern about chemicals is in accordance with current national legislation, EU legislation, and voluntary schemes. Our requirements reflect an awareness of how chemicals affect human health and the environment and constantly increasing quality demands of consumers. The Ellos Group works continuously to improve the routines, to ensure product quality, security and thereby reduce the environmental impact of the products.

It is important to avoid using restricted and harmful chemicals in products provided for the Ellos Group. The chemical requirements to follow are according to Swerea's Chemical guide and the Ellos Group's RSL for hard goods with food contact, furniture and cosmetics. The purpose of these Guides is to provide the necessary information of the substances relevant to all product categories at the Ellos Group: textiles, leather, shoes, accessories and electronic products, with the limits as agreed in the business sector and/or by legal requirements.



SUPPLIER RELATIONS

It is important to us and to our customers, employees and owners that our products are made with respect to the people who produce them, as well as to the environment. We strive to ensure fair working conditions and adherence to human rights in our value chain and believe that a close dialogue and cooperation with our suppliers is necessary to achieve this. Regular audits and inspections are means to follow up on progress and identify if improvement is needed.

The Ellos Group's own products are manufactured by external suppliers, mainly in South East Asia. In 2017 we had 350 suppliers, an increase from 283 suppliers in 2016. The number of suppliers for 2017 increased as a result of new markets and a broadened assortment. Our main sourcing markets were China, India and Bangladesh.

At the end of 2017, the Ellos Group started to add production volumes from Europe including Turkey. This was to reduce lead times which increases our flexibility in purchasing and reduces the need for inventories. In 2017, 52.7% were sourced from China, 17.6% from India, 13.7% from Bangladesh, 3.7% from Pakistan, 9.2% from Europe excluding Turkey and Turkey 0.7%.



Supplier's Code of Conduct

At the Ellos Group we have to take responsibility for our actions and contribute to the development of a sustainable society. We want to ensure that the human rights of the people taking part in the production of our products are respected.

Our Code of Conduct for our suppliers is based on the French standard ICS (Initiative Clause Social), which is equivalent to programmes such as the BSCI (Business Social Compliance Initiative), and follows international labour standards, such as the International Labour Organization's (ILO) conventions and declarations and the United Nations (UN) Guiding Principles on Business and Human Rights. The Code of Conduct covers important areas such as child labour, forced labour, discrimination, freedom of association, wages and working hours, health and safety in the workplace and environmental aspects.

We require all suppliers to adhere to our Code of Conduct prior to starting any business relationship. The Code of Conduct applies to all suppliers and production units that are involved in the manufacture or supply of products to any of the companies included in the Ellos Group. The Code of Conduct sets forth the requirements that all suppliers must meet in order to do business with the Ellos Group. The suppliers are responsible for ensuring that these requirements are met at all factories involved in the manufacture of products for the Ellos Group. We also expect our suppliers to follow internationally accepted labour standards, including the ILO conventions, and to continually work on improving the working conditions for those involved in the production of our products.

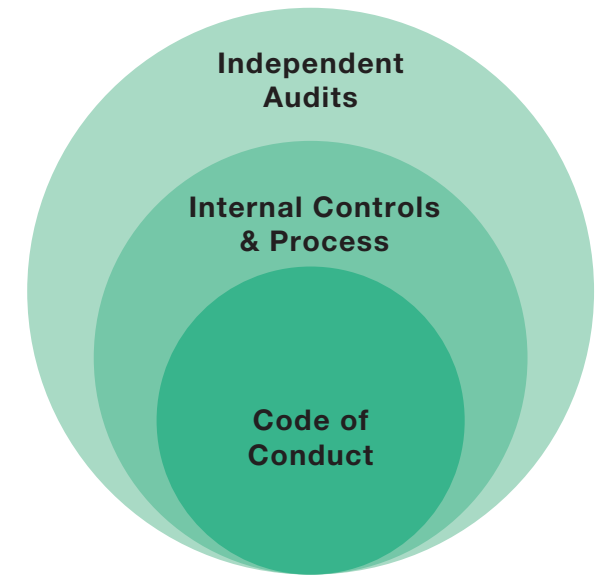
SUPPLIER FOLLOW-UP PROCESS

We strive for all of our products to be manufactured in accordance with the Code of Conduct, under fair working conditions and with adherence to human rights. Our suppliers are required to adhere to our Supplier's Code of Conduct. Prior to the first order, all suppliers should have a valid audit protocol.

In order to track progress, identify risks and improvement opportunities, and to support our manufacturers, we have a control and follow-up system in place with regular audits and inspections. Some of the audits are done by our main agent Kering Group Sourcing (KGS), and some through the independent audit institute Bureau Veritas. If improvement needs are identified in an audit, the supplier is required to introduce improvements that are outlined in a Corrective Action Plan. We seek to collaborate with our suppliers to ensure that they live up to our expectations.

Our main agent KGS carries out audits and inspections of the suppliers in their network, with a combination of their own inspections and semi-announced independent audits. All suppliers in the KGS network have been inspected and approved prior to inclusion on the list of suppliers. For external audits, Bureau Veritas is used by KGS.

Bureau Veritas utilizes protocols for on-site monitoring, which have been developed by KGS and the Ellos Group. The audit protocol, implemented in 2015, includes 233 compliance questions. Inspections include confidential employee interviews, record testing, observations and management feedback. With a multipronged approach, auditors are able to consider various sources of information and utilize proven investigative techniques to corroborate evidence.



AUDITS AND INTERNAL ASSESSMENTS

As the production of the Ellos Group's products is located in high-risk countries from a working condition perspective, there is a need of regular inspections of all suppliers, independent of the sourcing volume the Ellos Group has at the supplier.

In 2017, we continued our work to cover 100% of the Ellos Group suppliers to have been audited and externally certified within 24 months by 2020. In 2017, the Ellos Group reached 84% coverage of all suppliers, the figure for 2016 was 77% and for 2015 27%. In addition to this, we and our agent KGS conduct ad hoc inspections at the suppliers' factories.

When improvements are identified, a Corrective Action Plan is issued, including a description of the noncompliance, a recommended corrective action, a target date for when the corrective action is to be completed and a comment from the factory. Non-compliance identified in 2017 was as for 2016, mainly related to working hours and lack of documentation of wages and working hours.

Depending on how serious the non-compliance is, a second audit is scheduled to confirm progress within a set time frame. If serious issues are not rectified, business will be terminated. In 2017, three of the Ellos Group's suppliers in the KGS network, translating into 0.8% of all suppliers of the Ellos Group, were terminated due to serious non-compliance or failure to improve.

Ellos Group	2015		2016		2017	
	#	%	#	%	#	%
Suppliers with external audit or internal assessment <2 years	103	27	218	77	295	84
Total number of suppliers	380		283		350	

ACCORD ON FIRE AND BUILDING SAFETY IN BANGLADESH

In 2017, the Ellos Group continued within the framework of Accord Bangladesh to improve the Bangladesh Ready-Made Garment Industry as a safe and healthy working environment.

The Ellos Group signed the Accord on Fire and Building Safety in Bangladesh in 2016, as Bangladesh is an important sourcing market for the Ellos Group. By signing the Accord, the Ellos Group commits that all of the factories producing garments for the Group are audited based on three different areas: fire safety, electricity and structural issues. The Group is also committed to lead the communication of the remediation of Corrective Action Plans at the factories where the Ellos Group is Lead Brand.

More
Sustainable
Production

COLLABORATION WITH SWEDISH WATER TEXTILE INITIATIVE, STWI

The Ellos Group works together with other Swedish brands through STWI to reduce the amount of water, energy and chemicals in production, which benefits both people and the environment. Through STWI and local consultant teams, the suppliers that take part in this project get education, advices and help at the factory with what projects can be improved and/or implemented at the factory. In 2017, the Ellos Group nominated three suppliers and supported these within the framework of STWI project. Two suppliers are in Bangladesh and one is in India.

Results in 2017, Sweden Textile Water Initiative, STWI

13 Nordic companies supported 95 factories in Bangladesh, China, India and Turkey. Training of 300 workers and 530 managers led to savings of : 5.21 million cubic meters of water, corresponding to a 1 day need of 104 million people, 39 million KWh electricity and 18,700 tons of chemicals.

The paybackperiod of the investments was 15-18 months.

Read more at <http://stwi.se/>



The Ellos Group joined the Sweden Textile Water initiative, STWI, from its very beginning in 2010 and is an active member. The idea behind the initiative is to gain a better understanding of the water challenges faced by the industry and finding the right mechanisms to address them. STWI's aim is to generate economic, social and environmental savings from sustainable water use in textile and leather production.

QUALITY ASSURANCE AND ENVIRONMENTAL MANAGEMENT

In addition to strive for fair working conditions in our supply chain, we work closely with our suppliers and make site visits and inspections to follow up on quality assurance and the environmental management of our suppliers. Environment management is audited within the Bureau Veritas' audit protocol, as described on the previous pages.

The Ellos Group cooperates closely with suppliers in proactive quality assurance through laboratory testing and inspections, ensuring that the products delivered to the Ellos Group are already quality assured and that corrections or changes are made at the production site, before the products are shipped to the warehouse in Sweden.

Laboratory tests are carried out, mainly by Intertek's accredited laboratories, before production starts on all main orders. The tests are based on instructions in our product specifications, with tests including general testing, mechanic resilience, colour fastness, dimensional stability and chemical tests.

Inspections are conducted by third party agencies on all orders before shipping, to ensure that our quality requirements and kids safety demands are met, in order to approve consignment before shipment.



ENVIRONMENT

We strive to use natural resources efficiently and to minimize the negative environmental impact of our operations.

Our aim is to reduce both energy use and greenhouse gas emissions relative to sales. Our largest impact in terms of emissions is caused by the transport of our products from our suppliers to our warehouse, and on to our customers. Another important cause of emissions has historically been the energy sources of electricity used at our operations in Borås.

With transportation, we seek to minimize air freight and work more proactively with our transporters to reduce emissions. In our locations at Borås we use 100% renewable energy and use energy-efficient solutions for lighting and heating.

Customer mailing is another area where we have reduced our environmental impact. From 2015 to 2017 we reduced our customer mailings measured in tonnes, by 80%. This means we are on our target for year 2020 set for this. The major reduction of paper comes from an improved tailoring of communication to our customers' needs, and a focus on communication in digital channels instead of through customer mailing.

		2015	2016	2017	Change 17 vs 15	Change 17 vs 16	Goal 2020
Energy Use (MWh)	Electricity	7,048	7,065	6,614	-6%	-6%	12% decrease 2016-2020
	Heating	3,968	4,422	3,483	-12%	-21%	
	Total	11,016	11,487	10,097	-8%	-12%	
Share of renewable electricity		71%	100%	100%	29 ppts	29 ppts	100%
Greenhouse Gas emissions (CO₂ tonnes)	Scope 2*	1,069	283	228	-79%	-19%	(See below)
	Scope 3**	7,167	5,906	6,743	-6%	-14%	
	Total Scope 2+3	8,236	6,189	6,971	-15%	13%	
Greenhouse Gas emissions intensity: CO₂ tonnes/SEK m sales		4,02	3,00	3,43	-15%	14%	-20% vs 2015
Waste: % recycled waste in HQ and warehouse		90,4%	88,6%	87,9%			95%
Customer mailing, tonnes		7,352	3,764	1,439	-80%	-62%	-50% vs 2015

* Scope 2: Indirect GHG emissions from consumption of purchased electricity, heat or steam.

** Scope 3: Other indirect emissions, such as, transport-related activities in vehicles not owned or controlled by the Ellos Group. Sources detailed in the following pages.



UNDERSTANDING AND ADDRESSING EMISSIONS

Inbound freight, the transport of products from our suppliers to our warehouse in Borås, is our largest source of greenhouse gas emissions, accounting for 69% of total CO₂ emissions for the Ellos Group in 2017. Outbound freight to our customers, accounts for 23% of emissions.

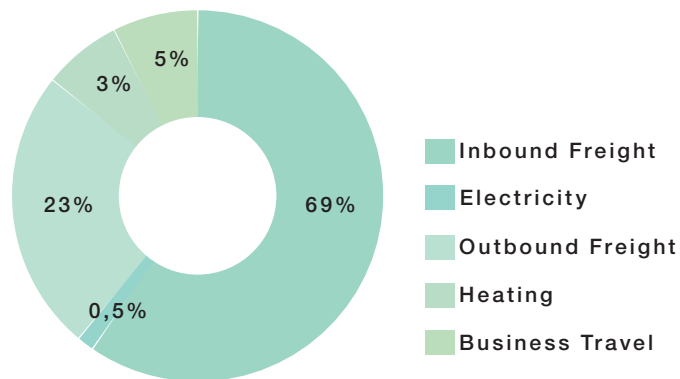
In total, the transport of our products to reach our customers, accounts for 92% of our CO₂ emissions.

CO₂ emissions from Inbound freight from our suppliers to our warehouse in Borås rose by 23% compared to 2016 but fell by 7% compared to the figure for 2015. CO₂ emissions from outbound freight to our customers fell in 2017 by 6% both compared to 2016 and 2015. Together CO₂ emissions from inbound and outbound transportations rose in 2017 by 14% compared to 2016 and fell by 7% compared to 2015.

CO₂ emissions from heating and electricity declined by 19% compared with 2016 and by 79% compared with 2015. The important decline in 2016 was mainly an effect from the change to 100% renewable electricity. In 2017 the impact came from fine-tuned heat, ventilation and cooling, and adjusted operating hours.

CO₂ emissions from our business travel rose in 2017 compared with 2016 as a result of a greater number of trips, in particular by air. This was mainly an effect from new activities within sourcing, purchasing and general business planning.

Total CO₂ emissions for the Ellos Group in 2017 rose by 13% compared with 2016 and fell by 15% compared with 2015.



Greenhouse Gas emission scopes as defined by GHG protocol, ghgprotocol.org

Scope 2:

Indirect GHG emissions from consumption of purchased electricity, heat or steam.

Scope 3:

Other indirect emissions, such as transport-related activities in vehicles not owned or controlled by the Ellos Group.

CO ₂ tonnes	2015	2016	2017	Change 17 vs 15	Change 17 vs 16
Heating	222	248	195	-12%	-21%
Electricity	846	35	33	-96%	-6%
Subtotal Scope 2	1,069	283	228	-79%	-19%
Inbound	5,143	3,906	4,800	-7%	23%
Outbound	1,711	1,708	1,607	-6%	-6%
Business Travel	312	292	336	8%	15%
Subtotal Scope 3	7,167	5,906	6,743	-6%	14%
Total	8,236	6,189	6,971	-15%	13%
CO ₂ g/SEK sales	4.02	3.00	3.43	-15%	14%

Sources: Electricity and heat: Borås Energi, Göteborgs Energi, Din El, Energimarknadsinstitutet

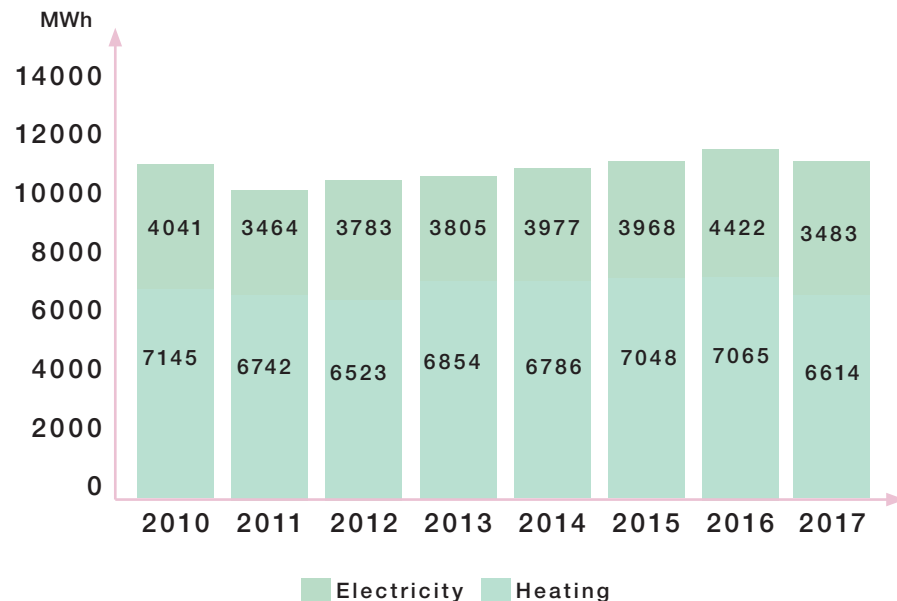
Inbound freight: Transport suppliers

Outbound freight: Postnord, DHL and the Ellos Group's estimates for returns.

Travel: AKI travel, Resia

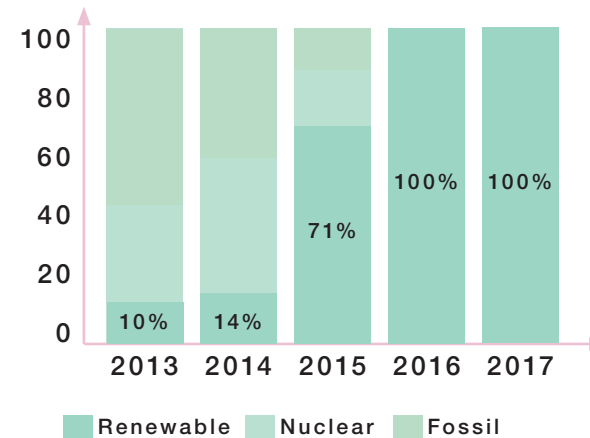
ENERGY FOR ELECTRICITY AND HEATING

From 2010 to 2017, use of energy for electricity and heating at the Head Office and warehouse operations has fluctuated within a range of 10.1-11.5 GWh. In 2017, energy use was 10.1 GWh, translating into a year-on-year fall of 12% compared to 2016 and 8% compared to 2015. Energy use in relation to net sales was 4.97 MWh/SEK m, which is lower than for 2016 which was 5.58 MWh/SEK m and for 2015 5.38 MWh/SEK m. The energy savings in 2017 were mainly a result from adjusted heating, ventilation, cooling and operating hours. The overall target for the Ellos Group is to reduce energy usage by 12% from 2016 to 2020. This target is based on a project done to identify energy saving opportunities from the result of an energy audit (Energikartläggning) conducted in accordance with the EU Energy Efficiency Directive.



Source: Borås Energi och Miljö

SINCE APRIL 2015 THE ELLOS GROUP USES 100% RENEWABLE ENERGY



Sources: DinEl/
Göteborgs Energi,
Borås Energi, Swedish
Energy Markets
Inspectorate. 2015
split estimated based
on residual mix and
monthly split 2014.

BUSINESS TRAVEL

Business travel by the Ellos Group rose in 2017, from 2,112 one-way trips in 2016 to 2,465 one-way trips in 2017, which is an increase of 16.7% in the number of trips and 15.1% in CO₂ emissions. Total CO₂ emissions from business travel by the Ellos Group amounted in 2017 to 336 tonnes CO₂, the majority relates to air travel.

In 2017, 671 trips to Stockholm led to 21 tonnes of CO₂ emissions. The 80% carried by air were responsible for the entire amount of CO₂ emissions. The Ellos Group's travel policy encourages our employees to travel by train for shorter distances.

	2015	2016	2017	Change 17 vs 15	Change 17 vs 16
Number of Trips	2,101	2,112	2,465	17,3%	16,7%
- of which air	1,857	1,842	2,243	20,8%	21,8%
- of which train	244	270	222	-9%	-17,8%
-CO ₂ tonnes	312	292	336	7,7%	15,1%

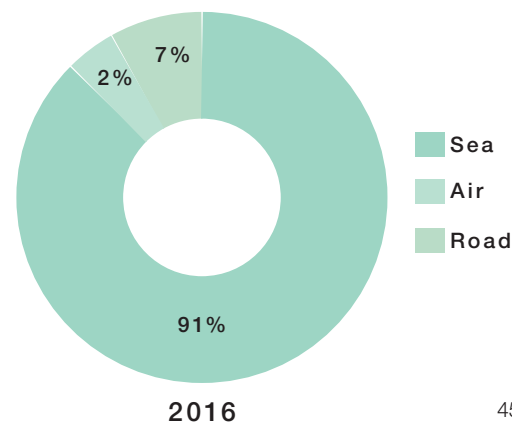
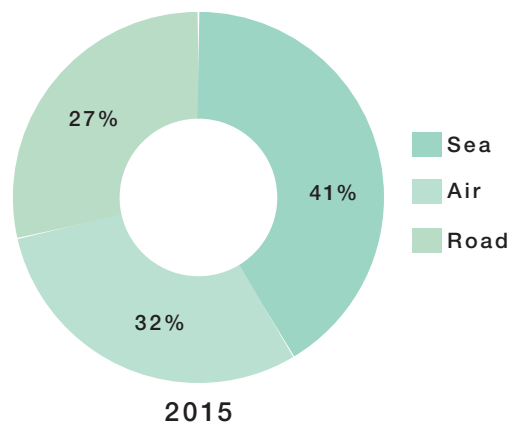
EMISSIONS FROM TRANSPORT

Inbound Freight

In 2017, the Ellos Group's total inbound shipments of products from our suppliers rose by 37% to 120 million tonne-km. The increase in 2017 was to a large extent due to an overstock in 2015 that was consumed in 2016, hence the lower figure for 2016, and from the fact that the home segment is expanding with heavier products such as furniture. Total CO₂ emissions from inbound freight rose by 23% which is less than the increase in tonne-km. In 2017, we raised demands for emission targets g/tonne-km with our freight partners.

We seek to maximise the use of sea freight, which for the Ellos Group had significantly lower emission levels than air. Sea freight had 17 g/tonne-km versus 626 g/tonne-km for air freight in 2017. Emissions for both sea and air freight declined compared to the figures for 2016 per g/tonne-km which were 20 g/tonne-km and 676 g/tonne-km respectively.

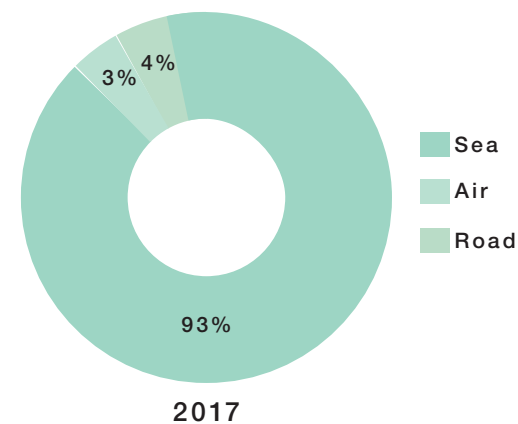
In 2017 sea freight accounted for 93% of tonne-km shipments in 2017 and generated 40% of the Ellos Group's inbound freight CO₂ emissions, air freight accounted for 3% of tonne-km shipments and generated another 40% of the emissions, and freight by road accounted for 4% of tonne-km shipments and generated the remaining 20% of emissions. We pack our goods so that they take up as little space as possible during transportation, and we strive to work proactively with our carriers to improve transport efficiency and reduce emissions.



Outbound Freight

In 2017, we had in total 4.6 million shipments, 3.7 million to our customers and 0.9 million returns. Between 2016 and 2017, the number of packages sent to customers fell by 9%, but with an 8% higher average weight due to changes in our product mix, for example more furniture. The average CO₂ emission per shipment was in 2017 0.35 and in 2016 0.34. Total outbound CO₂ emissions fell by 6% in 2017 compared to 2016. We continually seek to optimize freight planning and filling rates in transport vehicles.

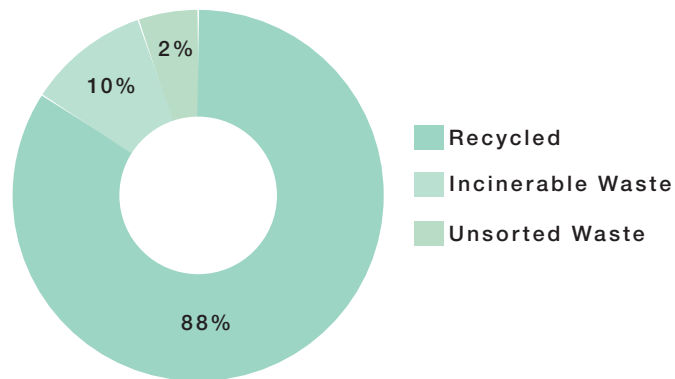
Outbound freight	2015	2016	2017	Change 17 vs 16	Change 17 vs 16
Total number of Shipments	5,061,508	4,991,751	4,567,000	-424,751	-9%
Average Shipment Weight, kg	2.01	2.09	2.25	0.16	8%
Total Shipped Weight, kg	10,173,631	10,432,760	10,275,750	-157,010	-2%
Total CO ₂ from outbound freight, kg	1,711,230	1,707,835	1,607,000	-100,835	-6%



WASTE HANDLING

RECYCLING OF WASTE IN OUR OPERATIONS

Our waste mainly derives from the logistics operations, and in 2017 88% of the waste that we generated was sorted into fractions and recycled. We aim to improve sorting into fractions and recycling, to recycle 95% of waste in 2020. The total amount of waste at our Borås logistics operations and head office was 901 tonnes in 2017, an increase of 10% on the previous year. Corrugated paper is by far the largest category at 65% of total waste volumes in 2017. A total of 109 tonnes, or 12% of the total waste volume, was not recycled in 2017. Most of this, 91 tonnes, was incinerated to generate district heating.



Yearly waste volumes, tonnes	2015	2016	2017	Change 17 vs 16
Corrugated paper	628	574	583	1%
Wood	131	95	102	7%
Metal	31	27	64	137%
Office paper	30	15	24	60%
Polyethene	11	24	20	-18%
Other	0	0	0	0%
Subtotal recycled	831	735	792	8%
Incinerable waste	69	74	91	24%
Unsorted waste	15	4	16	329%
Landfill	4	4	2	-61%
Subtotal not recycled	88	82	109	33%
Total	918	817	901	10%
Recycled, % of total waste	90.4	89.9	87.9	

ENVIRONMENT INITIATIVES IN OPERATIONS

Customer Mailings

Today the Ellos Group in particular uses digital marketing, which has heavily reduced the need of paper mailing. Emails, advertisements on Google, sponsored links, and social media are taking over from paper advertising. From 2013 to 2017, we reduced our paper mailing by 88%, or 10,867 tonnes.

All paper mailings are on PEFC or FSC certified paper and 69% of all tonnes of paper printed are by printing houses certified by Nordic Ecolabel or similar.

Our targets are that by 2020, we should have 100% of paper mailing on PEFC or FSC certified paper and 100% of printing houses used should be certified by Nordic Ecolabel or similar.

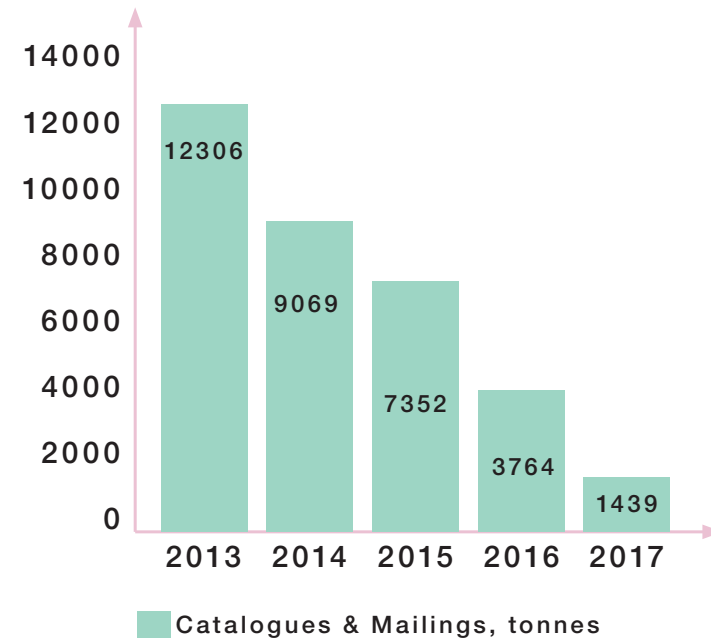
Packaging to customers

Our shipments to customers are mainly made in packaging made of plastic, which is efficient from a transportation space perspective if compared to e.g. paper cartons. On an annual basis, the Ellos Group uses around 3.5 million packaging bags.

The plastic packaging is made of at least 80% PCR (postconsumer recycled) plastic, with CO₂ emissions per bag around 60% lower than for ordinary plastics.

Charging stations for electric/hybrid cars

The Ellos Group wants to participate in the transition to eco-friendly vehicles, and offer our employees charging stations for electric and hybrid cars at the workplace. During the autumn of 2016, ten charging stations for electric cars were installed at our office parking in Viared. The investment was partly financed by Klimatklivet. In 2017, 126 charges were made.





MANAGING TEXTILE WASTE THROUGH COLLABORATION

In 2017 the Ellos Group continued to partner with Emmaus Björkå by donating defective goods or textiles from our inventory that for various reasons are unsellable. Through Emmaus Björkå the majority of the products are reused by selling the products in Emmaus Björkå's stores, or as materials for job training. What can't be reused by Emmaus Björkå is sent to an external partner for material recycling. The Ellos Group also continued to partner with Borås Idésömnad, a work integrating social enterprise in Borås, which sews sellable products from left-over textiles from our product development process.



WORKING AT THE ELLOS GROUP

The Ellos Group aspires to be a modern and attractive workplace. In order to achieve this, we need to offer good working conditions, strong leadership, and a diverse workforce in terms of ethnic background, culture, gender and age. An inclusive corporate culture, in which we accept and leverage differences, is a prerequisite for an efficient, professional and profitable business, and an important component when we seek to recruit, develop and retain the right competence. At the Ellos Group, all employees shall have the same opportunities, rights and responsibilities, regardless of gender, gender identity or expression, sexual orientation, ethnic origin, religion, disability or age.

TOTAL 591 permanent employees

In December 2017 we had 566 employees based in Borås, 2 in Malmö, 15 in Norway, 5 in Finland and 3 in Denmark.



73 part time employees

518 (323 women 195 men) of our permanent staff were full-time employees and 73 (68 women and 5 men) were part-time employees. In addition, we also had temporary workers which brings the total figure closer to 700.





In 2017, the Ellos Group decided and implemented that all activities should be gathered in Borås. The purpose of this was to work more efficiently together and to provide the conditions for faster development. The result of the centralization was that the company's functions in Finland, Norway, Denmark and in Malmö, Sweden were closed down and concentrated at Borås, Sweden. At the same time, other efficiency measures were implemented. For the entire company this resulted in 36 employees being redeployed to other services and that 63 employees left the Ellos Group. All of our employees, except in Denmark, were covered by collective bargaining agreements. All employment data is retrieved from our staff records.

In January 2018, the Ellos Group's permanent staff comprised 566 employees, whereof all of them were located in Borås.

STRIVING FOR Gender Equality AT ALL LEVELS

At the Ellos Group we strive for even gender representation in the organization. This is important for us to be an attractive employer, and to create the best working environment and a high performing team. Our target has been to have even gender representation in management, across departments and management levels by 2018.

We have established a broad-based working group for equality and diversity to ensure the recruiting processes support our ambition. We also work actively with identifying and supporting female employees with potential and ambition to be promoted as managers, and in December 2017 we could conclude that we have been successful in this work. The relationship between women/men in management across the whole company was 52% women and 48% men in December 2017 compared with 46% women and 54% men in 2016. It is important for the Ellos Group to support women to become managers, as women are overrepresented in the entire work force, which in December 2017 was 66% women and 34% men.

	All Employees	Warehouse Employees	Office Employees
	66%	61%	69%
	34%	39%	31%
<30 years	6%	2%	9%
30-50 years	55%	48%	58%
>50 years	39%	50%	33%
	Managers	Senior Management Team	Board of Directors
	52%	31%	33%
	48%	69%	67%
<30 years	0%	0%	0%
30-50 years	75%	77%	67%
>50 years	25%	23%	33%

TARGETS FOR Equality & Diversity

- Even gender representation in management, across departments and management levels. Manager split 50/50 male/female by 2018.
- Increase the proportion of employees with a foreign background (from 13% 2015), across departments and management levels, to better reflect society. In 2017 the proportion had slightly increased to 14%.

PROMOTING DIVERSITY AND INCLUSION

The Ellos Group's operations are based on an open and inclusive attitude, where diversity and equality add value and where discrimination is not accepted. For us, diversity means a mixed group of employees with different genders, gender identity or expression, sexual orientation, ethnic origin, religion, disability and age. We are convinced that encouraging and leveraging differences will benefit our business, through a better understanding of our customers, more creativity and innovation, an improved problem-solving ability and a more interesting and dynamic workplace. Besides gender equality, we are focusing on ethnic diversity as the first priority for our defined diversity targets. Our long-term target is for the ethnic diversity of our organization to reflect the society in which we operate. People with a foreign background were under-represented at the Ellos Group in 2017, at 14% of the workforce, compared to the demographics in the society of Borås, which was 33% of people in the working age.

MITT LIV

The Ellos Group collaborates with Mitt Liv, a social enterprise working for diversity and integration on the Swedish labour market. One part of the collaboration is a mentoring programme, where employees from the Ellos Group are welcome to volunteer as mentors for people with foreign origins for one year in the mentoring program Mitt Livs Chans.

Ellos Group 2017	
Foreign background	Swedish background
14%	86%
Borås 2017	
33%	67%

People with a foreign background are defined as people born abroad or born with two foreign-born parents. People with a Swedish background are defined as people born in Sweden with two native parents or a native born and a foreign born parent. Source: (SCB).



EMPLOYEE WELLNESS

At the Ellos Group, we continually strive to attract, develop and retain competent and motivated employees. A health-promoting way of working is therefore a priority for the Ellos Group. We work proactively to create a safe and healthy working environment and also to promote a healthy lifestyle among our employees.

Employee Survey

The Ellos Group's employees are a very important factor for our success. Therefore, it is key for us to continually evaluate how we are doing as an employer, and how we can become even better. An employee survey helps us to create a platform for dialogue, transparency and openness, which are important parts of our corporate culture and core values. An employee survey is conducted on a regular basis, the latest was carried out in 2015 with a response rate of 87%. In 2017 the Ellos Group underwent major structural changes which make 2018 a better year for the next survey. The employee survey contains two specific measures:

1. The E-NPS

This measure tells us to what extent our employees would recommend the company as a place to work – attractive employer. Survey respondents are defined as ambassadors, passive or critics. The e-NPS is calculated as the percentage points of employees that are ambassadors minus the percentage points that are critics, and can range from -100 to +100.

In the 2015 survey, the Ellos Group was rated +15, compared to the external benchmark of +7. Our target is to reach +20 in the next employee survey in 2018.

2. Employee Satisfaction Index

This index includes questions about the following areas: respect, cooperation, impact, feedback, trust, information, holistic view, objectives, personal development, implementation and follow-up.

The Ellos Group's rating in 2015 was 82, which is a good rating, although there is still some room for improvement to the external benchmark at 86.



Proactive health promotion at the Ellos Group

The Ellos Group has a long tradition of working strategically with employee health. Our proactive health improvement efforts include a health survey, which is carried out in all departments, with the aim of covering the entire Group within a two-year period. Based on the survey, a plan is developed for how to improve health in the department. Individuals that would benefit from a healthier lifestyle and motivation are offered personal health coaching. We have a Wellness Developer employed part-time who continually drives the health promotion work forward.

The Ellos Group offers its employees a wide range of activities to encourage a healthy lifestyle. There is a clear correlation between more exercise and less sick leave, which gives us a strong incentive to continue our work to motivate more employees to exercise regularly.

All employees have free access to training hours in our own gym which had around 15 visits every day in 2017 and the Group offers "friskvårdsbidrag" (a wellness grant) which was requested by 205 employees in 2017. The most popular activities were swimming, Nordic Wellness, Onyx and Friskis and Svettis (gymnasiums).

The Ellos group supports its employees to participate in different health promoting activities. A few examples of activities in 2017 include:

- 5 employees participated in "Vasaloppet", the world's largest cross-country skiing competition for both men and women at a distance of 90 km and with some 15,000 participants.
- 6 employees participated in "Tjejvasan", the world's largest cross-country skiing competition for women at 30 km.
- 17 employees participated in a local crawl course.
- 27 employees participated in "Linnémarchen", Sweden's largest hiking event.
- 16 employees participated in "Kretsloppet", a running competition with a strong environmental profile.

The Ellos Group arranged:

- A lecture about functional trainings and courses. 31 employees were at the lecture and 16 on the course.
- A lecture in Mindfulness. 40 employees were at the lecture and 25 on the course.
- A golf tournament for 10 employees.
- A quiz at Hestra. 42 employees were there and 18 children
- Two evenings of "kransbinderi" (wreath binding). 50 employees participated
- Massage sessions, used by 80 people

In addition, the Group also offered yoga, squash, tennis and badminton.

The Ellos Choir

The Ellos Group is proud of its own choir.



In the picture from the left: Eva Krafve, Annika Djupbäck, Linda Johansson, Beatrice Andersson, Agneta Gustavsson, Lillemor Swahn, Lena Berger-Andersson, Sara Andersson and Ing-Marie Wennergren.

Ellosiaden

Since many years the Ellos Group arrange what is called "Ellosiaden". Since 10 years this is in particular an event to create togetherness. In 2017 there was one event in September at the West Coast at Smögen, 82 employees participated.



Ellosiaden at Smögen 2017



Continuous efforts to minimize sick leave and work-related injuries

We continually follow up the level of sick leave and aim to reduce sick leave with clear routines for following up and acting on reasons for absence. We also track and follow up on all work-related injuries and incidents, seeking to minimize injuries by addressing risk areas.

The table below quantifies the number of work related injuries and reported incidents at the workplace, which did not lead to any personal injuries. We report and follow up incidents that could have led to injuries, to ensure that potential risks are addressed. The most common work-related injuries are related to back, neck and shoulder problems, where we seek to improve workplace ergonomics to mitigate the number of injuries.

Sick leave,% of ordinary work hours		
2015	2016	2017
5,38%	5,41%	5.09%
	Work related injuries	Reported incidents
2015	22	34
2016	32	32
2017	28	20

The Ellos Group has a robust system for occupational health and safety for our employees. Safety inspections are carried out on a regular basis in all buildings by the Group's safety and health coordinator together with working environment representatives, and the maintenance manager. In conjunction to the inspection of the physical working environment, a review of the organizational and psychosocial work environment is carried out. Action plans are made and followed-up on. 100% of the employees are covered by the occupational health and safety reviews.

TOP 100

Employer of the year

The Ellos Group **climbed to spot 62**, from last year's spot 88 in the student ranking carried out by Universum of the most popular employers.



52%
female managers.



2017

Employer branding company

The Ellos Group was **nominated** "Employer Branding Company of the Year 2017" by Universum.



COMMUNITY ENGAGEMENT

We want to make a positive contribution to the society in which we operate. We focus on supporting charitable causes and sponsorship programmes that are relevant to our employees, to our value chain and to our customers. In addition, we focus on initiatives where our employees can get involved and encourage our employees to get involved in our community initiatives.

MENTORING IMMIGRANTS IN

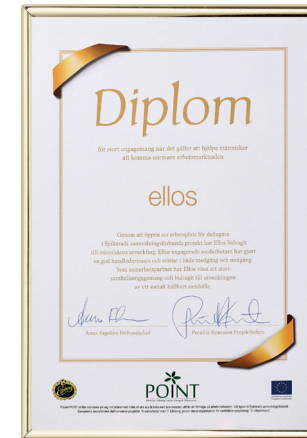
Mitt Livs
Chans

The Ellos Group collaborates with Mitt Liv, a social enterprise working for diversity and integration on the Swedish labour market. One part of the collaboration is a mentoring programme, where employees from the Ellos Group are welcome to volunteer as mentors for people with foreign origins for one year in the mentoring program Mitt Livs Chans.

DRIVING COMPETENCE
DEVELOPMENT IN BORÅS

The Ellos Group is an engaged partner to E-handelsstaden Borås in driving development of relevant education in the region. There is a lack of e-commerce trained personnel and the industry is growing by nearly 20% annually. To continue to ensure the availability of appropriate manpower we have worked successfully with several new training options. One of the main initiatives is our intensive collaboration with the University of Borås, which resulted in the start of the Master Program "Management of digital commerce" which began in the autumn of 2017. Another focus has been continuous dialogues with the Swedish National Agency for Higher Vocational Education (YH), industry organizations, local politicians and the Västra Götaland competence platform. These dialogues paved the way for the 2-year polytechnic education "Digital Business Developer" where the first students will graduate in May 2018.

Read more at <http://ehandelsstaden.se/>



Ellos Group was awarded a diploma in 2017 for the efforts made and noted as an example of the way we work with our trainees.

INTERNSHIPS FOR PEOPLE IN BORÅS
WHO ARE FAR FROM THE
LABOUR MARKET

Through our involvement in the IF Elfsborg CSR initiative "We together", the Borås City initiative "Jobb Borås" and the "Point-project", run by Sjuhärads Samordningsförbund (supported by ESF, European Commission European Social Fund) we enable for jobseekers to apply for internships. We see this as an important part of our corporate social responsibility to contribute time and commitment to those projects. Through the Point project, Ellos Group welcomes two trainees twice a year. For many jobseekers this has been the first contact with the labour market.

SPRÅKVÄNNER – SWEDISH SPEAKING TRAINING FOR IMMIGRANTS

Our local society currently has a major challenge in integrating immigrants. A key factor in getting established in society is to learn the language. Many immigrants lack connections to native Swedish speaking people to practice with and develop their speaking skills. In cooperation with Borås Stad and Eurest, the Ellos Group is running a programme, in which we invite a group of immigrants who study at SFI (Swedish For Immigrants) to regularly come to our office, have lunch, and practice their Swedish with “language friends” among the Ellos Group’s employees. In 2017, 14 lunches were held with 10 immigrants and 10 Ellos Group employees at every occasion.

”

It usually takes no more than five minutes before the discussions are in full swing. We are often the first Swedes immigrants get to know on a more personal level. In addition to the fact that these meetings are enriching to everyone, they are also very pleasant. Discussions can be very serious but also very loose.

*- Richard Harvonen,
Team leader, Logistics Ellos Group and
Co-ordinator for “Språkvänner”
(Language friends)*

”



Immigrants and employees in lively interaction with each other during lunch at the Ellos Group.



*Richard Harvonen, Team leader,
Logistics Ellos Group and Co-ordinator
for “Språkvänner” (Language friends)*

HAND IN HAND

The Ellos Groups production is mainly in China, India and Bangladesh. It is important for us that our products are manufactured with regard to the people who produce them as well as to the environment. Ellos and Hand in Hand has begun cooperation to jointly improve living conditions for residents of the village of Visoor, India. Among other things, support is provided to help children start or return to school and self-help groups are formed where women are trained in entrepreneurship.



GRI INDEX

GRI Content Index	Disclosure	Page number(s) and/or URL(s)	Omission
GRI 101: Foundation 2016			
General Disclosures			
GRI 102: General Disclosures 2016	102-1 Name of the organization	The Ellos Group in brief, page 5	
	102-2 Activities, brands, products, and services	The Ellos Group in brief, page 5 and corporate website http://www.ellosgroup.com/	
		The Ellos Group in brief, page 5	
	102-3 Location of headquarters	The Ellos Group in brief, page 5	
	102-4 Location of operations	The Ellos Group in brief, page 5	
	102-5 Ownership and legal form	The Ellos Group in brief, page 5 About this report, page 78	
	102-6 Markets served	The Ellos Group in brief, page 5	
	102-7 Scale of the organization	The Ellos Group in brief, page 5	
	The Ellos Group Annual Report		
	102-8 Information on employees and other workers	Employees – working at the Ellos Group, page 50-51	
	102-9 Supply chain	Sustainability issues in our value chain, page 12-13	
	102-10 Significant changes to the organization and its supply chain		Not Applicable – no significant changes took place in 2017.
	102-11 Precautionary Principle or approach	Sustainability at the Ellos Group, page 11	
	102-12 External initiatives	List of external initiatives, page 77	
	102-13 Membership of associations	List of membership of associations, page 77	

GRI Content Index			
GRI Standards	Disclosure	Page number(s) and/or URL(s)	Omission
GRI 101: Foundation 2016			
General Disclosures			
GRI 102: General Disclosures 2016	102-14 Statement from senior decision-maker	Words from the CEO, page 3	
	102-15 Key impacts, risks, and opportunities	Words from the CEO, page 3	
	Sustainability in our value chain, page 12-13	Ellos Group in brief, page 5	
	Focus on material topics, page 14		
	102-16 Values, principles, standards, and norms of behaviour	Sustainability at the Ellos Group, page 9-11	
	102-18 Governance structure	Ellos Group in brief, page 5	
	102-40 List of stakeholder groups	Stakeholder dialogue, page 70-72	
	102-41 Collective bargaining agreements	Employees – working at the Ellos Group, page 50	
	102-42 Identifying and selecting stakeholders	Stakeholder dialogue, page 70-72	
	102-43 Approach to stakeholder engagement	Stakeholder dialogue, page 70-72	
	102-44 Key topics and concerns raised	Stakeholder dialogue, page 70-72	
	102-45 Entities included in the consolidated financial statements	List of financial entities, page 77	
	102-46 Defining report content and topic Boundaries	Materiality process, page 73-76	
	102-47 List of material topics	Focus on material topics, page 14	
	102-48 Restatements of information		Not Applicable – no restatements have been made.
	102-49 Changes in reporting		Not Applicable – no significant reporting changes have been made.

GRI Standards	Disclosure	Page number(s) and/or URL(s)	Omission
GRI 102: General Disclosures 2016	102-50 Reporting period	About this report, page 78	
	102-51 Date of most recent report	About this report, page 78	
	102-52 Reporting cycle	About this report, page 78	
	102-53 Contact point for questions regarding the report	About this report, page 78	
	102-54 Claims of reporting in accordance with the GRI Standards	About this report, page 78	
	102-55 GRI content index	GRI content index, page 61-69	
	102-56 External assurance	About this report, page 78	
Material Topics			
Anti-Corruption			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	Material issues and boundaries, page 75-76	
	Sustainability issues in our value chain, page 12-13	Sustainability at the Ellos Group, page 9-14	
	Focus on material issues, page 14	Sustainability at the Ellos Group, page 9-14	
	Sustainability at the Ellos Group, page 11		
	103-2 The management approach and its components	Sustainability at the Ellos Group, page 11	
	103-3 Evaluation of the management approach	Sustainability at the Ellos Group, page 11	
	205-2 Communication and training about anti-corruption policies and procedures	Sustainability at the Ellos Group, Code of Ethics and Anti-Corruption, page 11	
	205-3 Confirmed incidents of corruption and actions taken	Group, Code of Ethics and Anti-Corruption, page 11	

GRI Standards	Disclosure	Page number(s) and/or URL(s)	Omission
Materials			
GRI 103: Management Approach 2016 Additional Disclosure (not in GRI)	103-1 Explanation of the material topic and its Boundaries	Material issues and boundaries, page 75-76 Sustainability issues in our value chain, page 12-13 Focus on material issues, page 14 Sustainable Materials and Products, page 17-33	
	103-2 The management approach and its components	Sustainable Materials and Products, page 17-33	
	103-3 Evaluation of the management approach	Sustainable Materials and Products, page 17-33	
	Sustainable cotton, % of purchased cotton products	Sustainable Materials, page 20	
Energy			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	Material issues and boundaries, page 75-76	
	Sustainability issues in our value chain, page 12-13	Environment, page 33-40	
	Focus on material issues, page 14	Environment, page 33-40	
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Environment, page 41-44 Energy for electricity and heating, page 44	
	Energy for electricity and heating, page 44	Environment, page 41-44 Energy for electricity and heating, page 44	

GRI Standards	Disclosure	Page number(s) and/or URL(s)	Omission
Emissions			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	Material issues and boundaries, page 75-76 Sustainability issues in our value chain, page 12-13 Focus on material issues, page 14 Environment, page 41-45	
	103-2 The management approach and its components	Environment, page 41-45	
	103-3 Evaluation of the management approach	Environment, page 41-45	
	305-2 Energy indirect (Scope 2) GHG emissions	Environment, page 43	
	305-3 Other indirect (Scope 3) GHG emissions	Environment, page 43	
	305-4 GHG emissions intensity	Environment, page 43	
Effluents and Waste			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	Material issues and boundaries, page 75-76	
	Sustainability issues in our value chain, page 12-13	Environment, page 33-40	
	Focus on material issues, page 14	Environment, page 33-40	
GRI 306: Effluents and Waste 2016	306-2 Waste by type and disposal method	Waste Handling, page 46	

GRI Standards	Disclosure	Page number(s) and/or URL(s)	Omission
Supplier Environmental Assessment			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	Material issues and boundaries, page 75-76 Sustainability issues in our value chain, page 12-13 Focus on material issues, page 14 Supplier relations, page 34-40	
	103-2 The management approach and its components	Supplier relations, page 34-40	
	103-3 Evaluation of the management approach	Supplier relations, page 34-40	
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	Supplier relations, page 34-40	
Occupational Health and Safety			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	Material issues and boundaries, page 75-76 Sustainability issues in our value chain, page 12-13 Focus on material issues, page 14 Employees – working at the Ellos Group, page 53-55	
	103-2 The management approach and its components	Employees – working at the Ellos Group, page 53-55	
	103-3 Evaluation of the management approach	Employees – working at the Ellos Group, page 53-55	
GRI 403: Occupational Health and Safety 2016	403-1 Workers representation in formal joint management–worker health and safety committees	Employees – working at the Ellos Group, page 55	
Additional Disclosure (not in GRI)	Sick leave, % of ordinary work hours	Employees – working at the Ellos Group, page 55	
Additional Disclosure (not in GRI)	Number of work related injuries and reported incidents at the workplace	Employees – working at the Ellos Group, page 55	

GRI Standards	Disclosure	Page number(s) and/or URL(s)	Omission
Diversity & Equal Opportunity			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	Material issues and boundaries, page 75-76 Sustainability issues in our value chain, page 12-13 Focus on material issues, page 14 Employees – working at the Ellos Group, page 51-52	
	103-2 The management approach and its components	Employees – working at the Ellos Group, page 51-52	
	103-3 Evaluation of the management approach	Employees – working at the Ellos Group, page 51-52	
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Employees – working at the Ellos Group, page 51-52	
Supplier social assessment			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	Material issues and boundaries, page 75-76 Sustainability issues in our value chain, page 12-13 Focus on material issues, page 14 Supplier relations, page 34-38	
	103-2 The management approach and its components	Supplier relations, page 34-38	
	103-3 Evaluation of the management approach	Supplier relations, page 34-38	
GRI 205: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	Supplier relations, page 37	
	414-2 Negative social impacts in the supply chain and actions taken	Supplier relations, page 34-38	
Recycling (not covered by GRI standards)			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	Material issues and boundaries, page 75-76 Sustainability issues in our value chain, page 12-13 Focus on material issues, page 14 Environment, page 46, 48	
	103-2 The management approach and its components	Environment, page 46, 48	
	103-3 Evaluation of the management approach	Environment, page 46, 48	

GRI Standards	Disclosure	Page number(s) and/or URL(s)	Omission
Customer Mailings (not covered by GRI standards)			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	Material issues and boundaries, page 75-76 Sustainability issues in our value chain, page 12-13 Focus on material issues, page 14	
	103-2 The management approach and its components	Environment, page 47	
	103-3 Evaluation of the management approach	Environment, page 47	
	Customer mailing, tonnes	Sustainable Materials, page 47	
Additional Disclosure (not in GRI)			
Community Engagement (not covered by GRI standards)			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	Material issues and boundaries, page 75-76 Sustainability issues in our value chain, page 12-13 Focus on material issues, page 14 Community engagement, page 57-60	
	103-2 The management approach and its components	Community engagement, page 57-60	
	103-3 Evaluation of the management approach	Community engagement, page 57-60	
	Number of employees engaged in community engagement projects	Community engagement, Språkvänner page 59	
Additional Disclosure (not in GRI)			

STAKEHOLDER DIALOGUE

Our stakeholders are important sources of input and feedback to our materiality assessment process for the identification and prioritization of material topics that we focus on, both in action and in communication. We have identified, across our value chain, the people and the organizations with which we interact and for which our business has an important impact, and from these we have selected five main groups, based on relevance and interdependence: customers, employees, owners, suppliers and the local community. During 2014 and 2015, we engaged extensively with all of these groups, securing input from more than 900 people who have helped us understand which sustainability topics are important to them and why, what they expect from the Ellos Group in terms of sustainability performance and communication, and how we can seek to meet their expectations. The involvement of our stakeholders is a key part of our materiality analysis and has given us important insights for developing a sustainability strategy, as well as our sustainability reporting.

CUSTOMERS

Stakeholder Significance

Our customers are at the centre of everything we do and we strive to exceed their expectations.

Description of dialogue

We have ensured to seek input from customers across our four main markets – Sweden, Norway, Finland and Denmark – and from our three online stores – Ellos, Jotex and Stayhard. Our customers' views were collected through a survey conducted in November/December 2014, sent to 8,000 Ellos, Jotex and Stayhard customers in Sweden, Finland, Denmark and Norway, from which we received 600 responses. We also interviewed 60 current and potential customers in Gothenburg in December 2014 and held a customer web panel on the topic of sustainability, carried out by Scandinfo with 26 participants, in the autumn of 2015. We have an ongoing dialogue with our customers, mainly through customer service and social media interaction.

Highlighted sustainability topics

Customers find sustainability increasingly important and they try to make sustainable everyday choices. Topics that our customers find important to the Ellos Group include to ensure fair working conditions and human rights in the supply chain, through supplier social assessment, offering products made from sustainable materials and reducing the amount of paper in customer mailings.

EMPLOYEES

Stakeholder Significance

Our employees and their commitment are integral to our success and to our ability to define and reach our sustainability goals.

Description of dialogue

In November and December 2014, we carried out an employee survey, to which we received 212 responses. In addition, personal interviews were held with 38 employees from different parts of the organization. The dialogue with our employees is ongoing, through intranet feedback, information meetings, training and through the involvement of our employees in our day-to-day sustainability work.

Highlighted sustainability topics

The Ellos Group's employees show a very high level of interest in, and commitment to, sustainability and believe that it is business critical. The topics that our employees see as key priorities include ensuring supplier social assessment, increasing the proportion of sustainable material in our customer offering, anti-corruption and minimizing the negative environmental impact of our operations, including energy use and carbon emissions.

SUPPLIERS

Stakeholder Significance

We need to work closely with our suppliers to jointly manage the sustainability impacts of our supply chain.

Description of dialogue

We interviewed both our own brand suppliers and one brand supplier, in December 2014 and November 2015. We have regular interaction with our suppliers, through the purchasing process, as well as through the regular follow-up of our code of conduct by audits and corrective action plans.

Highlighted sustainability topics

Our suppliers express a high focus on sustainability, both from the Ellos Group and other customers. In their view, the Ellos Group should focus on value chain topics, including supplier social assessments, sustainable materials, sustainable purchasing processes and chain of custody of materials.

OWNERS

Stakeholder Significance

Setting the tone from the top is necessary to truly integrate sustainability into our business model.

Description of dialogue

We interviewed Anders Halvarsson, Livehill, and David Samuelson, Nordic Capital, in December 2014 and Emma Englén, Nordic Capital, in November 2015. Our owners stay close to our sustainability work and require regular reporting on our progress. They also make sure that sustainability topics are regularly reviewed by the Board of Directors.

Highlighted sustainability topics

The owners expect the Group to deliver increased shareholder value. They take a long-term view on sustainability and actively support the Group in sustainability matters, with a focus on governance, managing risks and finding opportunities in the value chain. Highlighted sustainability topics include anti-corruption and business ethics, sustainable materials and supplier social assessment.

SOCIETY

Stakeholder Significance

A good relationship with our local society in Borås is important to the Ellos Group, especially as it affects our ability to recruit and retain highly skilled employees. The Ellos Group is also an important contributor to society in Borås, as the city's second largest private employer and a supporter of several local community initiatives.

Description of dialogue

We interviewed Anders Glemfelt, Enterprise relations manager, Borås Stad, in November 2015.

Highlighted sustainability topics

Important topics for our local community are community engagement, employment, occupational health and safety and indirect economic impact.

Interviews: Bril Lacno, KGS, Henrik Wahlgren, Brink Textiles, and Tina Foghammar, Twist & Tango, Dec 2014, and Anders Rosén, C Jahn AB, Nov 2015

MATERIALITY PROCESS

The materiality process is an integral part of our sustainability strategy development, through which we assess our current status, set priorities, define goals and develop strategies. It is also the basis on which we have defined the content of our sustainability reporting.

1. Identify

We started our materiality process in 2014 by identifying a large number of potential sustainability topics, based on an analysis of our value chain and a broad-based review of input, including the UN Global Compact principles, GRI aspects, ILO labour standards, sustainability reports from other companies in our industry and industry risk assessments such as those included in the CDC Toolkit on ESG for Fund Managers (2010).

2. Prioritize

In dialogue with our key stakeholders, as described above, we assessed the importance of topics from their perspective by asking them to prioritize which topics were most important to the Ellos Group. In parallel, we analysed our value chain and held workshops with management to align on which topics were to be prioritized from a strategic point of view, and in which economic, environmental and social topics that the Ellos Group's impact is most significant.

3. Validate

The prioritized topics, as well as our sustainability principles, were discussed and aligned in two management team workshops and one workshop with two of the Board of Directors. At this point we also conducted some additional interviews with stakeholders (suppliers, owners and society) and held a customer focus group on the subject of sustainability to validate our priorities. A sustainability plan, outlining prioritized topics and short and long-term goals and strategies, was finally presented to and approved by the Board of Directors in December 2015.

4. Review

The sustainability plan is regularly reviewed by the management team and at least annually by the Board of Directors. We find the original analysis to remain valid and have decided to continue with the same focus topics, as reflected in the choice of topics in this report, as well as our 2017 targets and plans.

MATERIAL TOPICS & BOUNDARIES

The table below outlines our material sustainability topics and their boundaries – detailing where in our value chain each impact occurs.

Priority	Topic	Intent	Boundaries – where the impact occurs	Report section
Focus	Materials	We will increase the proportion of sustainable materials in our products, thereby offering our customers a better choice and reducing our negative environmental impact.	In our organization, mainly the design and purchasing functions	Sustainable materials
	Supplier social assessment	By working closer with our suppliers, we strive to ensure fair working conditions and adherence to human rights in our supply chain.	At our suppliers and sub-suppliers, mainly in the Far East (China, India and Bangladesh).	Supplier relations
	Anti-corruption	We will ensure that policies and principles are communicated to and understood by all employees and business partners.	In our organization and the organizations of our business partners.	Sustainability at the Ellos Group
Meet expectations	Recycling	We will encourage our customers to recycle used clothes and textiles.	Among our customers	Environment
	Customer mailing	We will tailor our customer mailing to meet customer needs while reducing the amount of mailing.	In our organization, mainly the marketing function	Environment
	Supplier environmental assessment	We strive to work closely with our suppliers to reduce the negative environmental impact of their operation, e.g. reducing the use of water and chemicals.	At our suppliers and sub-suppliers, mainly in the Far East.	Supplier relations

Priority	Topic	Intent	Boundaries – where the impact occurs	Report section
Develop	Energy	We seek to minimize the use of energy in our operations.	In our organization, mainly our headquarters (Energy use by our suppliers covered in supplier environmental assessment)	Environment
	Emissions	We seek to minimize the greenhouse gas emissions in our value chain, mainly by focusing on inbound and outbound transports.	Mainly during transport, managed by external transport companies.	Environment
	Diversity and Equal opportunity	Diversity and inclusion makes our organization stronger.	In our organization.	Employees
Maintain	Community engagement	We support chosen causes and initiatives that create a lasting difference.	In the communities where we, or our suppliers, operate.	Community
	Effluents and Waste	We seek to minimize the amount of unrecycled waste from our operations.	In our organization. (Effluent and waste at our suppliers covered in supplier environmental assessment)	Environment
	Occupational Health and Safety	We have a strong commitment to employee health and safety.	In our organization	Employees

LIST OF EXTERNAL INITIATIVES

The Ellos Group is involved in or endorses the following externally-developed economic, environmental and social charters, principles or initiatives:

Charter/ principle/ Initiative	Description of the Ellos Group's involvement
ILO conventions	We expect all our suppliers to follow the ILO conventions. Our Code of Conduct follows the ILO conventions.
UN Guiding principles on Business and Human Rights	We expect all our suppliers to follow internationally accepted labour standards. Our Code of Conduct follows the UN guiding principles on Business and Human Rights.
Initiative Clause Social (ICS)	Our Code of Conduct is based on the French standard ICS (Initiative Clause Social)
The Accord on Fire and Building Safety in Bangladesh	The Ellos Group signed the Accord on June 30th 2016

LIST OF MEMBERSHIP OF ASSOCIATIONS

The Ellos Group is a member of the below listed associations:

Association	The Ellos Group's role
Better Cotton Initiative	Active member.
CottonConnect	Partner to CottonConnect, running a project in India together with Gina Tricot
Kemikaliegruppen	Active member
Fur free alliance	Active member
Swedish Shoe Environmental Initiative (SSEI)	Active member
CSR Västsverige	Active member
Djurens rätt	Active member
EL-Kretsen	Active member
STWI	Active member, working with five of the Ellos Group's factories in India and Bangladesh
Swedish Standards Institute (SIS)	Active member
TMR	Active member
Svensk Handel	Active member in several interest groups, e.g. Product Safety, Animal Welfare and T4RI

LIST OF FINANCIAL ENTITIES

The below list includes all financial entities in the Ellos Group. The operations of all entities in the group are covered by this report.

Financial Entity	Organization Number	Country
Ellos Group Holding AB	556857-8511	Sweden
Ellos Holding AB	556831-9114	Sweden
Ellos Group AB	556217-1925	Sweden
Ellos AB	556044-0264	Sweden
Jotex Sweden AB	556249-7106	Sweden
Ellos Finans AB	556311-5301	Sweden
Ellos Tili OY	1442185-0	Finland
Ellos Finland OY	1442131-6	Finland
Ellos Norway Holding AS	879478642	Norway
Ellos Norway AS	832005622	Norway
Ellos Denmark A/S	24927814	Denmark
Stayhard Holding AB	556783-8858	Sweden
Stayhard AB	556713-8077	Sweden
Stayhard AS	990698481	Norway
FAAD AB	559027-6407	Sweden

ABOUT THIS REPORT

This is the third sustainability report from Ellos Group, with full legal entity name Ellos Group Holding AB (publ) and organization number 556857-8511. This report has been prepared in accordance with the GRI Standards: Core option. The reporting cycle is annual and follows the calendar year. This sustainability report covers our sustainability performance for the financial and calendar year 2017. The most recent previous report, covering 2016, was published in May 2017. The content of this report is based on our materiality analysis, which includes a stakeholder dialogue and a value chain assessment. This report covers all the activities of the Ellos Group. This report has not been externally audited. The report is available at the Group's website: ellosgroup.com.

*For questions about this report, please contact Annika Mårtensson, Sustainability Director
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In addition to this sustainability report, the company publishes a sustainability report which forms part of Ellos Groups annual report.