



## STATEMENT OF THE ELLOS GROUP CEO HANS OHLSSON



Products from the Ellos Group can be found in homes all over the Nordic countries. Our 70 years of history of providing affordable fashion and home interior to everyone, regardless if you live in the city or the countryside, is to us a source of pride. When Olle Blomqvist founded Ellos in 1947 the Nordic countries were poor, since then, they have become some of the most prosperous states in the world. It's in this context of increased material wealth, Ellos Group has been able to grow and thrive. Today, poverty is decreasing all over the world, and with it, the strain on the limited resources of the planet is increasing. It's our moral duty, to do our part, in making sure the

rise from poverty can continue, not just in Sweden, but all over the world.

The footprint of the textile and se impacts of our operations. apparel sector is vast. The industry is also directly connected to society's prevailing trends such as: digitalization closer to and connectivity, climate change and scarce with 98% resources, and globalization. We are in a position where our activities contribute directly to the ed within impact on global sustainability.

At the Ellos Group, we are working in many ways to reduce the adverse impacts of our operations. I would like to take this opportunity to bring up a few highlights from 2018 starting with sustainable materials and production. Cotton 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 81% 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 increasingly use are recycled polyester and

lyocell. However working solely with materials is not enough, in order to make sure our products contribute to a more sustainable world, we maintain a rigorous environmental- and social-compliance framework. In 2018 we got even

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At the Ellos Group we are working

in many ways to reduce the adver-

closer to our goal of 100% auditing coverage, with 98% of our suppliers having been audited in the last two years. Throughout 2018, we continued within the framework of Accord Bangladesh to improve the Bangladesh Ready-Made Garment Industry as a safe and healthy working environment. Ellos Group signed the continuation of the Bangladesh Accord 2018 in April 2018.

Sustainability is not just about the products themselves. To us, it's an integral part in eve-



rything we do. We are working tirelessly to reduce our carbon footprint with a steady decrease in CO2 emissions both in relation to sales and in absolute numbers. Over the last few years we have focused on sustainable materials, fair working conditions, human rights and anticorruption. But, from 2018 we have also focused on two other important areas. The first is last mile transport and returns. This area affects the environmental impact of our business model. We are working to create an overview of the whole process, including the impact of our customers' actions, to identify sustainable last mile solutions. 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. We are working to identify packaging solutions that protect our products and enable optimal shipping solutions, while using less and more sustainable packaging materials.

Last but not least, we want to contribute to the surrounding community by being both a responsible employer, and by taking an active part in the betterment of our local community. We do this is many ways, aiming to be employer of choice and through supporting local youth and sports teams. I would especially like to mention our language lunches, were we invite immigrants studying Swedish to have with us lunch. The aim being both to provide newly arrived Swedes with an opportunity to practice their new language as well as giving us the opportunity to learn more about the world and make new friends. Another way we are showing

concern is that we are engaged in 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.

All in all, we are on-route in becoming a more sustainable business, but we are also humble to the challenges ahead. A lot of hard work remains, but remembering the spirit of entrepreneurship which for 70 years have made this company successful is our strength.

Hans Ohlsson CEO

#### The Ellos Group in brief

The Ellos Group, which includes Ellos, Jotex, Stayhard and Homeroom, is a leading e-commerce group in the Nordic region. Ellos is the online department store for women: providing fashion and home furnishings. Jotex is the online home interior expert. Stayhard is the leading fashion destination for men, and Homeroom is our newly started home interior store for the broad market. 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 five 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.

**FOUR ONLINE STORES:** 

# ellos Jotex STAYHARD home Aroom



**LOCATED IN** 

Regional Sweden

AROUND employees

Turnover: SFK

2.6 Billion in 2018

Design and production of own brands and over

**700** external brands in the portfolio

AROUND

1.7 million

**ACTIVE CUSTOMERS\*** 

\*Customers placing an order within the last 12 months.

**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 togethe
- 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



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2018 was the year when "Climate Change Anxiety" became one of the most discussed topics in the Nordics. Climate change is now on most people's mind, and on our mind as a company. We need to constantly improve our business and challenge ourselves to minimize our climate impact and stay relevant for our customers.

At Ellos Group we have worked during 2018 to define our new sustainability objectives towards 2025. The new targets are a true challenge. Customers are demanding faster and more flexible deliveries at no extra costs, which means that we need to make smart choices to meet those demands and, at the same time, reduce our climate impact.

We have taken large steps in several of our most important areas from a materially perspective. During the year of 2018, the share of more sustainable cotton have increased from 69% (2017) up to 81%. We have also done several initiatives to sell Vintage products, for example through collaboration with Emmaus Björkå and Bukowskis.

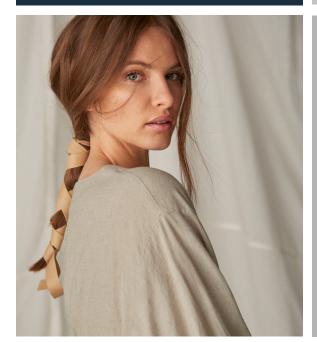
The exciting journey continues for Ellos Group, towards becoming a more sustainable company. As a business, we believe that we have an important role to play to achieve sustainable change, together with our stakeholders. During the year, our work has directly supported eight of the SDG goals, and we will continue to work on these goals to achieve sustainability improvements.



Annika Mårtensson Sustainability Director, Ellos Group 81% sustainable cotton, see page 19.



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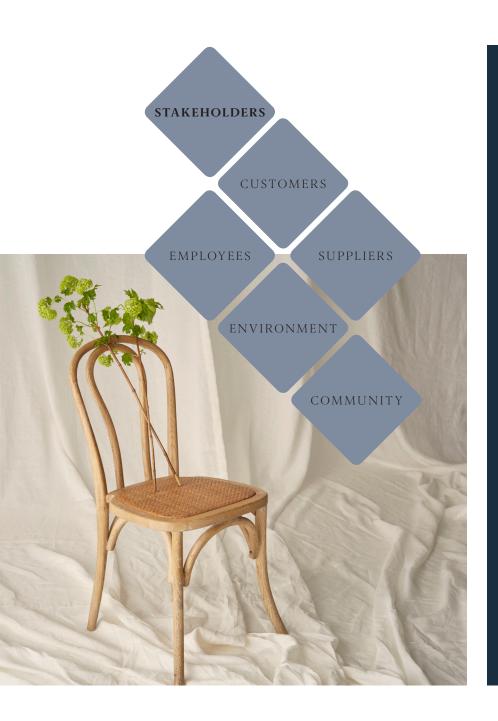
98%

suppliers with inspection protocols see page 35.



## 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 2018.

#### 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. One incident was reported through the whistleblowing channel in 2018.



#### SUSTAINABILITY ISSUES IN OUR VALUE CHAIN

The industries of apparel, 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 adress these challenges by making better choices when it comes to 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 also strive for a timeless and high-quality range, which our customers can keep using for a longer period of 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. 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.

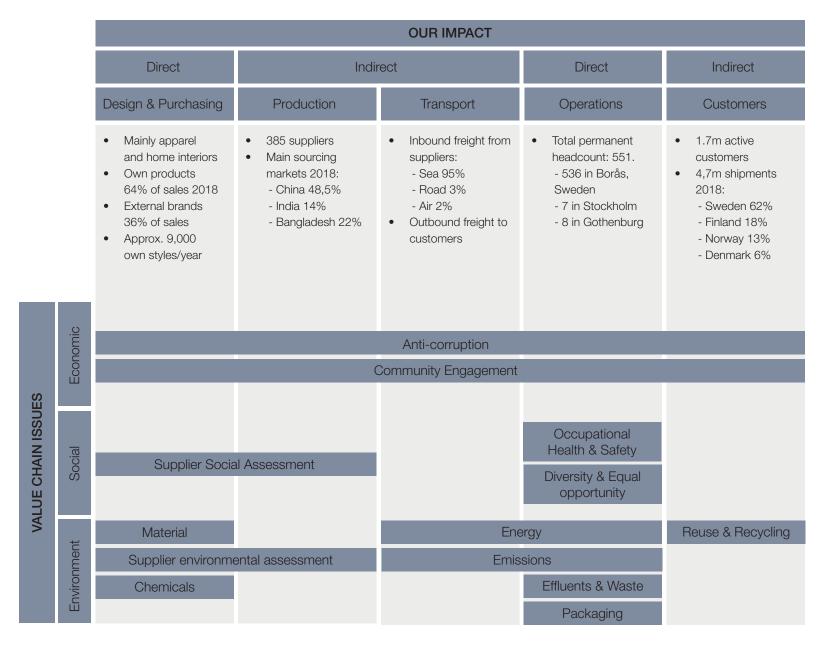
- Important topics in our operations are related to our responsibility as an employer, including working conditions in which we include occupational health and safety as well as employee satisfaction.
- Diversity and equal opportunity are cornerstones when we build a strong organization that is dynamic,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

Influence on stakeholder assessments and decisions

#### **FOCUS ON MATERIAL TOPICS**

In our sustainability strategy for 2018, and in this report, we focus on the topics that we identified as material in our updated analysis concluded 2017/2018. The process of defining our material topics is described in more detail on pp 72-75 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 does the Ellos Group's operations affect sustainable development, and in which topics is our impact most significant?

#### **MEET EXPECTATIONS**

Improve, find new solutions

- Supplier environmen assessment
- Wate
- 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

#### **REPORTING ON THE MATERIAL TOPICS - OUTLINE**

In the following pages of this report, we will describe the Ellos Group's sustainability efforts in 2018, 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 Chemicals			
Supplier relations	Supplier social assessment Supplier environmental assessment			
Environment	Reuse and Recycling Energy, Emissions Effluent and Waste Last Mile Transport and Returns Packaging			
Employees	Working conditions Diversity and Equal opportunity Occupational Health & Safety			
Community	Community Engagement			

## 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. We believe 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. Cotton is a resource-demanding fibre, both when it comes to the cultivation and the production processes. The process demands much water, chemicals and energy. Therefore, we have decided to use more sustainable cotton in the production of our own product range, aiming at reducing water, chemical and energy use. We define sustainable cotton as organic cotton, recycled cotton or cotton certified by 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 69% in 2017 and reached 81% in 2018. Most of the sustainable cotton is BCI cotton (read more about BCI on page 19-21).

In specific product areas, such as baby clothing, 100% of our new cotton products sourced in 2018 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 2018**

- 100% of all new baby clothing products sourced in 2018 were made from organic cotton
- Increased the use of Lenzing Tencel® and Ivocell.
- Increased the use of recycled materials, for example carpets made from PET bottles and a swimwear collection in recycled Polyamide.
- Several vintage initiatives both in fashion and home. For example a collaboration together with Emmaus Björkå on Vintage Denim
- A home collection made of reused materials together with Artklart
- Donated clothes made of sustainable materials to Almedalen's wardrobe library.



#### **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.
- 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

Cotton is the most commonly used fibre in our product assortment. Out of all textile-materials in our products, cotton accounts for approximately 65%. Whilst being a highly appreciated and commonly used material, there are challenges in its lifecycle. Cotton is a very resource-intense fibre to cultivate, harvest and produce. The global cotton production accounts 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 69% in 2017 to 81% in 2018.

#### 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.

COOD TRANSFORMING
O SOUNDARY

**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.

Sustainable cotton, % of total cotton in the Ellos Group's own brands*	2016	2017	2018	Target 2020
	44%	69%	81%	100%

\* 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%.









© BCI/Florian Lang BCI Farmer Vinodbhai Patel and local farmworkers. Gujarat, India, 2018.



© BCI/Florian Lang BCI Farmer Vinodbhai Patel, showing earthworms. Gujarat, India, 2018.

### AN EXAMPLE FROM A PROJECT WITH COTTONCONNECT

The Ellos Group is through our active work with Better Cotton Initiative supporting BCI training programs. This is one of the good stories from the programs, which is about how a cotton farmer in India defied the odds to embrace natural farming methods.

Amid the arid heat of Gujarat, India, Better Cotton Initiative (BCI) Farmer Vinodbhai Patel surveys his rows of cotton. He has just prepared the latest batch of plant-based natural pesticides — a mixture of exotic-looking botanical leaves — to deter pests from his crops.

Vinodbhai uses exclusively biological fertilisers and pesticides (using raw materials sourced from nature) to produce cotton on his six-hectare farm. Also, he is encouraging other farmers in his community to do the same.

To achieve this transformation, Vinodbhai has had to completely change his farming practices, overcome technical challenges and face harsh resistance from the people around him, in the face of tough growing conditions. In Gujarat's Saurashtra region, there are ongoing challenges for farmers. Many smallholder farmers live in poverty. Initially,

people in the community thought Vinodbhai had adopted 'eccentric', labour-intensive agricultural practices. But the greatest resistance came from his family.

"My wife was supportive of my ambitions," he says. "But my brother, who is also a cotton farmer, was sceptical, and tried to persuade me against it. Even my parents were apprehensive, concerned by the uncertainty and potential yield loss."

#### Nourishing the Soil

Vinodbhai persevered over two seasons. To nourish the soil, he began making a natural liquid fertiliser – 'Elixir of Life' – using locally available ingredients. He mixes cow dung (that he collects from nearby 'goshalas' – government-funded shelters run by public authorities or charities to protect cows, which are considered sacred in India) with unrefined cane sugar, hand-crushed chickpea flour and a little water.

Through BCI training sessions, Vinodbhai has also learned about the benefits of nourishing the soil. In 2018, he grew green beans after the cotton crop had been uprooted, primarily to nourish the soil and regenerate it before the next cotton season. He provides further nourishment to the soil in the form of wheat

stalks from his wheat harvest.

"Just three years ago, the soil on my farm was so degraded, I could hardly find any earthworms in the soil," he says. "Now, I can see many more earthworms, which suggests my soil is recovering."

#### **Managing Insects**

Having already noted a decrease in harmful insects on his cotton plants by eliminating conventional fertilisers, Vinodbhai turned his attention to natural pesticides.

"I believe nature can help me address insect pest problems," he says. "Through BCI, I've learnt about protecting the natural predators (such as ladybirds) of cotton-eating insects, as well as natural pesticides."

Vinodbhai and his workers now prepare a natural pesticide using leaves from local Neem trees, Crown Flower and Datura shrubs, which are known for their pharmacological effects on harmful insect pests.

Using a natural pesticide is more sustainable compared to using synthetic chemicals, as it uses fewer resources to prepare and is considered less harmful to the environment. Also, the natural ingredients have a lower toxicity than synthetic chemicals. It is also

more cost-effective.

By managing his cotton crop using ingredients sourced from nature — at no cost to Vinodbhai — by 2018, he had reduced his pesticide costs by 80% (compared to the 2016 season), while increasing his overall production by over 100% and his profit by 200%.

"The most difficult part of my journey from conventional to sustainable farming is over," says Vinodbhai. "It was a tough road to take, but the results were worth it."

## **Sharing Knowledge and Continuing the Journey**

Vinodbhai, emboldened by his success in adopting natural farming methods, has invited more than 3,000 farmers to visit his farm since 2016 to hear about his experiences. He also shared photos and videos with many of these farmers via the digital messaging service WhatsApp.

"For most farmers, seeing is believing," he says. "They're not easily persuadable – they like to see proof that alternative practices work. But the more they see and know, the more likely they'll be to change their ways."



© BCI/Florian Lang BCI Farmer Vinodbhai Patel making a natural pesticide from ingredients found in nature.. Gujarat, India, 2018.

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

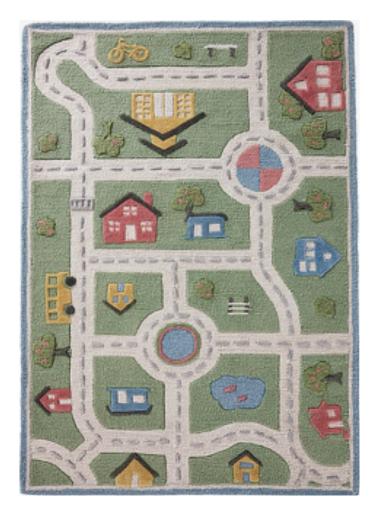
#### **RECYCLED & REUSED MATERIALS**

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

In 2018, we continued to expand our assortment of products made of recycled materials. New products are found in a wide variety of product categories, ranging from swimwear to underwear, jackets, carpets and bed covers.

We use polyester from recycled 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 materials certified by 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.





#### **VINTAGE**

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. The Ellos Group recognize that reuse is the most effective way to reduce the environmental impact of the apparel industry. This is one of the reasons why quality is so important to us, since it's facilitating reuse. However, in 2018 we did however go a step further, beginning to integrate reused products in our offer. We launched several collections of vintage products with focus on reuse.

- A vintage collection with interior decoration products
- A collection of vintage carpets
- A collaboration with Emmaus Björkå on Vintage Denim

The response from our costumers has been overwhelmingly positive. All the vintage collections have been successful. Going forward, we will continue to expand our vintage range to other product categories.

#### VINTAGE DENIM

In the fall denim collection, Ellos added different models of vintage jeans from the second-hand chain Emmaus Björkå to its assortment.

that is also climate-smart. The aim of the collaboration was to raise awareness among our costumers on how to consume more sustainably. We believe recycled garments leads to a more sustainable world, especially in terms of carbon emissions, but also in terms of water use and waste. In addition, the revenues from the project were given to the second-hand chain's various projects around the world.













#### **BUKOWSKIS**

In autumn 2018 Ellos made an exciting project together with Bukowskis Fashion. We are aware of that fashion can be both old and new. Fashionable styles enhanced by timeless classics form an unbeatable combination - the new style becomes unique while the old one gets new life. Together with Bukowskis Fashion, we selected garments and accessories from some of fashion history's most famous designers. Through the collaboration we cherish sustainability while protecting our customer's unique style.

#### **ARTKLART**

In autumn 2018 Ellos Home launched a collection of unique products together with the interior design company Artklart, with sustainability at its core.

Artklart is a whole philosophy, created by designer Eric Hanson who designs from natural materials mixed with reuse and craftsmanship with an artistic expression. Always with sustainability as a beacon. "I always see something useful in what others consider to be exhausted. Everything can be reused as material for eg. a candlestick or a door in a cabinet. With the material in the hand comes the inspiration" Eric Hanson

#### **RECYCLING CREATES NEW LIFE**

Used materials, such as a rusty piece of pipe or an old board, is utilized, combined and finds new forms - simple, clean and aesthetic. At the same time, the recycled materials carry some of its story along.











#### 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 in our products and materials 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. All our wood and paper products comply with the EU Timber Regulation no 995/2010, securing legal harvesting. We strive for more sustainable sourcing to prevent illegal logging and irresponsible forest practices. Our ambition is that all wood in our products should be sustainably grown and harvested responsibly by 2020.

Our criteria's for sustainably sourced wood are:

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







## INTERVIEW WITH MIKAELA BERNTSON

DESIGN- AND PURCHASING DIRECTOR - STAYHARD

#### What has been Stayhards primary focus areas in 2018?

At Stayhard, we have been working with improving our sustainability performance in several areas during the year. We have created a vintage collection, improved our performance on sustainable materials and found new, innovative, ways of consolidating production.

We are proud to have presented our first vintage collection in collaboration with Broadway & Sons. To us, it was about making a stand for more reuse, but it was also about planting a seed of change in

our customers the minds of our customers. We really wanted to do something concrete and easy to understand.

We are proud to have presented our first vintage collection in collaboration with Broadway & Sons. To us, it was about making a stand for more reuse. but it was also about planting a seed of change in the minds of

And, we think we have succeeded, much thanks

to our knowledgeable staff. We aim to develop and extend these efforts during 2019. Another initiative we are proud of is a local printing collaboration. Together with the sourcing department at the Ellos Group, we identified suppliers in Bangladesh & Pakistan from which we en-

> sured high quality jersey products. Then, in order to be able to fast catch up on trends and optimize stock turn over, we found a local printing company to finish the product, thereby cutting lead times. First of all, it made it possible to print up small unique collections fast. Secondly, doing the printing locally, made it possible to create and sell fast fashion without

having to rely on environmentally damaging air freight from Asia. Thirdly, it had the benefit of reducing style quantities. It's encouraging to

see the advantages of combining both local and global production. But even though we are proud to have tried some new things, we do also realize that we must address the impact created by the production of materials. That's why we are dedicated to find better and more sustainably produced materials.

#### Can you tell us more about sustainable materials?

Sure, we know our customers expect and demand us to work continuously in making sure that not only labor conditions are fair at production sites, but also that we adopt best practices when it comes to choosing the most sustainable materials. We have decided to focus on cotton, since it's the material primarily used in our products. Reducing the environmental footprint of cotton production is very important and that's why we've chosen to work with the Better Cotton Initiative. We are moving towards more sustainable cotton and we are on track of achieving our goal of 100% sustainable cotton before 2020.

#### How do you benefit from being part of the Ellos Group?

To us at Stayhard, we would not be able to be as progressive without the support of the group. Sourcing for example, which is a function on group level, makes us able to focus more on what we are good at. For example, consolidating purchases on a group level makes it possible for us at Stayhard to purchase smaller amounts without getting price increases since our order might be part of a bigger group order. But also, the size of the group makes it possible to have dedicated experts on subjects such as chemical use, and product safety, which then all companies in the group can benefit from. Achieving sustainability is about collaboration, and we benefit enormously from collaboration within the group.







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.

#### 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 to our customers. We constantly follow updates and news to make sure our products meet the legal requirements and our own high-quality requirements that, in some areas, are stricter than the legislation.

To ensure that our products meet the legal-, as well as our, requirements we have a Suppliers Manual with requirements 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 suppliers and our purchasing teams. This work continued in 2018.

Children's wear is an area where requirements are extra high due to how children wear and use products. All our children's wear follows the requirements of European Standard, EN 14682. In 2017, we improved our established routines to minimize the risks.

When a product does not meet our requirements, we act immediately and either improve the product to make it compliant, or stop the production process. This depends on what kind of issue the product has or what requirement the product does not meet. The goal is always to stop the product before it is sold to the customer.







#### **ANIMAL WELFARE**

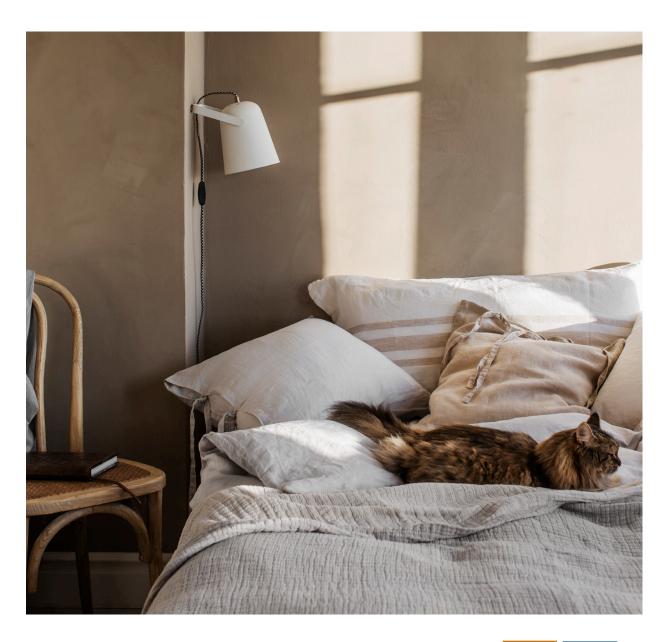
Animal welfare is important to us. In our view, animals are, as sentient beings, entitled to be treated with respect. When our products are made of materials with animal origins, we require that the animals are treated well.

#### 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 ratt

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 RoHS-directive and the REACH regulation. Is restrictive in using:

- PVC, antibacterial additives, biocides, flame retardants and phthalates in textile products, leather and 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

It's a top priority for The Ellos Group to be complaint with current national legislation and EU legislation on the usage of chemicals. In many instances, we do however take a step further, and adhere to stricter voluntary schemes. Our requirements reflects how chemicals affect human health, and the environment, and they are constantly being revised due to the increasing quality demands from our customers. The Ellos Group works continuously to improve the routines, to ensure product quality and security, thereby reducing the environmental impact of the products.

It is important for our suppliers to avoid using restricted and harmful chemicals in products provided for the Ellos Group. The chemical requirements to follow are according to the Chemical Group – 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.



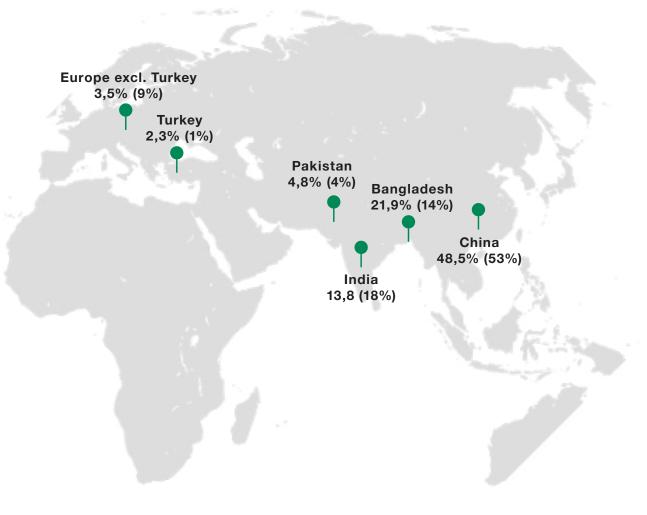


## SUPPLIER RELATIONS

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, in 2018, this number had increased to 385. Of those, 71 were new suppliers.

Our main sourcing markets in 2018 were China, Bangladesh and India. In 2018 Bangladesh surpassed India and became the Ellos Groups' second largest sourcing market. 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 2018, 2,8% of purchases came from Turkey, and 3,5% from EU countries. The increase in the number of suppliers for 2018 is due to the widening of our customer offer, in particular in the home segment, and also to the fact that we are adding sourcing from Europe.



## 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.

Our 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.



Read our full Code of Conduct at www.ellosgroup.com

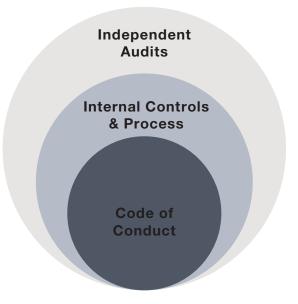
#### SUPPLIER FOLLOW-UP PROCESS

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 2018, 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 2018, the Ellos Group reached 98% coverage of all suppliers, the figure for 2017 was 84% and for 2016 77%. 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 2018 was as for 2017, 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 2018, 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.

#### ACCORD ON FIRE AND BUILDING SAFETY IN BANGLADESH

In 2018, 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 has throughout 2018 been following the legal case against the Accord in Bangladesh closely and has maintained its support for the Accord. The deplorable court action devised to ban the Bangladesh Accord is not supported by The Ellos Group.

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 drive remediation of Corrective Action Plans at the factories where the Ellos Group is Lead Brand.

Ellos Group	2015	2016	2017	2018
Suppliers with external audit or internal assessment	103 27	218 77	295 84	377 98
Total number of suppliers	380	283	350	385
Number of new suppliers	N/A	N/A	N/A	71 18



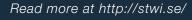
## More Sustainable Production

## COLLABORATION WITH THE SWEDISH WATER TEXTILE INITIATIVE, STWI

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

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.

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#### 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 IN PRODUCTION**

Ellos Group has been running a pilot project together with 4 suppliers in China, India, Bangladesh and Pakistan regarding environment in production. The focus areas have been Energy Management systems (EMS), energy use and GHG emissions, water use and chemical management. The result shows that all of the suppliers in the pilot project work with EMS and have yearly trainings; they measure the energy consumption and know what processes that have the highest energy consumption. All suppliers measure incoming water, know what processes that have the highest water consumption and have an implementation plan to improve and reduce water. The employees at our suppliers are trained in proper chemical handling and have protective equipment. The outcome is successful and will therefore be increased for 2019.









## MARIA SVANEHED

SOURCING MANAGER ELLOS GROUP

We strongly believe that

the best way to achieve a

high degree of compliance

is by establishing long-term

business relationships with our

suppliers.

### What do you think has been the most significant achievements when it comes to sustainability at Global Sourcing during 2018?

It's been a busy year with many developments. We have made progress in several areas, such as supply chain auditing, industry collaboration and many more. Most of all, I'm proud to report that

98% of the group's suppliers have been audited on a factory level in the last two years. To us, it's extremely important to make sure that our suppliers adhere to our Code of Conduct. That's why we have increased our efforts to make sure all our suppliers are audited biennially. But it's just not

about auditing. We strongly believe that the best way to achieve a high degree of compliance is by establishing long-term business relationships with our suppliers.

### Can you tell us more about the benefits of a long-term business perspective?

There are many advantages with actively working for long term business relationships. A long-term, sustainable, business model is also core in achieving the groups vision, it creates stability and increases the confidence between us and our suppliers. The

confidence and trust, which is built through long-term business relationships, does not only help us guarantee that our suppliers adhere to our Code of Conduct, it also helps us to improve lead times. For example, when there have been talk about trade restrictions between the USA and

China, American businesses have been turning purchases towards Bangladesh and our suppliers there might be flooded with requests, sometimes much larger than our orders. But because of the lengths and depth of our relationship with these

suppliers, they make sure our purchase orders are shipped on time and we still remain their priority.

### Speaking of Bangladesh, can you give a short update on the Bangladesh Accord?

Absolutely, I'm glad and proud we renewed our commitment to the Accord in 2018. However, it's not without challenges. It's sometimes difficult to find solutions which is both making a good business case to potential suppliers and which at the same time adhering to the terms of the Accord. But we are fully committed to this challenge, we would never compromise on working conditions or safety since they're key in our business model. We want to be a stable long-term partner to our suppliers, that's why we renewed our commitment and will continue to work for improved safety at factories in Bangladesh.

### Do you collaborate with others in the industry?

Yes, we have been working more closely with Gina Tricot. Working more collaboratively with others in the industry who are facing similar challenges has proven to be very beneficial. The ability to share risk assessments, audit routines and best practices is really helping both companies to improve and especially, making a difference for both the environment and workers engaged in our supply chains.



# **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 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. With transportation, we seek to minimize air freight and work more proactively with our transporters to reduce emissions. Another important cause of emissions has historically been the sources of electricity used at our operations in Borås. However, since 2016, the Ellos Group only purchase electricity from renewable sources. In addition, we

are aiming at reducing our energy consumption by 2020. This is done through the use of energy-efficient solutions for lighting and heating.

We are proud to report a 95% reduction in tonnes of paper used for customer mailings since 2015. This reduction in paper consumption 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	2018	Goal 2020	Current
Energy Use	Electricity	7 048	7 065	6 614	6 815	12% decrease from	-3,5%
(MWh)	Heating	3 967	4 422	3 483	3 760	2016 levels.	-15%
	Total	11 015	11 487	10 097	10 575	100% Renewable electricity (achieved 2016)	-7,8%
Energy Use per delivered package (kWh)		2,71	2,88	2,80	2,80	TBD	N/A
Greenhouse Gas emissions*	Scope 2**	1 069	283	228	245	20% decrease from	-77%
(Tonnes CO <sub>2</sub> )	Scope 3***	7 167	5 906	6 766	5 918	2015 levels.	-17%
	Total	8 236	6 189	7 004	6 163		-25%
Greenhouse Gas emissions intensity (Tonnes CO2/mSEK)		4,02	3,00	3,43	2,93		-27%
Waste recycled in HQ & warehouse (% of total waste)	•	90,4%	88,6%	87,9%	88,8%	95%	88,8%
Customer mailing (Tonnes)****		7 352	3 764	1 439	340	50% decrease from 2015 levels	-95%

<sup>\*</sup>Greenhouse Gas emission scopes as defined by GHG protocol, ghgprotocol. org







<sup>\*\*</sup>Scope 2: Indirect GHG emissions from consumption of purchased electricity, heat or steam.

<sup>\*\*\*</sup>Scope 3: Other indirect emissions, such as transport-related activities in vehicles not owned or controlled by the Ellos Group. The figures do not include inbound, or outbound, freight were delivery is paid for by the supplier.

<sup>\*\*\*\*</sup>Customer mailings will not be reported on from 2019 and onwards.

### **UNDERSTANDING AND ADDRESSING EMISSIONS**

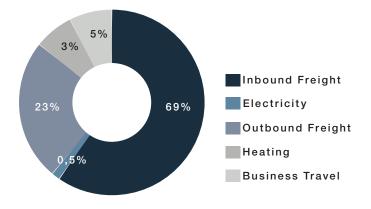
Inbound freight, the transport of products from our suppliers to our warehouse in Borås, is our largest source of greenhouse gas emissions, accounting for 61% of total CO2 emissions for the Ellos Group in 2018. Outbound freight, to our customers, accounts for 30% of emissions. In total, the transport of our products to reach our customers, accounts for 91% of our CO2 emissions.

CO2 emissions from Inbound freight, meaning freight from our suppliers to our warehouse in Borås, fell by 23% compared to 2017. This reduction is largely an effect of the reduced use of air freight as well as an effect of the decreasing amount of road haulage as part of operations. CO2 emissions from outbound freight to our customers, rose by 16% compared to 2017. This is mainly due to two factors. Firstly increased sales, which is increasing the total number of shipments. Secondly, an increase in the average weight per shipment. The weight increase is due to the expanding home segment with heavier products such as furniture. Emissions from inbound and outbound transportations fell by 13% in 2018 compared to 2017 and has fallen by 18% since 2015.

CO2 emissions from heating has increased with 8% in 2018 due to the hiring of additional warehouse space. The CO2 emissions arising from electricity usage have been somewhat constant ranging between 33-35 tonnes since the switch to 100% renewable in 2016.

CO2 emissions from our business travel remained constant in 2018 compared to 2017. There has been a steady increase in the amount of business travel since 2015, this is mainly an effect of new activities within sourcing, purchasing and general business planning.

Total CO2 emissions for the Ellos Group in 2018 fell by 12% compared with 2017 and has fallen with 25% since 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 transportrelated activities in vehicles not owned or controlled by the Ellos Group.

CO <sub>2</sub> , Tonnes	2018	2017	2016	2015
Heating Electricity	211 34	195 33	248 35	222 846
Subtotal Scope 2	245	228	283	1068
Inbound Outbound	3 729 1 860	4 823 1 607	3 906 1 708	5 143 1 711
Business Travel	330	336	292	312
Subtotal Scope 3	5 918	6 766	5 906	7 166

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

Inbound freight: Transport suppliers

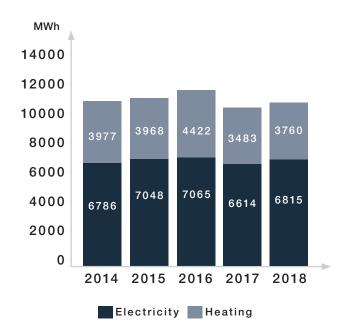
Outbound freight: Postnord, DHL and the Ellos Group's estimates for returns.

Travel: AKI travel, Resia

### **ENERGY FOR ELECTRICITY AND HEATING**

In recent years, 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 2018, the energy use was 10.6 GWh, translating into an increase of 5% compared to 2017 and an 8% fall compared to 2016.

Energy use in relation to net sales was 5.05 MWh/mSEK, which is higher than for 2017 which was 4.97 MWh/mSEK and lower than for 2016 5.58 MWh/mSEK. The energy savings in 2017 were mainly a result from adjusted heating, ventilation, cooling and operating hours. In 2018, an additional warehouse floorspace of 9850 m2 was rented, leading to higher energy consumption. 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 based on an energy audit (Energikartläggning) conducted in accordance with the EU Energy Efficiency Directive.



Source: Borås Energi och Miljö

### **BUSINESS TRAVEL**

Business travel by the Ellos Group rose slightly in 2018, from 2,465 one-way trips in 2017 to 2,512 one-way trips in 2018, which is an increase of 2% in the number of trips and a decrease of 2% CO2 emissions. Total CO2 emissions from business travel by the Ellos Group amounted in 2018 to 330 tonnes CO2, whereof the majority relates to air travel. The decrease in emissions, in relation to 2017, is due to a decrease in the average distance of travel. However, shorter flights, such as Göteborg – Stockholm, have increased because of commuting employees. The Ellos Group has identified this as a potential area of improvement and the travel policy encourages employees to travel shorter distances by train.

	2015	2016	2017	2018	Change 18 vs 15
Number of Trips	2 101	2 112	2 465	2 512	20%
- of which air	1 857	1 842	2 243	2 339	26%
- of which train	244	270	222	173	-29%
-CO, tonnes	312	292	336	329,7	6%

### **EMISSIONS FROM TRANSPORT**

### **Inbound Freight**

Total CO2 emissions from inbound freight decreased by 23% in 2018 in relation to 2017, and we are now better than our 2020 target of a 20% reduction compared to 2015 with currently a 27% reduction. The Ellos Group has actively worked towards reducing the amount of airfreight, which has resulted in a 26% emission decrease from airfreight since 2017 and a 31% emission decrease since 2015. Other contributing factors explaining the reduced emissions from inbound freight are the decrease in catalogue transports as well as reduced transports of goods from Europe by road.

Freight volumes, here measured in tonkm, have remained fairly stable over the years. With some drops and increases explained by stock changes in the warehouse. In 2018, the Ellos Group's total inbound tonkm rose by 4% to 125 million tonkm. What has changed however, is the distribution of haulage methods with sea freight becoming more and more important over others less energy efficient modes of transport.

We seek to maximise the use of sea freight, which for the Ellos Group had significantly lower emission levels than air. Sea freight had 15 g/ton/km versus 639 g/ton/km for air freight in 2018. Emissions for sea freight in terms of g/tonkm decreased by 2 gram/tonkm, whilst emissions for air freight increased by 13 g/tonkm

Total emissions from sea freight decreased by 6% compared to 2017 and is now at 1786 tonnes. Emissions from airfreight decreased by 31% during the same period and is at 1427 tonnes. In terms of g/tonkm emissions from sea freight decreased by 12% compared to 2017 to 15g/tonkm. The value has however fluctuated between 20 g/tonkm and 12 g/tonkm since 2014.

In 2018 sea freight accounted for 95% of tonkm shipments and generated 48% of the Ellos Group's inbound freight CO2 emissions. Air freight accounted for 2% of ton/km shipments and generated another 38% of the emissions, and freight by road accounted for 3% of ton/km shipments and generated the remaining 14% 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.

### EMISSIONS FROM INBOUND FREIGHT (TONNES CO<sub>2</sub>)



### **Outbound Freight**

In 2018, we had in total 4.8 million shipments; 3,85 million to our customers and 0,95 million returns. In 2018, the number of shipments increased by 4% due to increased sales. The average weight has steadily increased since 2015, from 2kg for the average shipment to 2,6 in 2018. This is due to changes in our product mix, for example through more furniture sales.

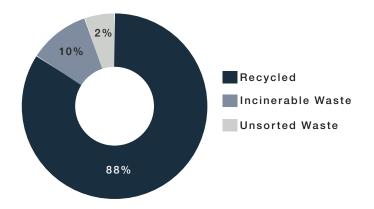
CO2 emissions from Outbound freight has increased with 16% during 2018. This is mainly due to the increased number of shipments and the increased average weight of shipments. The average CO2 emission per shipment was 0.39 in 2018 and in 2017 0.35. Total outbound CO2 emissions rose by 16% in 2018 compared to 2017. We continually seek to optimize freight planning and filling rates in transport vehicles.

Outbound freight	2015	2016	2017	2017
Total number of Shipments	5,061,508	4,991,751	4,567,000	4,796,000
Total Shipped Weight, kg	10,173,631	10,432,760	10,275,750	12,332,000
Total CO <sub>2</sub> from outbound freight, kg	1,711,230	1,707,835	1,607,000	1,860,000

### **WASTE HANDLING**

### Recycling of waste in our operations

Our waste mainly derives from the logistics operations. In 2018 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 820 tonnes in 2018, a decrease of 9% from the previous year. Corrugated board is by far the largest category at 68% of total waste volumes in 2018. 10% of total waste, 81 tons, was sent for incineration at a central heating plant. 18 tons of waste was sorted by the waste removal service provider.



Yearly waste volumes, tonnes	2015	2016	2017	2018
Corrugated paper	628	574	583	558
Office paper	30	15	24	12
Plastic	11	24	20	12
Metal	31	27	64	23
Wood	131	95	102	114
Coloured glass	N/A	N/A	N/A	0,5
Uncoloured glass	N/A	N/A	N/A	0,4
Subtotal recycled	831	735	792	721
Incinerable waste	69	74	91	81
Unsorted waste	15	4	16	19
Landfill	4	4	2	0,16
Subtotal not recycled	88	82	109	98
Total	919	817	902	821
Recycled, % of total waste	90%	90%	88%	88%



#### **ENVIRONMENT INITIATIVES IN OPERATIONS**

### **Customer Malings**

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. A goal was set in 2015 to reduce costumer mailings by 50% in tonnes before 2020. This goal was reached in 2017 but we have gone even further. Currently, paper consumption related to costumer mailings is down with 95%.

99% of our paper mailings are on PEFC or FSC certified paper and 80% 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

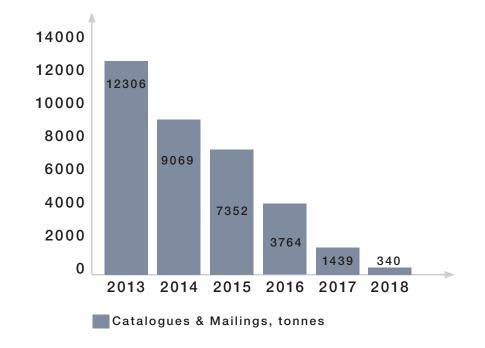
Our shipments to customers are made in packaging made of plastic or paper. Plastic bags are efficient from a transportation space perspective if compared to e.g. paper cartons. On an annual basis, the Ellos Group uses around 3.5 million packaging bags.

The plastic packaging is made of at least 80% PCR (postconsumer recycled) plastic. By using PCR plastic, each bag contributes to a 60% decrease of CO2 emission in relation to the use of 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 2018, 286 charges were made.







### MANAGING TEXTILE WASTE THROUGH COLLABORATION

In 2018 the Ellos Group continued to partner with Emmaus Björkå by donating defective goods or textiles from our inventory that for various reasons are unsaleable. 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







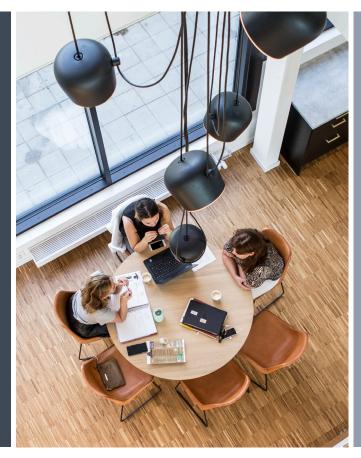


# WORKING AT THE ELLOS GROUP

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.

### 551 permanent employees

In December 2018 we had 536 employees based in Borås, 7 based in Stockholm and 8 based in Gothenburg. The employees working in Stockholm and Gothenburg are employed in the Ellos Home physical stores.



### 53 part time employees

523 (320 women 203 men) of our permanent staff were full-time employees and 53 (48 women and 5 men) were part-time employees. In addition, we also had temporary workers, which bring the total figure to around 600.

In 2018, all of our employees were covered by collective bargaining agreements. All employment data is retrieved from our staff records.

### Gender Equality

### AT ALL LEVELS

At the Ellos Group we strive for even gender representation in the organization. There are several reasons for this, firstly we want to be an attractive employer for all genders, making us able to attract the best talent regardless of gender. Secondly, we believe diverse teams increase creativity and performance. We work continuously in a broad-based working group for equality and diversity to ensure that the recruiting processes support our ambition. We also work actively with identifying and supporting female employees with potential and ambition to be promoted to managers.

Our target has been to have even gender representation in management, across departments, and management levels by 2018. We did not fully reach that target 2018. The relationship between women/men in management across the whole company was 47% women and 53% men in December 2018 compared to 52% women and 48% men in 2017. The increase in men is partly due to an overall increase in men at the company (from 34% to 37%).

	All Employees	Warehouse Employees incl Stores	Office Employees
*	63%	23%	40%
İ	37%	16%	21%
<30 years	8%	2%	6%
30-50 years	53%	16%	37%
>50 years	39%	21%	18%
	Managers, incl. SMT	Senior Management Team	Board of Directors
<b>*</b>	Managers, incl. SMT	Senior Management Team 31%	Board of Directors 33%
<b>†</b>	incl. ŠMT		
**  **  **  **  *30 years	incl. ŠMT 47%	31%	33%
30 years 30-50 years	incl. ŠMT  47%  53%	31% 69%	33% 67%

### 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%. (Borås at 33% in 2017). In 2019 we are planning to do a new analysis of the status of our workforce



#### 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. Another part of the collaboration is workshops. During 2018, two workshops were conducted with Mitt Liv and all managers at Ellos Group on the theme inclusive recruitment.

Ellos Group 2017						
Foreign background	Swedish background					
14%	86%					
Borås	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).



53

### **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. The latest full employee survey was carried out in 2015 with a response rate of 87%. In 2018 the Ellos Group underwent major structural changes. Therefore, only an E-NPS measurement was done, and not a full employee survey.

The E-NPS 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.

The Ellos Group was rated -15 in 2018, compared to -3 in 2016. The explanation for the low rating is the major structural changes that the Group has done over the past years. We now work with setting new roles and processes, and building up a great culture. Our target is to reach +20 in E-NPS over the next two years.



### Proactive health promotion at the Ellos Group

The Ellos Group has a long tradition of working strategically with employee health. Our vision is for all employees to be healthy and feel well. 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 each department. Individuals that would benefit from a healthier lifestyle are offered personal health coaching. We have a Wellness Developer consultant who continually drives the health promotion work forward.

The Ellos Group offers its employees a wide range of activities to encourage a healthy lifestyle. Among other things, we participate in an annual exercise challenge. 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 our gym, which had around 15 visits every day in 2018. Also, the Group offers "friskvårdsbidrag" (a wellness grant) which was requested by 197 employees in 2018.

### The Ellos Group supports its employees in participating in different health promoting activities. A few examples of activities in 2018 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.
- 25 employees participated in "Kretsloppet", a running competition with a strong environmental profile.

### The Ellos Group arranged:

- A lecture in Mindfulness. 40 employees were at the lecture and 25 on the course.
- Yoga classes, with 15 participants weekly
- Massage sessions, used by 80 people

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

### The Ellos Choir

The Ellos Group is proud of its choir. The choir is practicing once a week and performs once or twice a year for the rest of the company.



#### Ellosiaden

For many years the Ellos Group has arranged what is known as the "Ellosiaden". For more than 10 years this particular event has been used to create a feeling of togetherness. In 2018 there were two events. A ski-trip to Sälen in January, with 48 participants, and an event in September at Quality Spa & Resort in Strömstad, where 84 employees took part.



### 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 identifying and addressing risks.

The table below quantifies the number of work-related injuries and reported incidents at the workplace. Incidents are events that potentially could have led to personal injuries. We report and follow up incidents 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						
201	5 2016	2	017	2018		
5,389	% 5,41%	5	5.09%	4.41%		
	Work related inju	ries	Repor	ted incidents		
2015	22			34		
2016	32			32		
2017	28			20		
2018	31			26		

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 with 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 56**, from last year's spot 62 in the student ranking carried out by Universum of the most popular employers.



47% female managers.







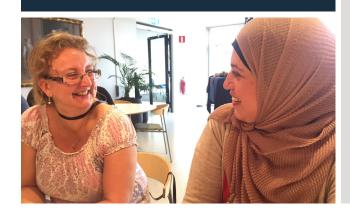
# COMMUNITY ENGAGEMENT

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.

### SWEDISH SPEAKING TRAINING EOR IMMIGRANTS

### Språkvänner

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 2018, 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)



### 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.

### DRIVING COMPETENCE DEVELOPMENT IN BORAS

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" with 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 graduated in May 2018.

Read more at http://ehandelsstaden.se/

### HAND IN HAND

The Ellos Groups production is mainly in India, China 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 is cooperating 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 Conten	t Index	
GRI Standards	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/	
	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 77	
	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 2018.
	102-11 Precautionary Principle or approach	Sustainability at the Ellos Group, page 11	
	102-12 External initiatives	List of external initiatives, page 76	
	102-13 Membership of associations	List of membership of associations, page 76	

	GRI Conte	ent 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	Statements of the CEO, page 3	
	102-15 Key impacts, risks, and opportunities	Statements of the CEO, page 3 Sustainability in our value chain, page 12-13 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 69-71	
	102-41 Collective bargaining agreements	Employees – working at the Ellos Group, page 50	
	102-42 Identifying and selecting stakeholders	Stakeholder dialogue, page 69-71	
	102-43 Approach to stakeholder engagement	Stakeholder dialogue, page 69-71	
	102-44 Key topics and concerns raised	Stakeholder dialogue, page 69-71	
	102-45 Entities included in the consolidated financial statements	List of financial entities, page 76	
	102-46 Defining report content and topic Boundaries	Materiality process, page 72-75	
	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 77	
	102-51 Date of most recent report	About this report, page 77	
	102-52 Reporting cycle	About this report, page 77	
	102-53 Contact point for questions regarding the report	About this report, page 77	
	102-54 Claims of reporting in accordance with the GRI Standards	About this report, page 77	
	102-55 GRI content index	GRI content index, page 60-68	
	102-56 External assurance	About this report, page 77	
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Anti-Corruption			
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	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-Corrup- tion, page 11	
	205-3 Confirmed incidents of corruption and actions taken	Group, Code of Ethics and Anti-Corruption, page 11	

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	103-2 The management approach and its components	Sustainable Materials and Products, page 16-30	
	103-3 Evaluation of the management approach	Sustainable Materials and Products, page 16-30	
Additional Disclosure (not in GRI)	Sustainable cotton, % of purchased cotton products	Sustainable Materials, page 19	
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	103-2 The management approach and its components	Environment, page 40-43	
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	Energy for electricity and heating, page 44	Environment, page 41-44 Energy for electricity and heating, page 44	

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	305-2 Energy indirect (Scope 2) GHG emissions	Environment, page 43			
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	103-2 The management approach and its components	Waste Handling, page 46			
	103-3 Evaluation of the management approach	Waste Handling, page 46			
GRI 306: Effluents and Waste 2016	306-2 Waste by type and disposal method	Waste Handling, page 46			

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GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	Material issues and boundaries, page 74-75 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
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GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Employees – working at the Ellos Group, page 51-52	
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GRI 205: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	Supplier relations, page 35	
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GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	Material issues and boundaries, page 74-75 Sustainability issues in our value chain, page 12-13 Focus on material issues, page 14 Environment, page 46, 48	
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	103-3 Evaluation of the management approach	Community engagement, page 57-59			
Additional Disclosure (not in GRI)	Number of employees engaged in community engagement projects	Community engagement, Språkvänner page 58			

# STAKEHOLDER

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 September/October 2017, sent to 6,000 Ellos, Jotex and Stayhard customers in Sweden, Finland, Denmark and Norway, from which we received 415 responses. 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, reducing the use of chemicals, and working with recycling & reuse.

### **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 September and October 2017, we carried out an employee survey, to which we received 172 responses. In addition, personal interviews were held with 14 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, reducing the use of chemicals, and working with recycling & reuse.

### **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 some of our own brand suppliers, in November 2017. 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 November 2017. 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 2017.

### Highlighted sustainability topics

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

Interviews: Mary Chang, KGS, Robert Magni, C Jahn AB and Christina Chou, Jaderly, Oct 2017.

# 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). In 2017 we did an updated analysis, identifying some new sustainability topics.

### 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). An updated sustainability plan, outlining prioritized topics and short and long-term goals and strategies, was finally presented to and approved by the Management Team in September 2018.

### 4. Review

The sustainability plan is regularly reviewed by the management team and at least annually by the Board of Directors.

### **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 adheren- ce to human rights in our supply chain.	At our suppliers and sub-suppliers, mainly in the Far East (China, India and Bangladesh).	Supplier relations
	Chemicals	We want to ensure that our products do not include any harmful, restricted or unnecessary chemicals	At our suppliers and sub-suppliers, mainly in the Far East (China, India and Bangladesh).	Sustainable materials
	Last mile transport and returns	We want to meet rising expectations on service from customers while reducing our environmental impact	During transport, managed by external transport companies	Environment
	Packaging	Reduce the amount of packaging materials, and increase the share of sustainable packaging	In our organization	Environment
	Reuse and recycle	Increase proportion of recycled materials in own products, encourage customers to recycle used clothes and textiles, and develop new circular business models	In our organization and among our customers	Sustainable materials and Environment
Meet expectations	Sustainable materials and Environment	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
	Energy, emissions and waste	We seek to minimize the energy usage in our operations, our waste and our greenhouse gas emissions in our value chain, mainly by focusing on inbound and outbound transports.	In our organization and during transport, managed by external transport companies.	Environment

Priority	Topic	Intent	Boundaries – where the impact occurs	Report section
Develop	Diversity and equality	Diversity and inclusion makes our organization stronger.	In our organization	Employees
Maintain	Occupational Health and Safety	We have a strong commitment to employee health and safety.	In our organization	Employees
	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
	Community engagement	We support chosen causes and initiatives that create a lasting difference.	In the communities where we, or our suppliers, operate.	Community Engagement

### LIST OF EXTERNAL INITIATIVES

The Ellos Group is involved in or endorses the following externallydeveloped 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, and Accord 2.0 in May 2018.

### 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.
Kemikaliegruppen	Active member
Fur free alliance	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

# 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 2018. The most recent previous report, covering 2017, was published in May 2018. 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 annika.martensson@ellos.se

In addition to this sustainability report, the company publishes a sustainability report which forms part of Ellos Groups annual report.