EXTENDED

SUSTAINABILITY REPORT

ELLOS GROUP

ellos Jotex STAYHARD

Content

STATEMENT OF THE CEO	3
ELLOS GROUP IN BRIEF	5
WORDS FROM THE SUSTAINABILITY DIRECTOR	7
SUSTAINABILITY HIGHLIGHTS 2019	8
SUSTAINABILITY AT ELLOS GROUP	9
SUSTAINABLE MATERIALS AND PRODUCTS	16
SUPPLIER RELATIONS	24
ENVIRONMENT	29
WORKING AT THE ELLOS GROUP	40
COMMUNITY ENGAGEMENT	48
GRI INDEX	51
STAKEHOLDER DIALOGUE	58
MATERIAL TOPICS AND BOUNDARIES	61
ABOUT THIS REPORT	67

STATEMENT OF

Hans Ohlsson

CEO OF THE ELLOS GROUP

It is both a challenge and an opportunity to be in a business sector with such major impact on the planet and on people's lives as the fashion and home interior business. Products from Ellos Group can be found in homes all over the Nordic countries. Our 70-year history of providing affordable fashion and home interior to everyone, regardless if you live in the city or the countryside, is something I am proud of. At the same time, the textiles and apparel sectors are major users of natural resources and a significant user of chemicals. In addition, it affects the lives of all people working in the production. The industry is also directly connected to society's prevailing trends such as: digitalization and connectivity, climate change and scarce resources, and globalization. We are in a position where our activities contribute directly to the impact on global sustainability.

At Ellos Group, we are working in many ways to reduce the adverse impacts of our operations, and I would like to take this opportunity to bring up a few highlights from 2019, starting with sustainable materials and production. During 2019 we have worked hard to develop better system support to work in a structured way on following up the progress of sustainable products in a timely manner. With the business intelligence in place we can follow the sales of sustainable products every week.

Over the year we have also continued to increase the share of sustainable materials. Cotton is the most commonly used fiber in our product range and about 48% of all products are mainly made from cotton. Cotton is also a very resource intensive fiber 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 87% of our cotton range and our target is to reach 100% by 2020.

We continue to be an active participant with BCI in supporting the development of sustainable cotton production, and in parallel we increase the share of GOTS-certified cotton. Other sustainable materials we are focusing on and increasingly use are recycled polyester and polyamide as well as 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 2019 we had a coverage of 98% of our suppliers having been audited in the last two years. At the same time, we continued our long-term strategy of consolidating volumes at fewer suppliers.

Throughout 2019, we continued within the framework of Accord Bangladesh to improve the Bangladesh Ready-Made Garment Industry as a safe and healthy working environment.

> Sustainability is not just about the products themselves, but for us, it's an integral part in everything 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. In the beginning of 2019, we joined forces with more than 100 other brands in fashion and home textiles in Swedish Textile Initiative on Climate Action (STICA). By participating in STICA's action learning network we commit ourselves to reduce our greenhouse gas (GHG) emissions in line with the 1.5 C warming pathway, as outlined by the United Nations Framework on Climate Change and the Paris Agreement. This is a true challenge, but a necessary one, which I am looking forward to.

In parallel with our work in reducing the actual emissions we took a decision during 2019 to do climate offsetting for all our emissions from transports and our own operations in Borås. The target is to offset less every year when the actual emissions become lower. One step towards having fossil free last mile transports was to change transportation partner to Bring. Bring is driving a fast transition into a fossil free vehicle fleet before 2025. During 2019, customers in Malmö got fossil-free transports, the first city to be rolled out.

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 in many ways, aiming to be the employer of choice and through supporting local youth and sports teams. But I would especially like to mention our language lunches, were we invite immigrants studying Swedish to have lunch with us. 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 have 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. The project has had fantastic results. 295 women attended Self Help Groups (SHGs) and in total 239 enterprises were started and developed.

Finally, I would like to say we are proud of what we have achieved, but also respectful of the amount of work that lies ahead of us and our industry regarding sustainability. A lot of hard work remains for us and the industry but given the spirit of entrepreneurship which has made this company successful for 70 years I am looking forward to the challenge.

Hans Ohlsson
CEO, Ellos Group

ELLOS GROUP IN BRIEF

Ellos Group (FNG Nordic AB), which includes Ellos, Jotex, Stayhard, and Homeroom, is the Nordic region's leading ecommerce group. Ellos primarily offers fashion and home interiors through its own brands but also via a number of external brands. Jotex's activities focus on modern home interiors. Stayhard sells men's fashion aimed at a younger audience, while Homeroom is a dropship-based platform selling home interiors through the Group's own brands and a large range of external brands. The Group's activities rest on a common e-commerce platform on which the four e-commerce sites are commercially independent while simultaneously allowing the Group to benefit from economies of scale, for instance through coordinated procurement, logistics, payment solutions and customer service.

Working closely with our millions of customers, we are constantly striving to develop and offer attractive and sustainable fashion and household items for the entire family. Our focus is always on the customer. We continuously work to develop our business through innovation, creativity, and sustainability. Ellos Group, headquartered in Borås, Sweden, and with operations in all Nordic countries, has around 550 employees. Since 2019 Ellos Group has been part of listed fashion group FNG NV, with operations throughout Europe.

We are proud of the heritage of 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, 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 FNG Nordic AB. FNG Nordic's board of directors consists of three (3) members elected by the general meeting of shareholders. The Board of Directors as a whole has the overall responsibility for internal control and risk management. FNG Nordic AB applies COSO's framework for internal management and control, which is the most internationally recognized framework for describing and evaluating a group's internal control structure. The COSO framework consists of five components: control environment, risk assessment, control activities, information and communication and follow-up. 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 regularly by the Board and quarterly 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 STAYHARD

home room Jotex

SALES & OPERATIONS IN
SWEDEN, NORWAY,
FINLAND & DENMARK

AROUND
550
EMPLOYEES

LOCATED IN
BORÅS
SWEDEN *since* 1947

TURNOVER IN SEK:
2.7 BILLION
IN 2019

DESIGN AND PRODUCTION
OF OWN BRANDS AND OVER
700 EXTERNAL BRANDS
in the portfolio

AROUND
1.7 MILLION
CUSTOMERS
** Customers placing an order within the last 12 month.*

OWNERSHIP SINCE 2019
FNG GROUP
**Since 2019 Ellos Group has been part of listed fashion group FNG NV, with operations throughout Europe.*

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

Humble winners
Entrepreneurs since 1947
Joy in creating happiness

WORDS FROM

Annika Mårtensson

SUSTAINABILITY DIRECTOR AT ELLOS GROUP

Throughout 2019 there have been a few very clear topics on the sustainability agenda for retail companies in the Nordics. First, it's climate change. Climate change is now on most people's mind, and on our mind as a company. During the year we joined STICA – Swedish Textile Initiative for Climate Action. Together with more than 100 other brands we are joining forces to start measuring our climate impact, and most importantly – to lower the emissions by around 50% until 2030. We have also done climate offsetting of our transport emissions, in parallel with the work to lower the actual emissions.

Another theme for 2019 is transparency. Customers want to know where their products come from and are expecting more and more information from the brands. We have started our journey towards becoming more transparent, and our customers will see the first results during 2020.

In 2019 we have again taken large steps in several of our most important areas from a materiality perspective. The share of more sustainable cotton has increased to 87%, up from 81% in 2018. We have also increased the share of recycled materials.

> For packaging we were one of the first brands to try paper e-commerce bags.

The test was very successful, and the paper bags will continue to be part of our new packaging standards.

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

87%

sustainable cotton,
see page 18.

43%

female managers,
see page 42.

98%

suppliers with inspection
protocols, see page 27.

SUSTAINABILITY AT THE ELLOS GROUP

Sustainability is a natural and value-creating part of the daily business at 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.

OUR STAKEHOLDERS

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 aboutbusiness 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 VISION

- Responsible use of plastics – removing single use plastic
- CO2-neutral transports
- Sustainable products > 50% of textile sales
- Enable reuse or recycling for all products and packaging
- 100% sustainable packaging
- Emplyer of choice

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, 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. The Code of Conduct is included in our Suppliers' Manual, that 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.

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 Ellos Group in 2019.

EXTERNAL WHISTLEBLOWING SYSTEM

Our whistleblowing policy prescribes how to report concerns, and how reported concerns are dealt with. It is a tool for the employees to report suspected or detected violations of the Code of Conduct or other corporate policies. The whistleblowing channel is provided by an external partner. No incident was reported through the whistleblowing channel in 2019.

SUSTAINABILITY ISSUES IN OUR VALUE CHAIN

The industries of apparel and home textiles and furnishings face significant sustainability challenges. These sectors are major users of natural resources, including water and petroleum. Other environmental topics in our industries include heavy use of chemicals in the supply chain, and the contribution to a "wear and tear" consumption pattern. Social issues are significant, with complex supply chains and production in countries where there is a risk of poor working conditions and human rights adherence. As a responsible company, we seek to address these challenges by making better choices for the material and production processes we use and by working closely with our suppliers to ensure fair working conditions and environmental management in our supply chain. We 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, and in the design and purchasing processes we make several important decisions that affect the impact that our business has on the economy, environment and social issues.

- A key topic in this stage is materials. Our choice of using BCI cotton or organic cotton instead of conventionally grown cotton, for example, has an impact on both environmental and social conditions in our supply chain.
- Another key topic is the production method choices. E.g. Dope dye of synthetic fibres is substantially better for the environment than traditional fibre dyeing. It is in the design and purchasing stage this is set by choosing the right suppliers.
- 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 external 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

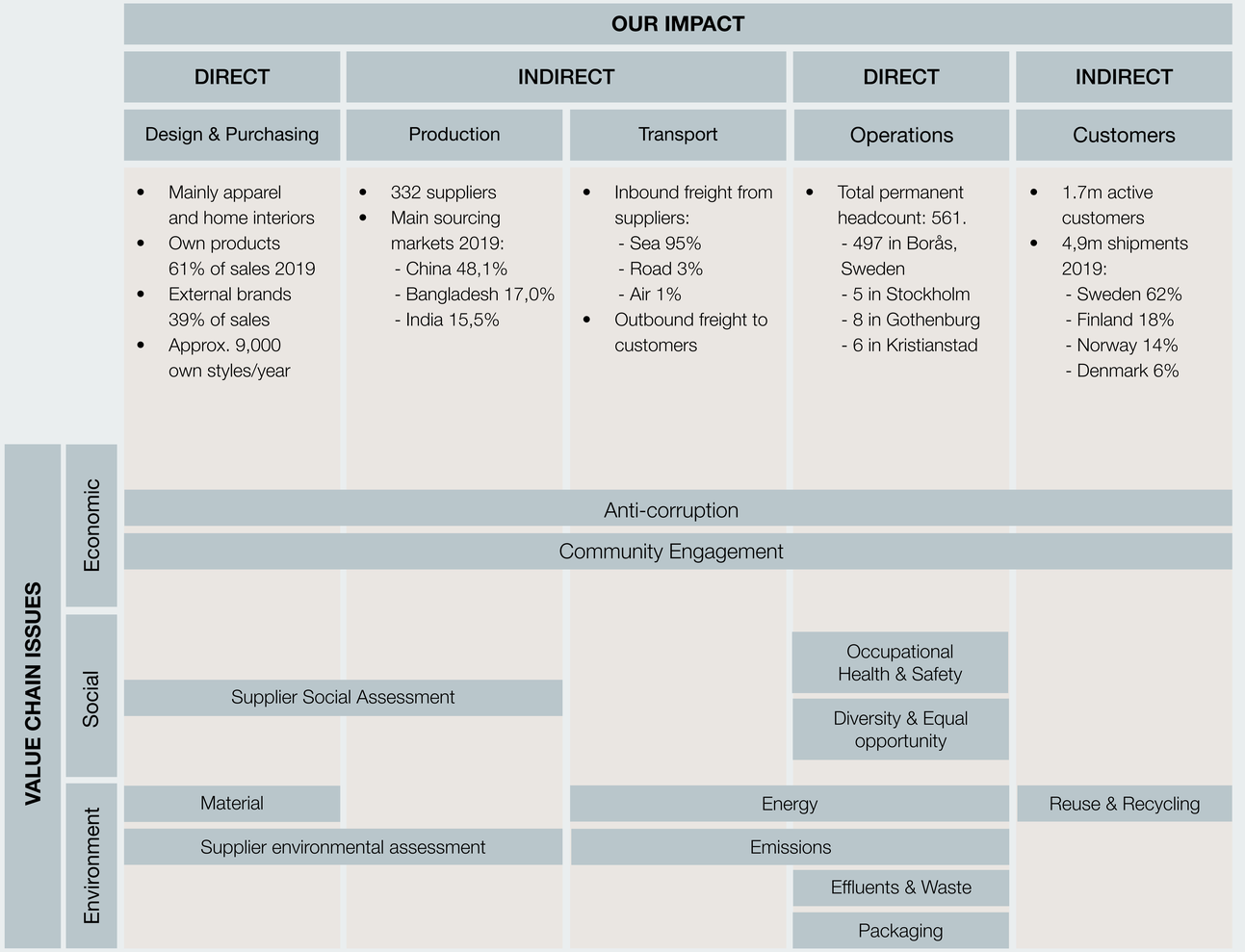
Our operations are located in Borås, and are under our direct control.

- 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.

FOCUS ON MATERIAL TOPICS

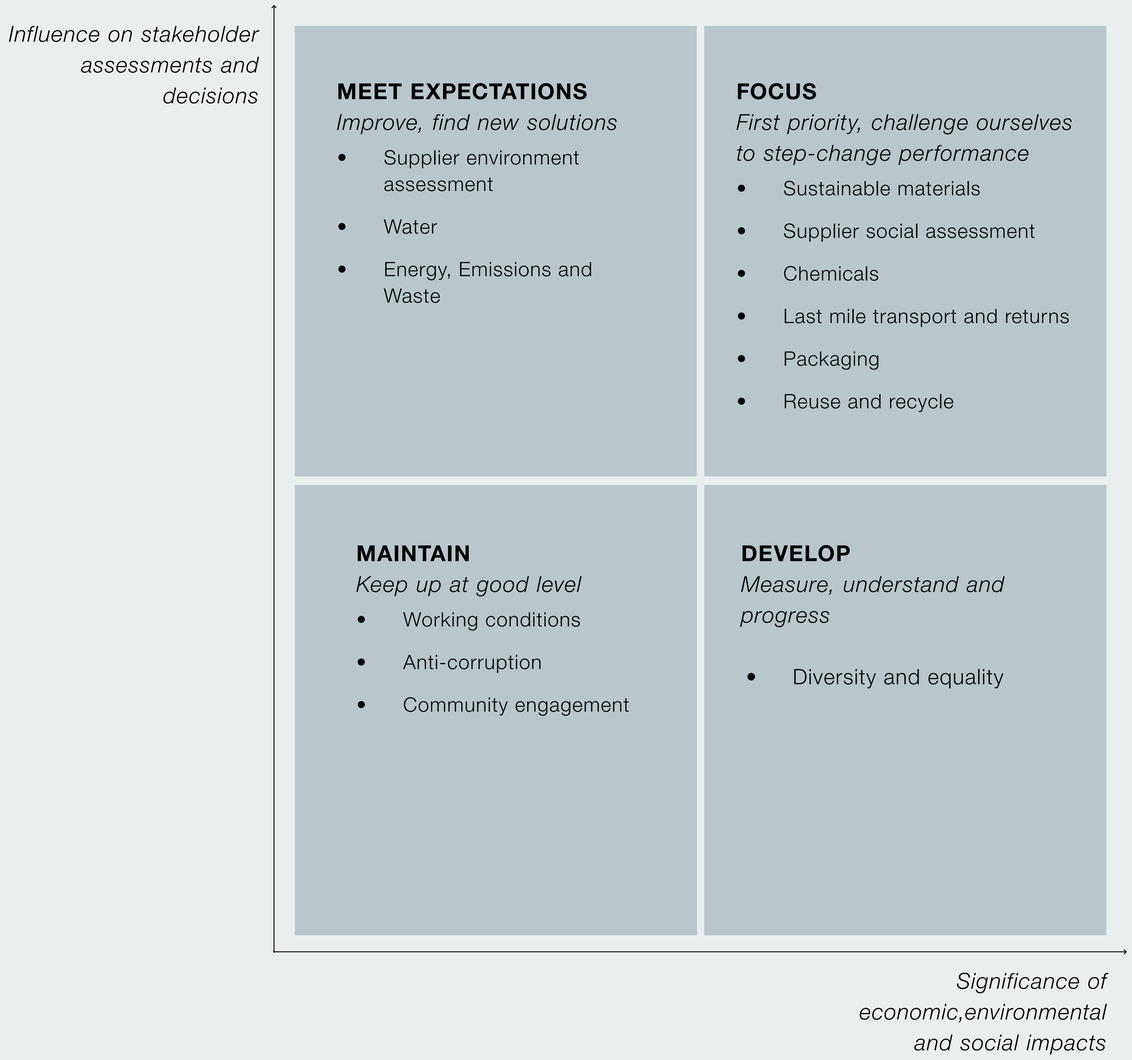
In our sustainability strategy for 2019, and in this report, we focus on the topics that we identified as material in our updated analysis concluded 2017/2018. The process of defining our material topics is described in more detail on pp 62-64 in this report. The potential topics were ranked in these 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 Ellos Group?

Significance of economic, environmental and social impacts

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



REPORTING ON THE MATERIAL TOPICS – OUTLINE

In the following pages of this report, we will describe Ellos Group's sustainability efforts in 2019, 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	Sustainable products Chemicals
Supplier relations	Supplier environmental assessment Supplier social 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 and safety
Community	Community Engagement

SUSTAINABLE MATERIAL 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 chemicals. We strive to inspire our customers to a more sustainable way of living by developing more sustainable products.

SUSTAINABLE MATERIALS

Our product range is one of the key focus areas 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, to reduce the climate impact of our products. 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 48% of the textile content in our own range of products. This is a clear reduction from earlier 65%, but it is still the most common material in our product range. 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 81% in 2018 and reached 87% in 2019. Most of the sustainable cotton is BCI cotton.

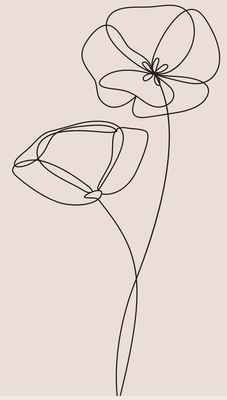
In specific product areas, such as baby clothing, 100% of our new cotton products sourced in 2019 were made from organic cotton. More than 96% of all cotton in children's clothing were made of more sustainable materials. While cotton plays a major part in our product range we also want to work in a sustainable 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. We will also focus on the production processes in order to reduce the climate impact of our production.

HIGHLIGHTS 2019

- 100% of all new baby clothing products sourced in 2019 were made from organic cotton.
- Increased the use of Lenzing Tencel® and lyocell.
- Getting sustainability information into all business intelligence reporting.
- 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.
- Continue to build organizational capacity in sustainable material choices through training and developing design, purchasing and customer service functions.
- Set up a clear structure for promoting sustainable products from external brands.
- 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 products, 48% are made of cotton. 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 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 81% in 2018 to 87% in 2019.

The biggest challenge in reaching 100% sustainable cotton lies in carpets produced in Europe.

	2016	2017	2018	2019	TARGET 2020
Sustainable cotton, % of total cotton in Ellos Group's own brands*	44%	69%	81%	87%	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%.*

BETTER COTTON INITIATIVE

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. Ellos Group joined the BCI in 2015.

Read more at www.bettercotton.org

RECYCLED & REUSED MATERIAL

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 2019, 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.

During the year, the product teams have worked hard to increase the share of sustainable materials in our products. Both by developing exclusive collections in sustainable materials, but also by changing best-sellers into more sustainable materials. One example is the popular dress Carina which is now made in recycled Polyester.

We use polyester and polyamide from recycled PET bottles, 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).

	2019	TARGET 2025
Recycled, % of total polyester and polyamide in Ellos Group's own brands	1%	25%

SALES OF SUSTAINABLE PRODUCTS

For 2025 we have a target that 50% of all our sales of textile products should be more sustainable products. The target is valid for our internal collections but also all external brands. This target will challenge us to promote more sustainable items to our customers, and helping them to make better choices.

	2019	TARGET 2025
Sustainable products as share of all textile sales	22%	50%

SUSTAINABLY SOURCED WOOD

Home furnishing is a growing product category for 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.

	2019	TARGET 2025
% FSC certified massive wood products	0%	50%

PRODUCT SAFETY

The safety and quality of our products is a high priority at 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.

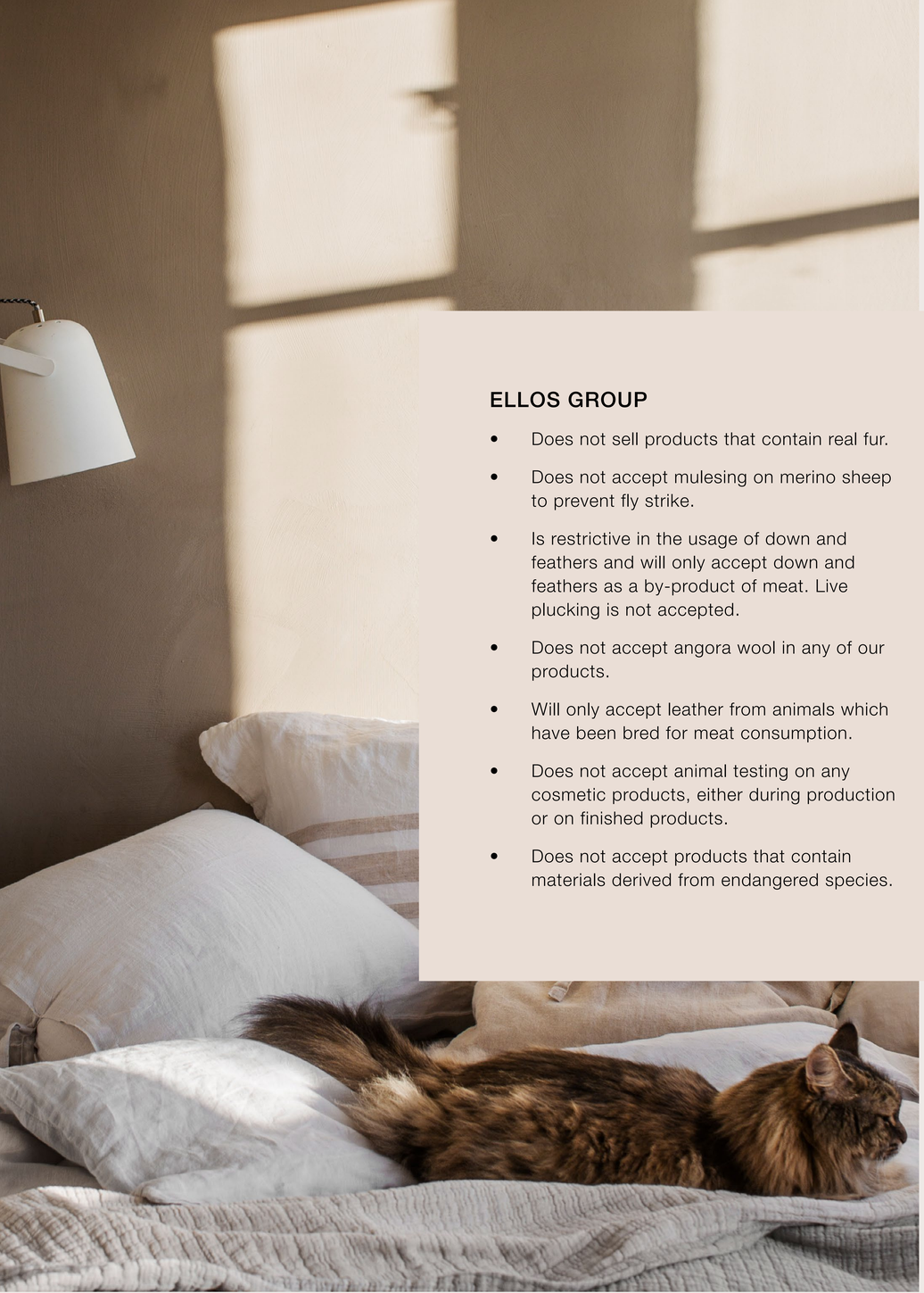
To ensure that our products meet the legal-, as well as our, requirements we have a Suppliers Manual with requirements that all our suppliers are obligated to follow, which is updated yearly.

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 at our own testing facilities, and is carried out during the production process or on products. All animal testing is prohibited.

In 2017-2018, 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 2019.

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.



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.

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.

WE ARE MEMBERS OF:

Fur Free Alliance, Djurens rätt

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.

It's a top priority for 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 reflect how chemicals affect human health, and the environment, and they are constantly being revised due to the increasing quality demands from our customers. Ellos Group works continuously to improve the routines, to ensure product quality and security, thereby reducing the environmental impact of the products.

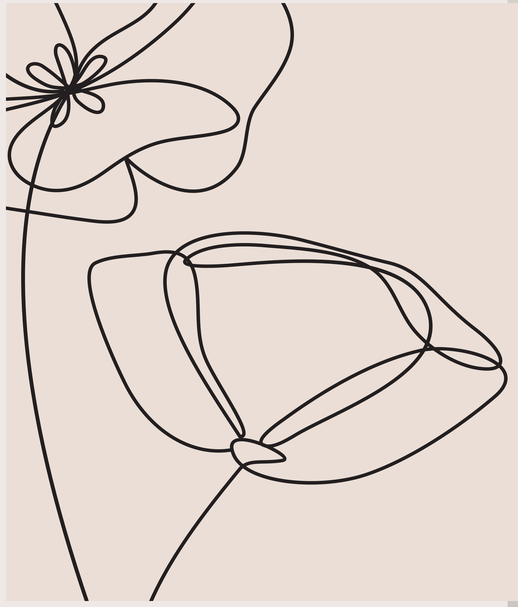
It is important for our suppliers to avoid using restricted and harmful chemicals in products provided for Ellos Group. The chemical requirements to follow are according to the Chemical Group – Swerea's Chemical guide and Ellos Group's RSL for hard goods with food contact, furniture and cosmetics. The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

WE ARE MEMBERS OF:

Swerea – The Chemical Group

WE ARE MEMBERS OF:

TEKO's Environmental Group

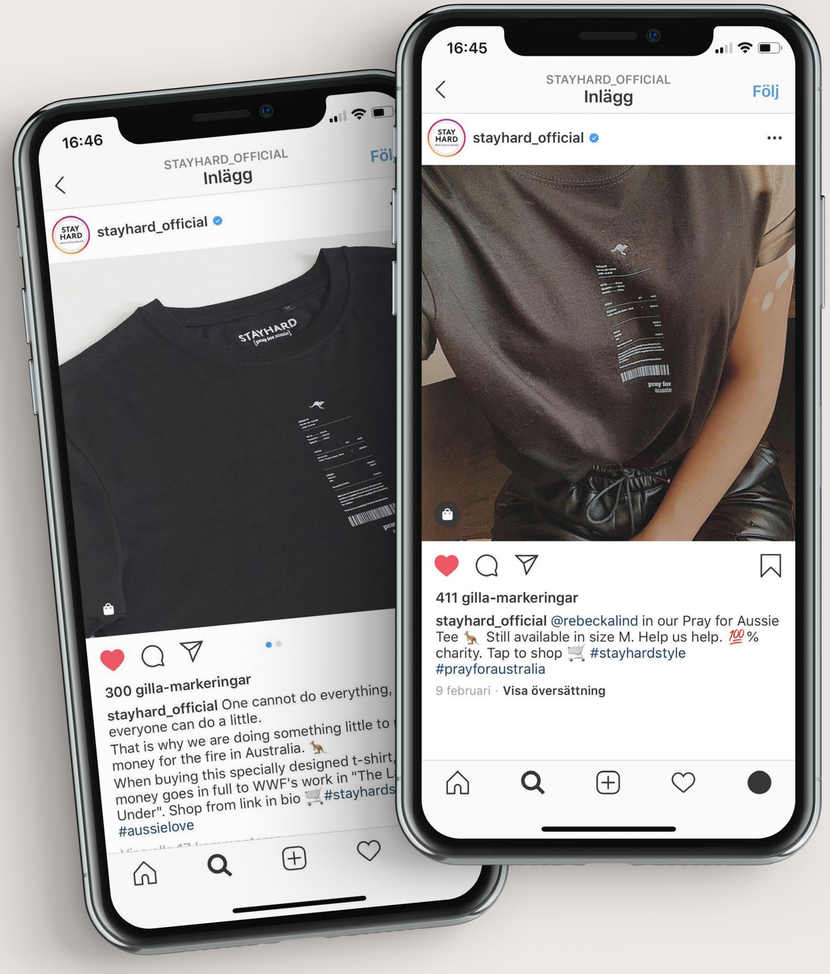


ELLOS GROUP

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.

At Stayhard we were all devastated about the situation with people and animals forced to leave their homes in Australia, so we decided to design the ”pray for aussie tee” to do something from our side to help.



PRAY FOR AUSSIE

A charity project at Stayhard - From Idea to live on site in less than 2 weeks.

The tee was a 100% charity product and all the numbers were presented as a recipe on the tee and part of the design. The money was then donated to the WWF organization.

INTERVIEW WITH

Karin Verdoes

DESIGN MANAGER AT ELLOS GROUP

Tell us about Ellos' sustainability initiatives in 2019

At Ellos, we have been working hard in 2019 towards our targets on sustainable materials, especially sustainable cotton and lyocell. That is part of a systematic work of changing all cotton products into more sustainable cotton to reach 100% in 2020. We have done good progress, which feels very good.

In parallel with the work on cotton we are also increasing the share of recycled polyester and polyamide. We are changing recurring products with large volumes where we have the biggest impact. For example, our very popular dress "Carina" is now made of recycled polyester. We have also worked on a few capsule collections in recycled polyester that are being promoted with larger campaigns in communication to customers.

We have also worked on making sustainable choices more accessible for the customers. We have gathered all sustainable products from our own assortment under Better Choice on the site. In addition, we started a collaboration with Something Borrowed in order to rent out our products. From that collaboration we have learnt a lot about our products, including which products and materials are best suited for being rented out and washed many times. We believe that we need to find new ways to consume fashion, and renting part of the wardrobe is one way to go.

What does sustainability mean to you?

To me, sustainability means that I can continue to work in the fashion industry with a good conscious. I have a lot of thoughts about where the clothing consumption is going, and how Ellos is going to play a role in that future. It is challenging, but also very fun, to work in this sector of business and being able to impact the development in a direction that is needed for the future.

What more can you do to incorporate sustainability in your business?

To me, sustainability means that I can continue to work in the fashion industry with a good conscious. I have a lot of thoughts about where the clothing consumption is going, and how Ellos is going to play a role in that future. It is challenging, but also very fun, to work in this sector of business and being able to impact the development in a direction that is needed for the future.

What more can you do to incorporate sustainability in your business?

We can do a lot more of course! In my role, the most important is to continue to make better products. Better materials are one area of improvement, but even more important is to improve the production processes. That's where we can make the biggest impact from a climate impact perspective. During 2020 we will work on defining our impact in Scope 3, and from there we can start working on decreasing the impact. I think that the work together with STICA is very important going forward, where we work together with many other brands and learn from each other. We can also do a lot more when it comes to communication with our customers.

> We should help our customers to make better choices, by making it clear what is a better product and why.

This should also include more products than our own assortment, and we are working on including also external brands in all communication.

What do you see as the major challenges for Ellos?

The challenge is complex and involves the full chain of actions, from sourcing to customer. In many cases the better production processes and materials are more expensive. Therefore, we need to be so good at explaining to the customer why she should buy the better product, so that the customer choses that product and is willing to pay a little extra for it. That way, we can continue to develop better products and affording to buy better materials. Together with the customers we can change fashion to become more sustainable.

SUPPLIER RELATIONS

It is important to our customers, employees, owners and to us 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 what improvement is needed.

Ellos Group's own products are manufactured by external suppliers, mainly in South East Asia. In 2018 we had 385 suppliers. In 2019, this number had decreased to 332. Of those, 24 were new suppliers. The substantial decrease of suppliers is explained by a strategic consolidation work for apparel suppliers to reach our goal of a "Perfect Supplier Base". At the same time, for new product areas within mainly the home segment, a collaboration with new suppliers has been started.

Our main sourcing markets in 2019 were China, Bangladesh and India. In 2018 Bangladesh surpassed India and became Ellos Groups' second largest sourcing market. In 2019, we have seen the biggest increase in Pakistan, which is a new strategic market for Ellos Group. Production in Europe is also growing in share. This is to reduce lead times which increases our flexibility in purchasing and reduces the need for inventories. In 2019, nearly 8% of purchased volumes came from Europe including Turkey. usiness sector and/or by legal requirements.

SUPPLIERS CODE OF CONDUCT

At 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, and we want that our production have as low environmental impact as possible.

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 Ellos Group.

The Code of Conduct sets forth the requirements that all suppliers must meet in order to do business with Ellos Group. The suppliers are responsible for ensuring that these requirements are met at all factories involved in the manufacture of products for Ellos Group.

We also expect our suppliers to follow internationally accepted labour standards, including the ILO conventions, and to continually work on improving the working conditions for those involved in the production of our products.

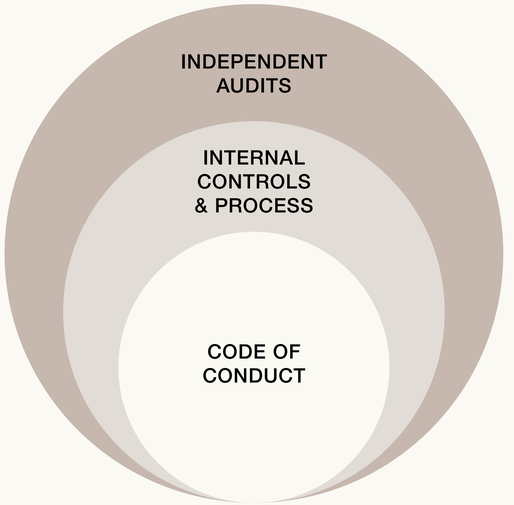
SUPPLIER FOLLOW-UP PROCESS

We strive for all of our products to be manufactred 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. During 2019 there have been cases of denied suppliers due to failure to comply with initial audit.

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 (49%) 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 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 Ellos Group's products is in high-risk countries from a working condition perspective, there is a need of regular inspections of all suppliers, independent of the sourcing volume Ellos Group has at the supplier.

In 2019, we continued our work to cover 100% of Ellos Group suppliers to have been audited and externally certified within 24 months by 2020. In 2019, Ellos Group reached 98% coverage of all suppliers, which was the same figure as for 2018. 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 2019 was 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. However, in 2019, none of Ellos Group's suppliers were terminated due to serious non-compliance or failure to improve.

Ellos Group	2017		2019		2020	
	#	% of total	#	% of total	#	% of total
Suppliers with external audit or internal assessment	295	84	377	98	325	98
Total numbers of suppliers	350	355	385	100	332	100
Number of new suppliers	N/A	N/A	71	18	24	7

Accord on fire and building safety in Bangladesh

In 2019, Ellos Group continued within the framework of Accord Bangladesh to improve the Bangladesh Ready-Made Garment Industry as a safe and healthy working environment. During 2019 a decision was taken to establish a national RMG safety entity to be called the RMG Sustainability Council (RSC). After the transition period of 281 working days, the RSC will take over all Accord Bangladesh operations and will inherit the Accord infrastructure and staff. Ellos Group is supporting this transition and is working hard on remediation of outstanding issues.

Ellos Group signed the Accord on Fire and Building Safety in Bangladesh in 2016, as Bangladesh is an important sourcing market for Ellos Group. By signing the Accord, 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 Ellos Group is Lead Brand.

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 during 2018 and 2019. The focus areas have been Energy Management systems (EMS), energy use and GHG emissions, water use and chemical management. The result shows that all 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 the suppliers are trained in proper chemical handling and have protective equipment.

ENVIRONMENT

We strive to use natural resources efficiently and to minimize the negative environmental impact of our operations. For 2025 we have committed to become CO2 net neutral in our transports and our operations in Borås.

ENVIRONMENT

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, Ellos Group only purchase electricity from renewable sources. In addition, we are aiming at reducing our energy consumption to 2020. This is done through the use of energy-efficient solutions for lighting and heating.

		2016	2017	2018	2019	Goal 2020	Current
Energy Use (MWh)	Electricity	7065	6614	6815	7040	12% decrease from 2016 levels.	-0,3%
	Heating	4422	3483	3760	3937		-11%
	Total	11487	10097	10575	10977	100% Renewable electricity (achieved 2016)	-4,4%
Greenhouse Gas emissions* (Tonnes CO2)	Scope 1**	N/A	N/A	59	233	N/A	
	Scope 2***	283	228	243	256	20% decrease from 2015 levels.	-76%
	Scope 3****	5906	6766	5918	6914		-6%
	Total	6189	7004	6222	7299		-12%
Greenhouse Gas emissions intensity (Tonnes CO2/mSEK)		2,48	2,83	2,39	2,65		-21%
Waste recycled in HQ & warehouse (% of total waste)		88,6%	87,9%	88,8%	88,3%	90%	88,3%

**Greenhouse Gas emission scopes as defined by GHG protocol, ghgprotocol. Org*
***Scope 1: Direct GHG emissions from company operated cars and refrigerant/cooling agent leakage.*
****Scope 2: Indirect GHG emissions from consumption of purchased electricity, heat or steam.*
*****Scope 3: Other indirect emissions, such as transport-related activities in vehicles not owned or controlled by Ellos Group.*
The figures do not include inbound, or outbound, freight where delivery is paid for by the supplier.
Neither do the figures include emissions from purchased goods.

CO2, Tonnes	2019	2018	2017	2016	2015
Company operated cars	11	17	N/A	N/A	N/A
Refridgerant leakage	231	42	N/A	N/A	N/A
Subtotal Scope 1	**243**	**59**	**N/A**	**N/A**	**N/A**

CO2, Tonnes	2019	2018	2017	2016	2015
Heating	220	211	195	248	222
Electricity	35	34	33	35	846
Subtotal Scope 2	**256**	**245**	**228**	**283**	**1068**

CO2 Tonnes	2019	2018	2017	2016	2015
Inbound	4173	3729	4823	3906	5143
Outbound	2390	1860	1607	1708	1711
Business travel	351	330	336	292	312
Subtotal Scope 3	**6914**	**5918**	**6766**	**5906**	**7166**

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 58% of total CO2 emissions for Ellos Group in 2019. Outbound freight, to our customers, accounts for 33% of emissions. In total, the transport of our products to reach our customers, accounts for 92% of our measured CO2 emissions.

CO2 emissions from Inbound freight, meaning freight from our suppliers to our warehouse in Borås, increased by 12% compared to 2018. The increase is largely an effect of the growth in the Home segment, in combination with overall sales growth. CO2 emissions from outbound freight to our customers, rose by 29% compared to 2018. 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 rose by 17% in 2019 compared to 2018 but has fallen by 4% since 2015.

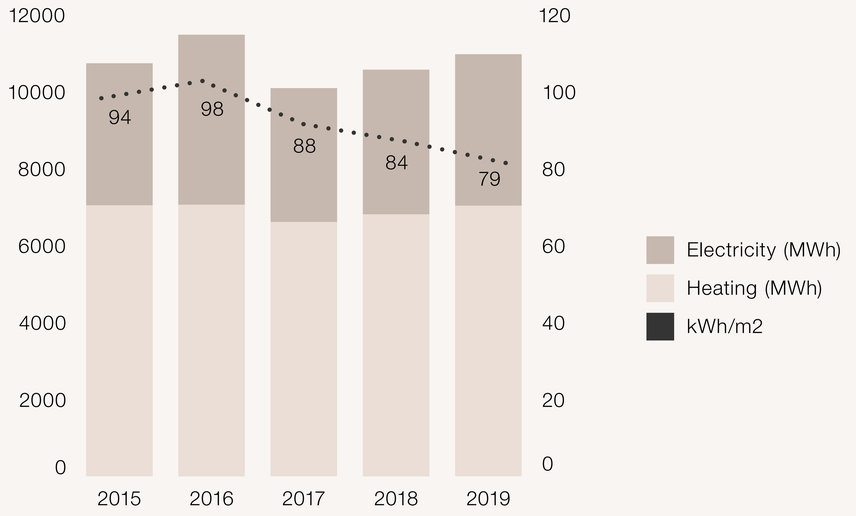
CO2 emissions from heating has increased with 5% in 2019 due to the addition of warehouse space. During 2019, a new warehouse for bulky goods was built and taken into operations. During 2020 that will enable a reduction in number of warehouses, and more efficient energy and heating per square meter. The CO2 emissions arising from electricity usage have been somewhat constant ranging between 33-35 tonnes since the switch to 100% renewable in 2016.

Total CO2 emissions for Ellos Group in 2019 increased by 16% compared with 2018 and has fallen with 12% since 2015.

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 2019, energy use was 11.0 GWh, translating into an increase of 4% compared to 2018 and an 4% fall compared to 2016.

During 2018 and 2019, 22 000 sqm of warehouse space has been rented and built. At the same time, the energy use per sqm has decreased with 19% since 2016 leading to a lowered energy usage (-4.4%) in total despite the expansion. The energy savings come from optimization of the steering system of cooling, heating and lighting in the buildings. During 2019 we built a brand-new warehouse in Viared, Borås optimized for our home assortment. The whole building is certified according to the GreenBuilding standard (The requirement is that the building uses 25% less energy than before or compared with the new building requirements in BBR). Among other things the full building has LED lights and section steering to minimize energy use. The overall target for 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

	2016	2017	2018	2019	2019 vs 2018
Number of trips	2 112	2465	2512	2373	-6%
Of which Air	1 842	2243	2339	2074	-11%
Of which train	270	222	173	299	73%
CO2 tons (air)	292	336	329,7	351	7%

Source: AKI travel, Resia

BUSINESS TRAVEL

Business travel by Ellos Group declined slightly in 2019, from 2,512 one-way trips in 2018 to 2,373 one-way trips in 2019, which is a decrease of 6% in the number of trips but an increase of 7% in CO2 emissions due to longer average distance of travel. Total CO2 emissions from business travel by Ellos Group in 2019 amounted to 351 tonnes CO2, whereof the majority relates to air travel. Shorter flights, such as Göteborg – Stockholm, have decreased by 28% due to fewer commuting employees. However, the domestic flights still account for 23% of total flights. Ellos Group has identified this as a potential area of improvement and the travel policy encourages employees to travel shorter distances by train.

EMISSIONS FROM TRANSPORT

INBOUND FREIGHT

Total CO2 emissions from inbound freight increased by 12% in 2019 in relation to 2018. The increase is mainly explained by two factors; almost a doubling in emissions from inbound road haulage explained by more near-shore sourcing from Europe, and an increase in bulky goods shipping connected to the sales growth in Home furnishing. Ellos Group has actively worked towards reducing the amount of airfreight, which has resulted in a 20% emission decrease from airfreight since 2018 and a 45% emission decrease since 2015.

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 2019, Ellos Group's total inbound tonkm rose by 12% to 141 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.

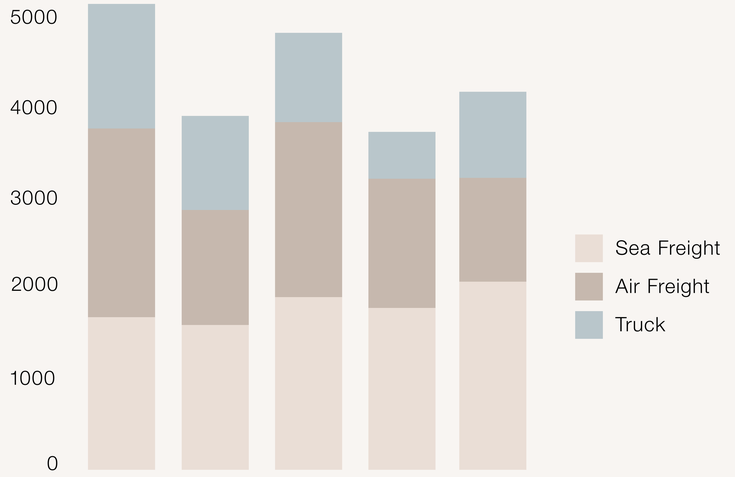
We seek to maximise the use of sea freight, which for Ellos Group had significantly lower emission levels than air. Sea freight had 16 g/ton/km versus 639 g/ton/km for air freight in 2019.

Total emissions from sea freight increased by 16% compared to 2018 and is now at 2075 tonnes. In terms of g/tonkm emissions from sea freight increased by 7% compared to 2018 to 16g/tonkm. The value has however fluctuated between 20 g/tonkm and 12 g/tonkm since 2014. In 2019 sea freight accounted for 95% of tonkm shipments and generated 50% of Ellos Group's inbound freight CO2 emissions, air freight accounted for 1% of ton/km shipments and generated another 28% of the emissions, and freight by road accounted for 4% of ton/km shipments and generated the remaining 23% 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.

Tonnes of CO2	2015	2016	2017	2018	2019
Sea freight	1 684	1 598	1 906	1 786	2 075
Air freight	2 082	1 269	1 930	1 427	1 148
Truck	1 377	1 039	987	517	950

Source: Transport suppliers



OUTBOUND FREIGHT

In 2019, we had in total 4.9 million shipments, 3.9 million to our customers and 0.98 million returns. In 2019, the number of shipments increased by 2% due to increased sales. The average weight has steadily increased since 2015, from 2kg for the average shipment to 2.8 in 2019. This is due to changes in our product mix, for example through more furniture sales.

CO2 emissions from Outbound freight has increased with 29% 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 also increased, from 0.39 in 2018 to 0.45 in 2019, driven by the growth in the Home furnishing segment. Total outbound CO2 emissions rose by 19% in 2019 compared to 2018. We continually seek to optimize freight planning and filling rates in transport vehicles.

	2015	2016	2017	2018	2019
Total number of shipments	5 061 508	4 991 751	4 567 000	4 796 000	4 892 221
Total shipped weight kg	10 173 631	10 432 760	10 275 750	12 332 000	13 855 478
Total CO2 from outbound freight kg	1 711 230	1 707 835	1 607 000	1 860 000	2 206 683

Source: Postnord, DHL and Ellos Group's estimates for returns.

STICA

Ellos Group became members of The Swedish Textiles Initiative for Climate Action (STICA) in 2019. The purpose of STICA is to support the apparel and textile industries and their stakeholders in the Nordic region to, at minimum, reduce greenhouse gases in line with 1.5 C warming pathway, as outlined by the United Nations Framework on Climate Change and the Paris Agreement. Ultimately STICA's aim is to ensure the Swedish and Nordic textile industry does more than its share by becoming the first climate positive apparel and textiles industry in the world well before 2050.

STICA achieves this by:

- Supporting apparel and textile companies operating in both the Nordic and international markets **to set science-based targets and reduce their greenhouse gases in line with 1.5 C warming pathway**, as outlined by the United Nations Framework on Climate Change and the Paris Agreement.
- Providing a **neutral, non-competitive platform for companies and organizations** to learn best practices for reducing their GHG emissions as well as to track and publicly report on their progress on a regular basis.
- Supporting the development of **joint projects and cross-sector collaborations** in order to reduce the Nordic apparel and textile industry's GHG emissions while stimulating climate solutions that can also be exported outside of the Nordic region, thus increasing the Nordic apparel and textile industry's global competitiveness.
- Working with industry stakeholders to develop a **roadmap and implement an action plan** for how the Swedish and Nordic apparel and textile industries will reduce their GHG emissions well below the 1.5 C warming target in order to become climate positive, while also becoming a global leader in developing climate positive solutions for the global apparel and textiles industry.

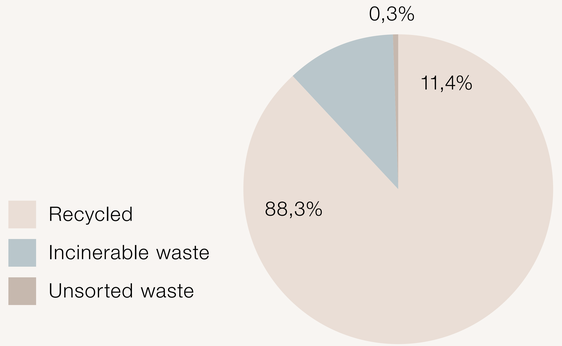
During 2019, focus has been on Scope 1 and 2 emissions. During 2020, STICA will focus on start measuring Scope 3 emissions, including purchased goods.

Material (tonnes)	2015	2016	2017	2018	2019
Corrugated board	628	574	583	558	563
Office Paper	30	15	24	12	10,5
Plastic	11	24	20	12	24
Metal	31	27	64	23	26
Wood	131	95	102	114	136
Coloured Glas	N/A	N/A	N/A	0.5	0.3
Uncoulured Glas	N/A	N/A	N/A	0.4	0.3
Subtotal, recycled	**831**	**735**	**793**	**721**	**765**
Incinerable waste	69	74	91	81	99
Unsorted Waste	15	4	16	19	2
Landfill	4	4	2	0	0
Subtotal, other	**88**	**82**	**109**	**98**	**102**
Total	**919**	**817**	**902**	**821**	**867**
Recycled % of total waste	90%	90%	88%	88%	88%

WASTE HANDLING

RECYCLING OF WASTE AT OUR OPERATIONS

Our waste mainly derives from the logistics operations, and in 2019 88% of the waste that we generated was sorted into fractions and recycled. The number has been very stable over the last years. We aim to improve sorting into fractions and recycling, to recycle 90% of waste in 2020. At that level Ellos Group will be among the top companies in waste management, according to our service supplier. The total amount of waste at our Borås logistics operations and head office was 866 tonnes in 2019, an increase of 6% from the previous year. Corrugated board is by far the largest category at 65% of total waste volumes in 2019. 11% of total waste, 99 tons, was sent for incineration at a central heating plant. 2 tons of waste was sorted by the waste removal service provider.



ENVIRONMENT INITIATIVES IN OPERATIONS

PACKAGING TO CUSTOMERS

Our shipments to customers are made in packaging made of plastic and carbon boxes. The plastic bags are efficient from a transportation space perspective if compared to e.g. paper cartons. On an annual basis, Ellos Group uses around 3.5 million e-com packaging bags.

The plastic packaging is made of 100% PCR (postconsumer recycled) plastic, with CO2 emissions per bag around 60% lower than for ordinary plastics.

During 2019, we did a test of a new packaging in paper at Ellos. The Mailer Paper Bag is made of FSC-certified material and is 100% recyclable. The paper bag was very well received among the customers and will be used continuously during 2020 as a standard for orders where it is suitable.

Ellos Group has a target of having 100% sustainable packaging materials to 2025.

End-consumer outer packaging (not including supplier packaging):

	2018	2019
Plastic bags - recycled material	76	79
Plastic bags - virgin material	13	14
Well - partly recycled material	400	429
Total weight of packaging material (tonnes)	489	522
	2018	**2019**
% sustainable packaging	16%	15%

ICHARGING STATIONS FOR ELECTRIC/HYBRID CARS

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 2019, 1065 charges were made compared to 286 charges 2018.

MANAGING TEXTILE WASTE THROUGH COLLABORATION

In 2019 Ellos Group continued to partner with Emmaus Björkå by donating defective goods or textiles from our inventory that for var ious 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. 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.

emmaus Björkå
tillsammans för en bättre värld

INTERVIEW WITH

Mathias Parkhagen

LOGISTICS DIRECTOR AT ELLOS GROUP

Tell us about Ellos' sustainability initiatives in 2019

Sustainability is an integrated part of our work in operations and logistics. It is everyone's responsibility to improve our environmental impact in everything we do. But there are several activities during 2019 that have been of extra impact.

One of the focus areas have been outbound transports together with two major partners in PostNord and Bring. We made a shift to a new distribution partner - Bring - for bulky goods in Sweden. Bring is a good partner with a clear environmental profile, and we are working together with our target of having CO2 neutral transports to customer before 2025. During 2019 we have together with Bring launched fossil-free last mile transports in Malmö, and more cities will be launched during 2020 and forward. We have also taken the decision to do climate offsetting for all our transport CO2 for 2019 and forward, in parallel with the work of lowering the emissions.

We have also done a major project on our packaging. The target is to have all packaging in sustainable material 2025. We will during 2020 have 100% recycled plastics for all our outgoing orders in plastic bags + that all returns coming back is repacked in 100% recycled bags. We have also done a consumer test with paper e-commerce bag on Ellos with good results. We will continue to use it for goods where it is suitable. On top of that we have also started with re-packing project for bulky goods where the packaging is broken but the product is perfectly fine.

In the buildings in Viared we are continuously optimizing our energy usage. We have worked a lot on the steering system of the buildings and optimized cooling, heating and lighting over the time of the day and weeks. The kWh per m2 have decreased with 19% since 2016 when we started working with it, which I think is a very good result.

The new home warehouse – how has sustainability been considered when building that?

During 2019 we built a brand-new warehouse in Viared, Borås optimized for our home assortment. The whole building is certified according to the GreenBuilding standard (The requirement is that the building uses 25% less energy than before or compared with the new building requirements in BBR). Among other things the full building has LED lights and section steering to minimize energy use.

What more can we expect from Ellos Group?

Within outbound transports we see a rapid development. We are putting environmental aspects high on the agenda with on our transport partners to lower emissions, and together we are doing good progress. Together with Bring we are exploring a new concept called Miljöretur that we plan to launch soon. In the coming two years we are expecting a fast movement from our partners to have higher share of fossil-free vehicle fleet.

Next step will be inbound transports. That is a more challenging area to drive change fast, especially when it comes to boat shipping. We have already minimized air transport, and we are exploring train transports.

WORKING AT ELLOS GROUP

Ellos Group aspires to be a modern and attractive workplace, with the vision of being the Employer of Choice. 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 Ellos Group, all employees shall have the same opportunities, rights and responsibilities, regardless of gender, gender identity or expression, sexual orientation, ethnic origin, religion, disability or age.

TOTAL

516
permanent employees

In December 2019 we had 497 permanent employees based in Borås, 5 based in Stockholm, 8 based in Gothenburg and 6 based in Kristianstad. The employees working in Stockholm, Gothenburg and Kristianstad are employed in the Ellos Home physical stores.

45
part time employees

485 (293 women 192 men) of our permanent staff were full-time employees and 45 (40 women and 4 men) were part-time employees. In addition, we also employed temporary workers, which bring the total figure to around 550.

** In 2019, all of our employees were covered by collective bargaining agreements. All employment data is retrieved from our staff records.*

	All employees 2019	Warehouse employees 2019 inkl. Stores	Office employees 2019
♀	62%	23%	39%
♂	38%	17%	21%
<30 years	11%	3%	8%
30-50 year	51%	15%	36%
>50 years	38%	22%	16%
	Managers 2019 inkl. SMT	**Senior Management Team 2019**	**Board of Directors 2019**
♀	43%	33%	25%
♂	57%	67%	75%
<30 years	0%	0%	0%
30-50 year	78%	83%	75%
>50 years	22%	17%	25%

STRIVING FOR GENDER EQUALITY AT ALL LEVELS

At 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 is to be an equal company and we strive for even gender representation in management, across departments, and management levels. In December 2019, the relationship between women/men in management across the whole company was 43% women and 57% men, compared to 47% women and 53% men in 2018. More actions need to be taken to promote female employees into manager positions.

TARGETS FOR EQUALITY AND DIVERSITY

We should be an equal company with equal opportunities for men and women. We strive for even gender representation in management, across departments and management levels.

We should increase the proportion of employees with a foreign background (from 13% 2015), across departments and management levels, to better reflect society. In 2019 the proportion had slightly increased to 15%. (Borås at 34% in 2018).

http://www.statistikdatabasen.scb.se/sq/47450

PROMOTING DIVERSITY AND INCLUSION

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 Ellos Group in 2019, at 15% of the workforce, compared to the demographics in the society of Borås, which was 34% of people in the working age.

MITT LIV

In 2019, Ellos Group continued the collaboration 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 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 2019, one person from Ellos Group took part in the mentoring program, and two workshops were conducted with Mitt Liv and all managers at Ellos Group on the theme "Innovation through inclusion".

Ellos Group 2019	
Foreign background	Swedish background
15%	85%
Borås 2019	
Foreign background	Swedish background
34%	66%

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

EMPLOYEE WELLNESS

At 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 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

Ellos Group's employees are the most 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. Employee surveys helps us to create a platform for dialogue, transparency and openness, which are important parts of our company culture and core values. The base in our employee survey is to measure the Employee Net Promoter Score (eNPS) index. The eNPS measure tells us to what extent our employees would recommend Ellos Group as a place to work. The survey respondents are defined as promotors, passives or detractors. The e-NPS is calculated as the percentage points of employees that are promotors minus the percentage points that are detractors and can range from -100 to +100. On top of eNPS we could add a few or a comprehensive number of questions that we would like to get better understanding of.

In 2019 we measured eNPS and the overall motivation score on group level and on function-level we measured proudness of belonging and perceived existence of discrimination on the function as such. Overall, we had a response rate of 84% and on eNPS-level Ellos Group was rated -9, compared to -11 in 2018. We also learned that the majority of employees, 88%, are well motivated to support Ellos Group becoming successful. The results as such are diversified, and one key finding is that the restructuration and changes that Ellos Group has done over the past years still has a rather negative impact on the employees working in our logistic function. We now work with setting new roles and processes and building up a great culture. Our target is to reach +15 in eNPS over the next two years.

PROACTIVE HEALTH PROMOTION AT ELLOS GROUP

Ellos Group has a long tradition of working strategically with employee health. Our vision is for all employees to be healthy and feel well. Together with an external health-partner and Ellos Group´s health/sport committee, a plan is developed for how to develop health promotion and activities.

Ellos Group offers its employees a wide range of activities to encourage a healthy lifestyle. Among other things, we offer Yoga classes in the office. 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 2019 and the Group offers “friskvårdsbidrag” (a wellness grant) which was requested by 160 employees in 2019.

Ellos Group supports its employees in participating in different health promoting activities. A few examples of activities in 2019 include:

- 10 employees participated in “Göteborgsvarvet”, the world’s largest half marathon, supporting Ronald McDonald Hus
- 24 employees participated in “Linnémarchen”, Sweden’s largest hiking event.
- 13 employees participated in “Kretsloppet”, a running competition with a strong environmental profile.

Ellos Group arranged:

- A lecture in “Get started with your training”, 20 employees were at the lecture
- Yoga classes, with 15 participants weekly
- Massage sessions, used by 70 people

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

THE ELLOS CHOIR

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 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 2019 there were two events. A ski-trip to Sälen in January, with 46 participants, and an event in August at Arken Hotel & Art Garden Spa in Gothenburg, where 70 employees took part.

	2019	2018	2017	2016
Sick leave	4,58%	4,41%	5,09%	5,41%
Work related injuries	31	31	28	32
Reported incidents	16	26	28	32

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 above 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.

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 car ried out. Action plans are made and followed-up on. 100% of the employees are covered by the occupational health and safety reviews.

TOP 50

Employer of the year

Ellos Group climbed to spot 49, from last year's spot 56 in the student ranking carried out by Universum of the most popular employers.

<5%

sick leave

43%

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.

DRIVING COMPETENCE DEVELOPMENT IN BORÅS

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 will graduate in May 2018. During 2019 students from DBD had the chance to do internships at Ellos Group.

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.

HAND IN HAND

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 have been cooperating to jointly improve living conditions for residents of the village of Visoor, India. During the “village project” which lasted for two years ending in September 2019, support has been provided to help children start or return to school and self-help groups are formed where women are trained in entrepreneurship. The project has had fantastic results. 295 women attended Self Help Groups (SHGs) and in total 239 enterprises were started and developed.

SPRÅKVÄNNER – SWEDISH SPEAKING TRAINING FOR IMMIGRANTS

Our local society currently has a major challenge in integrating immigrants. A key factor in getting established in society is to learn the language. Many immigrantslack connections to native Swedish speaking people to practice with and develop their speaking skills. In cooperation with Borås Stad and Eurest, 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 Ellos Group’s employees. In 2019, 14 lunches were held with 10 immigrants and 10 Ellos Group employees at every occasion. In addition, a bowling night was arranged.

GRI INDEX

GRI CONTENT INDEX

GRI Standard	Disclosure	Omission	Page number(s) and/or URL(s
GRI 101: Foundation 2016			
General Disclosures			
GRI 102:	102-1 Name of the organization	Ellos Group in brief, page 5	
General Disclosures 2016	102-2 Activities, brands, products, and services	Ellos Group in brief, page 5 and corporate website http://www.ellosgroup.com/	
	102-3 Location of headquarters	Ellos Group in brief, page 5	
	102-4 Location of operations	Ellos Group in brief, page 5	
	102-5 Ownership and legal form	Ellos Group in brief, page 5 About this report, page 67	
	102-6 Markets served	Ellos Group in brief, page 5	
	102-7 Scale of the organization	Ellos Group in brief, page 5 Ellos Group Annual Report	
	102-8 Information on employees and other workers	Employees – working at Ellos Group, page 41-42	
	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 2019.
	102-11 Precautionary Principle or approach	Sustainability at Ellos Group, page 11	
	102-12 External initiatives	List of external initiatives, page 61	
	102-13 Membership of associations	List of membership of associations, page 65	
	102-14 Statement from senior decision-maker	Statement of the CEO, page 3-4	
	102-15 Key impacts, risks, and opportunities	Statement of the CEO, page 3-4 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 Ellos Group, page 9-11	
	102-18 Governance structure	Ellos Group in brief, page 5	
	102-40 List of stakeholder groups	Stakeholder dialogue, page 58-60	
	102-41 Collective bargaining agreements	Employees – working at Ellos Group, page 41	
	102-42 Identifying and selecting stakeholders	Stakeholder dialogue, page 58-60	
	102-43 Approach to stakeholder engagement	Stakeholder dialogue, page 58-60	
	102-44 Key topics and concerns raised	Stakeholder dialogue, page 58-60	

GRI CONTENT INDEX

GRI Standard	Disclosure	Omission	Page number(s) and/or URL(s
GRI 102: General Disclosures 2016	102-45 Entities included in the consolidated financial statements	List of financial entities, page 66	
	102-46 Defining report content and topic Boundaries	Materiality process, page 61-64	
	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
	102-50 Reporting period	About this report, page 67	
	102-51 Date of most recent report	About this report, page 67	
	102-52 Reporting cycle	About this report, page 67	
	102-53 Contact point for questions regarding the report	About this report, page 67	
	102-54 Claims of reporting in accordance with the GRI Standards	About this report, page 67	
	102-55 GRI content index	GRI content index, page 51-57	
	102-56 External assurance	About this report, page 67	
Material topics Anti-corruption			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	Material issues and boundaries, page 61-64 Sustainability issues in our value chain, page 12-13 Focus on material issues, page 14 Sustainability at Ellos Group, page 11	
	103-2 The management approach and its components	Sustainability at Ellos Group, page 11	
	103-3 Evaluation of the management approach	Sustainability at Ellos Group, page 11	
	205-2 Communication and training about anti-corruption policies and procedures	Sustainability at Ellos Group, Code of Ethics and Anti-Corruption, page 11	
	205-3 Confirmed incidents of corruption and actions taken	Group, Code of Ethics and Anti-Corruption, page 11	

GRI CONTENT INDEX

GRI Standard	Disclosure	Omission	Page number(s) and/or URL(s
Materials, Chemicals & Packaging			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	Material issues and boundaries, page 61-64 Sustainability issues in our value chain, page 12-13 Focus on material issues, page 14 Sustainable Materials and Products, page 16-23	
	103-2 The management approach and its components	Sustainable Materials and Products, page 16-23	
	103-3 Evaluation of the management approach	Sustainable Materials and Products, page 16-23	
Additional Disclosure (not in GRI)	Sustainable cotton, % of purchased cotton products	Sustainable Materials, page 18	
Additional Disclosure (not in GRI)	Sustainable packaging materials, % of total packaging weight	Environment, page 37	
Energy			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	Material issues and boundaries, page 61-64 Sustainability issues in our value chain, page 12-13 Focus on material issues, page 14 Environment, page 30-32	
	103-2 The management approach and its components	Environment, page 30-32	
	103-3 Evaluation of the management approach	Environment, page 30-32	
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Environment, page 30-32 Energy for electricity and heating, page 32	
	302-4 Reduction of energy consumption	Environment, page 30-32 Energy for electricity and heating, page 32	
Emissions			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	Material issues and boundaries, page 61-64 Sustainability issues in our value chain, page 12-13 Focus on material issues, page 14 Environment, page 30-34	
	103-2 The management approach and its components	Environment, page 30-34	
	103-3 Evaluation of the management approach	Environment, page 30-34	
	305-1 Direct (Scope 1) GHG emissions	Environment, page 31	
	305-2 Energy indirect (Scope 2) GHG emissions	Environment, page 31	
	305-3 Other indirect (Scope 3) GHG emissions	Environment, page 30-34	
	305-4 GHG emissions intensity	Environment, page 30	

GRI CONTENT INDEX

GRI Standard	Disclosure	Omission	Page number(s) and/or URL(s
Effluents and Waste			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	Material issues and boundaries, page 61-64 Sustainability issues in our value chain, page 12-13 Focus on material issues, page 14 Waste Handling, page 36	
	103-2 The management approach and its components	Waste Handling, page 36	
	103-3 Evaluation of the management approach	Waste Handling, page 36	
GRI 306: Effluents and Waste 2016	306-2 Waste by type and disposal method	Waste Handling, page 36	
Supplier Environmental Assessment			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	Material issues and boundaries, page 61-64 Sustainability issues in our value chain, page 12-13 Focus on material issues, page 14 Supplier relations, page 24-28	
	103-2 The management approach and its components	Supplier relations, page 24-28	
	103-3 Evaluation of the management approach	Supplier relations, page 24-28	
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	Supplier relations, page 27	
Occupational Health and Safety			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	Material issues and boundaries, page 61-64 Sustainability issues in our value chain, page 12-13 Focus on material issues, page 14 Employees – working at Ellos Group, page 43-46	
	103-2 The management approach and its components	Employees – working at Ellos Group, page 43-46	
	103-3 Evaluation of the management approach	Employees – working at Ellos Group, page 43-46	
GRI 403: Occupational Health and Safety 2016	403-1 Workers representation in formal joint management–worker health and safety committees	Employees – working at Ellos Group, page 46	
Additional Disclosure (not in GRI)	Sick leave, % of ordinary work hours	Employees – working at Ellos Group, page 46	
Additional Disclosure (not in GRI)	Number of work related injuries and reported incidents at the workplace	Employees – working at Ellos Group, page 46	

GRI CONTENT INDEX

GRI Standard	Disclosure	Omission	Page number(s) and/or URL(s
Diversity and Equal Opportunity			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	Material issues and boundaries, page 61-64 Sustainability issues in our value chain, page 12-13 Focus on material issues, page 14 Employees – working at Ellos Group, page 42-43	
	103-2 The management approach and its components	Employees – working at Ellos Group, page 42-43	
	103-3 Evaluation of the management approach	Employees – working at Ellos Group, page 42-43	
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Employees – working at Ellos Group, page 42-43	
Supplier socal assessment			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	Material issues and boundaries, page 61-64 Sustainability issues in our value chain, page 12-13 Focus on material issues, page 14 Supplier relations, page 24-28	
	103-2 The management approach and its components	Supplier relations, page 24-28	
	103-3 Evaluation of the management approach	Supplier relations, page 24-28	
GRI 205: Supplier Social Assessment 2016 Occupational Health and Safety	414-1 New suppliers that were screened using social criteria	Supplier relations, page 27	
	414-2 Negative social impacts in the supply chain and actions taken	Supplier relations, page 24-28	
Recycling (not covered by GRI standards)			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	Material issues and boundaries, page 61-64 Sustainability issues in our value chain, page 12-13 Focus on material issues, page 14 Environment, page 36, 38	
	103-2 The management approach and its components	Environment, page 36, 38	
	103-3 Evaluation of the management approach	Environment, page 36, 38	

GRI CONTENT INDEX

GRI Standard	Disclosure	Omission	Page number(s) and/or URL(s
Community Engagement (not covered by GRI standards)			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	Material issues and boundaries, page 61-64 Sustainability issues in our value chain, page 12-13 Focus on material issues, page 14 Community engagement, page 48-50	
	103-2 The management approach and its components	Community engagement, page 48-50	
	103-3 Evaluation of the management approach	Community engagement, page 48-50	
Additional Disclosure (not in GRI)	Number of employees engaged in community engagement projects	Community engagement, Språkvänner page 50	

STAKEHOLDER DIALOGUE

Our stakeholders are important sources of input and feedback to our materiality assessment process for the identification and prioritization of material topics that we focus on, both in action and in communication. We have identified, across our value chain, the people and the organizations with which we interact and for which our business has an important impact, and from these we have selected five main groups, based on relevance and interdependence: customers, employees, owners, suppliers and the local community. During 2014/2015 and 2017, 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.

MATERIAL ISSUES AND BOUNDARIES

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 adherence to human rights in our supply chain.	At our suppliers and sub-suppliers, mainly in the Far East (China, India and Bangladesh).	Supplier Relations
	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 Bangla-desh).	Environment
	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	Supplier environment assessment and water	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

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

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

Topic	Intent
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	Ellos Group signed the Accord on June 30th 2016, and Accord 2.0 in May 2018.

LIST OF MEMBERSHIP OF ASSOCIATIONS

Ellos Group is a member of the below listed associations:

Association	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
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
TEKO	Active member

LIST OF FINANCIAL ENTITIES

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

Financial Entity	Organizational Number	Country
FNG Nordic AB	559175-1325	Sweden
FNG Nordic Buying Platform BV	0739.663.008	Belgium
Ellos Group Holding AB	556857-8511	Sweden
Ellos Holding AB	556831-9114	Sweden
Ellos Group AB	556217-1925	Sweden
Ellos AB	556044-0264	Sweden
Ellos Norway Holding AS	879478642	Norway
Ellos Norway AS	832005622	Norway
Ellos Finland OY	1442131-6	Finland
Ellos Denmark A/S	24927814	Denmark
Jotex Sweden AB	556249-7106	Sweden
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 FNG Nordic AB (publ) and organization number 559175-1325. 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 2019. The most recent previous report, covering 2018, was published in May 2019. 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 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 Group's annual report.