

# RNB



**RNB RETAIL AND BRANDS**

**SUSTAINABILITY REPORT 2017 / 2018**

# Highlights

## 2017 / 2018



**100%** renewable energy sources at RNB stores that determine their own electricity provider

To increase transparency, RNB published a **public supplier list** covering all factories we've worked with for at least one season and where order values exceed SEK 100,000.



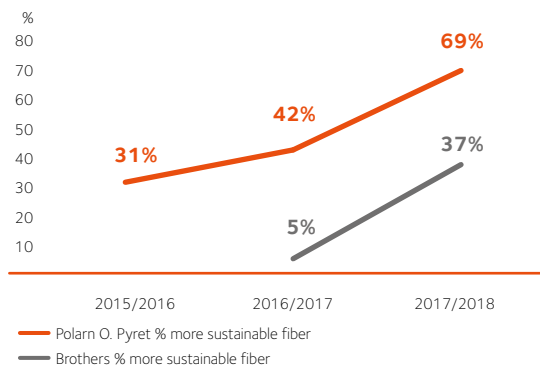
Polarn O. Pyret has been the **no1** green brand in the clothing sector since 2009

P.OP Repairs performs **8 repairs a day** in stores to prolong the life cycle of our customers' garments.



Polarn O. Pyret has been **GOTS-certified** for the last 5 years and has set ambitious targets for the coming years to increase its share of GOTS products.

**Sustainable fiber development, % produced pieces**

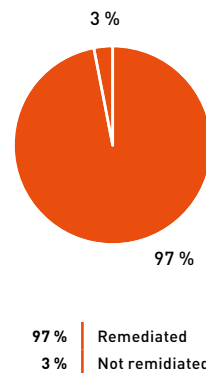


**95%** of Polarn O. Pyret's and **53%** of Brothers' cotton comes from more sustainable sources



We reduced consumption of packaging materials significantly through a successful pilot project with **reusable boxes**

**Remediation progress for factory fire and building safety in Bangladesh**



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## About this report

RNB Retail and Brands publishes an annual Sustainability Report for the Group and its subsidiaries. RNB bases the report on CSR, Corporate Social Responsibility, to outline the Group's work on assuming responsibility for and contributing to sustainable progress in the environmental, financial and social fields. The aim of the Sustainability Report is to provide transparent information to the company's stakeholders. This report has been prepared in accordance with the GRI Standards: Core option.

Activities and goals are determined based on dialogue with management, the Group's sustainability goals and stakeholder views. This is RNB's tenth Sustainability Report and corresponds to

the financial year September 1, 2017 to August 31, 2018. The report is limited to operations under central management of RNB or its subsidiaries. The information contained in the report has been obtained from internal monitoring systems and external service providers. The report has been evaluated with external assurance by auditors from Ernst and Young. At RNB, the sustainability work is governed by RNB's management group, where the subsidiaries Department & Stores, Brothers and Polarn O. Pyret have specific business plans and sustainability goals based on their core activities. RNB has a central CSR and Quality department and manager to support the subsidiaries' work.



# CEO's comment

Our vision at RNB Retail and Brands is to create sustainability through responsible production, attractive products and long-term relations. For us, creating sustainable operations is an essential aspect of our long-term profitability. Hence, the subsidiaries set individual sustainability targets based on RNB's vision, which are implemented in each business plan to improve our shared sustainability work on a day-to-day basis.

Working with a socially and environmentally conscious focus isn't a new concept for us at RNB. We've published sustainability reports over the last decade in order to increase transparency and clarify sustainability progress within the company. In this year's report, we continue to raise our ambition by reporting according to the GRI Core standard, and by mapping out priorities in line with the Sustainable Development Goals.

For us at RNB, and for the global retail industry at large, there are contemporary challenges that require concrete action. Changes in consumer behavior, resource scarcity and global frameworks such as the Paris Agreement, all point to the necessity of minimizing the retail industry's negative impact from production and products. At RNB, we welcome and are committed to responding to these challenges. As our operations are relatively extensive on our main selling markets but stand for a small proportion on our production markets in a global fashion context, we regard collaborations with

various stakeholders as vital to contributing to long-term financial, social and environmental solutions.

The financial year 2017/2018 was a period of significant accomplishments. Through collaborations we were able to reduce water consumption and increase energy efficiency as a result of projects in appointed factories. We contributed to educating farmers in more sustainable cultivation methods. Workers on the factory floor were trained in health and safety and the importance of taking action by raising any deviation from protocol. Factories were evaluated and remediated at various levels in a process of continuous improvements. Moreover, in our fashion range development for both Brothers and Polarn O. Pyret we've drastically increased the share of more sustainable fibers. Redevelopment of stores also generated opportunities for us to install LED lighting, resulting in increased energy efficiency and a reduction of usage at large.

RNB's sustainability work is continuously being developed, and although we've come a long way challenges remain looking ahead. Our main challenge remains the reduction of GHG emissions. Over the coming years, we'll continue to work strategically to decrease our use of air freight to an absolute minimum, and to extend our understanding of GHG emissions further upstream in production.

A key element for stepping up our sustainability work at the pace needed to meet the challenges that lie ahead, is the efforts made by each individual employee at RNB. To achieve this, requires both individual expertise and targets that are followed up. As the subsidiaries' sustainability work varies to suit each unique product range, our management team is committed to communicating and integrating the sustainability work into all departments, creating the sustainable business practices needed. For that purpose, we'll be adding another set of KPI's regarding sustainability.

Magnus Håkansson,  
*President and CEO*



# RNB at a glance

## Vision

RNB RETAIL AND BRANDS' vision is to offer customers the ultimate shopping experience.

## Business concept

RNB RETAIL AND BRANDS owns, operates and develops fashion wear, ready-to-wear clothing, accessories, jewelry and cosmetics stores and e-commerce that focus on providing excellent service and a world-class shopping experience. Sales are conducted through the concepts Brothers, Departments & Stores, Man of a kind and Polarn O. Pyret. The Group has more than 260 stores and e-commerce platforms in 10 countries. RNB RETAIL AND BRANDS has been listed on Nasdaq Stockholm since 2001.

## Governance structure

With a headquarter based in Stockholm and production office in Hong Kong, RNB can centrally manage the Groups activities while at the same time closely engage with suppliers to continuously improve product quality and create sustainable and smart business.

The **Brothers** business area is a fashion concept for men that offers a strong mix of proprietary and external brands with a distinct profile towards tailored and smart casual wear and a high level of service.

The **Departments & Stores** business area centers on the customer interface and providing high-quality fashion ranges and store environments. The stores offer fashion for women, men and children, as well as accessories, jewelry and cosmetics for customers looking for high-end service and quality. Sales are conducted through the NK department stores in Stockholm and Gothenburg.

**Man of a kind** is the new online destination for exclusive men's fashion that offers a carefully selected premium clothing range and world-class service in an inspiring environment.

**Polarn O. Pyret** is the leading brand and store concept for high quality baby and children's wear with a high level of service on the Swedish market. Polarn O. Pyret also has an international presence.

## The financial year in figures

Net sales

**2,238** MSEK  
(2,216 MSEK)

Operating income

**47** MSEK  
(63 MSEK)

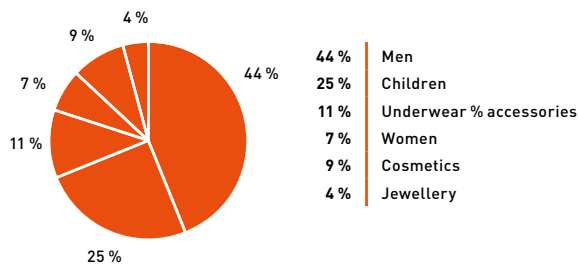
Operating margin

**2.1** %  
(2.8 %)

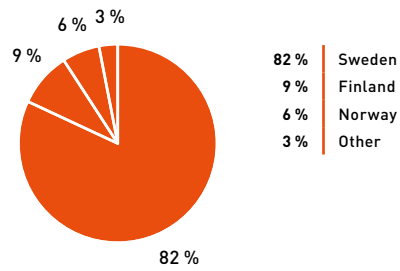
Cash flow from operating activities





**11** MSEK  
(51 MSEK)

**Sales 2017/2018  
by product category, %**



**Sales 2017/2018  
by geographical market, %**



Business area	Total sales, Mkr	Share, %	Operating income, Mkr	Number of employees	Stores	Own stores		Franchise		
						Stores	E-com	Stores	E-com	
<b>BROTHERS</b>	<b>537</b> <sub>MSEK</sub>	 24%	<b>23</b> <sub>MSEK</sub>	<b>231</b>	<b>Total</b> Sweden Finland	<b>52</b> 40 12	<b>2</b> 1 1	<b>17</b> 17		
DEPARTMENTS & STORES	<b>924</b> <sub>MSEK</sub>	 41%	<b>29</b> <sub>MSEK</sub>	<b>371</b>	<b>Total</b> NK Stockholm NK Gothenburg	<b>42</b> 27 15				
Manofakind	<b>13</b> <sub>MSEK</sub>	 1%	<b>-12</b> <sub>MSEK</sub>	<b>5</b>	<b>Total</b>		<b>1</b>			
POLARN O. PYRET	<b>765</b> <sub>MSEK</sub>	 34%	<b>43</b> <sub>MSEK</sub>	<b>353</b>	<b>Total</b> Sweden Norway Finland England USA Estonia Ireland Scotland Iceland Latvia	<b>100</b> 55 28 17 1 3 3 2 3 1 1	<b>5</b> 3 1 1 1 3 3 1 1 1	<b>35</b> 7 1 14 3 3 2 3 1 1	<b>7</b> 5 1 1	
<b>Total</b>	<b>2,238</b> <sub>MSEK</sub>		<b>47</b> <sub>MSEK</sub>	<b>1,021</b>		<b>194</b>	<b>8</b>	<b>52</b>	<b>7</b>	
<b>RNB RETAIL AND BRANDS</b>						<b>246</b> stores	<b>15</b> e-com	<b>10</b> countries		

# Our sustainability work

RNB's sustainability work is based on a platform of core values, materiality assessments, prioritized sustainability targets, policies and requirements. Hence, the sustainability work is an ongoing process and should mirror RNB's work at large. We take genuine responsibility for people and the planet, and continuously evaluate our activities from a sustainability perspective.

The work is centrally managed at Group level on the basis of the shared platform, where each subsidiary produces business-specific action plans based on their respective focus areas. Sustainability is one of four cornerstones in RNB's ownership strategy and the subsidiaries' work is based on three shared long-term objectives which will be presented throughout this report.

## Sustainable Development Goals

In 2015, the United Nations produced its Sustainable Development Goals with the aim of moving towards a sustainable world. By mapping out 17 social, environmental and economic goals that interact and influence one another, the idea is to ensure progress that meets the needs of the present without compromising the ability of future generations to meet their own needs. The sustainability agenda acknowledges and points out how stakeholders from multiple backgrounds play a key role in achieving sustainable growth.

RNB strives to be a part of the solution by generating sustainable and smart business through socially and environmentally conscious products and production. Through our sustainability initiatives we recognize the complex structure of the retail industry and work towards ensuring a long-term perspective. We recognize that the agenda is interconnected, and that our work includes and influences the full range of SDG goals. Accordingly, we've identified six goals that influence our work on a day-to-day basis.



### Prioritized SDGs

- 6. Clean water and sanitation
- 8. Decent work and economic growth
- 10. Reduced inequalities
- 12. Responsible consumption and production
- 13. Climate action
- 17. Partnerships for the goals



# Stakeholder engagement

RNB's business needs to be viewed in the context of its stakeholders, who both affect our business and are affected by it. The purpose of stakeholder engagement is to identify common ground on expectations of our sustainability work in terms of its possibilities and challenges

throughout the value chain. The table shows RNB's prioritized stakeholders, how we engage with each other and which common topics are most material.

Stakeholders	How we engage (&how often)	Material topics
<b>Customers</b> End customers Franchisees and Master Franchisees	In-store customer interaction (ongoing) Customer service (ongoing) Market research incl. surveys (regularly) Social media interaction (ongoing)	Chemicals Sustainable products Product durability Product safety No child labor Human rights No bonded labor Health & safety Fair remuneration Water Production country Normative design Animal welfare Transparency
<b>Colleagues</b> Employees in: Head office Production office Stores Warehouses	Core values including direct communication (ongoing) Individual coworkers dialogue (ongoing) Performance reviews (regularly) Safety committee including union safety representatives (regularly) Management forum & leadership training (regularly) Whistleblower system (needs-based) Employee survey (regularly) End of employment survey (ongoing) Real time safety survey tool (regularly) Company health care survey (regularly) E-learning tools (ongoing)	Work-life balance Fair remuneration No discrimination Health & Safety Employee/management engagement Communication Knowledge & training No child labor Human rights No bonded labor Health & safety Sustainable products Chemicals Water Leadership Common goals Waste management
<b>Suppliers</b> Contracted suppliers of proprietary brands Production unit's management in tier 1 Production unit's employees in tier 1 Contracted suppliers of non-proprietary/ external brands	Close dialogue through local representatives in major production locations (ongoing) Training modules (frequently) Project engagement (seasonally/yearly) Dialogue during audits and correcting action plans (ongoing) Grievance mechanism (needs-based) Supplier evaluations (yearly) NGO's investigating reports (periodically)	Price negotiations Long term relationship Investments in production processes Quality assurance Fair remuneration Health & safety No discrimination Water Contaminations Safe transit between home and work Work-life balance Employee/management engagement Production delays

Stakeholders	How we engage (&how often)	Material topics
<b>Public authorities /governments</b> Ministers of government Government agencies/regulatory bodies Government committees Opposition representatives	Round table discussions (occasionally) Regulatory surveys (occasionally) Point of interest surveys (occasionally) Legislation	Chemical management Energy management Fulfillment of the Swedish environmental objectives UN Sustainable Development Goals Greenhouse gases Product safety Modern slavery
<b>Key collaborations &amp; participations</b> Property owners of shop locations and warehouses Business associations serving brands and shops	Advisory council input (frequently) Contractual discussions Membership dialogue (frequently) Review of operational output of sustainability KPIs (yearly)	Human rights Freedom of association No discrimination Fair remuneration Decent working hours Health & safety No child labour No precarious employment No bonded labor Ethical business practices Cooperations & partnership Chemical Energy Water Packaging materials Waste management Circular business models / Reduce, Reuse, Recycle Product safety Animal welfare Transparency
<b>Academia &amp; science</b> Students Ph.D.s Scientists	Input on reports, essays and thesis (frequently)	Transparency Health & safety Fair remuneration Decent working hours Child labor
<b>Non-governmental organization</b> Charity organizations Human rights organizations Environmental organizations Animal rights organizations	Investigating reports/reviews (seasonally) Company performance analysis (yearly) Accord input	Human rights Fair remuneration Health & safety Chemicals Water Waste management Sustainable product Freedom of association Animal welfare Responsible consumption Greenhouse gases Contaminations Modern slavery
<b>Investors</b> Board Stock market Banks Funds	Company performance analysis	Sustainability reporting Transparency Due diligence Human rights Ethical business behavior

# Materiality assessment

It is essential that our sustainability work reflects RNB's values, principles, ambitions and stakeholder interests. In previous reports, we based the materiality assessments on RNB's aggregated materiality assessment. This year,

we raised the ambition and identified specific topics relevant to strengthening each subsidiary's sustainability reporting. This assessment, combined with our strategic business plans, are the foundation for this report.

## OUR FOCUS

<b>Very important</b>	<ul style="list-style-type: none"> <li>Transparency</li> <li>Animal welfare</li> <li>Decent working hours</li> <li>Worklife balance</li> <li>Employee/management engagement</li> <li>Energy</li> <li>Packaging materials</li> <li>Product safety</li> </ul>	<ul style="list-style-type: none"> <li><b>Health &amp; safety</b></li> <li><b>Fair remuneration</b></li> <li><b>Chemicals</b></li> <li><b>Water</b></li> <li><b>Human rights</b></li> <li><b>No child labor</b></li> <li><b>No discrimination</b></li> <li><b>No bonded labor</b></li> <li><b>Waste management</b></li> <li><b>Sustainable products</b></li> <li><b>Freedom of association</b></li> <li><b>Ethical business practice</b></li> <li><b>Modern slavery</b></li> <li><b>GHG gases</b></li> <li><b>Contaminations</b></li> </ul>
	<ul style="list-style-type: none"> <li>No precarious employment</li> <li>Safe transit between home &amp; work</li> <li>Swedish environmental objectives</li> <li>Normative design</li> <li>Sustainability reporting</li> <li>UN SDGs</li> <li>Production country</li> <li>Cooperation &amp; partnerships</li> <li>Quality Assurance</li> </ul>	<ul style="list-style-type: none"> <li>Circular business models</li> <li>Long term relationships</li> <li>Price negotiations</li> <li>Investment in production processes</li> <li>Product durability</li> <li>Responsible consumption</li> <li>Due diligence</li> <li>Leadership</li> <li>Common goals</li> <li>Knowledge &amp; training</li> <li>Production delays</li> <li>Biodiversity</li> </ul>
<b>Important</b>	<b>Average impact</b>	<b>Very high impact</b>

# Sustainability cornerstones

## Responsible production

All goods sold shall be produced in accordance with international standards and regulatory frameworks governing working conditions and human rights. Where there is a risk of divergences from this requirement, continuous measures are implemented to improve conditions. The environmental impact from production should always be considered and minimized wherever possible.

## Attractive fashion range and safe products

Products sold through RNB's subsidiaries should be safe for the user and should not contain chemicals that may be hazardous for people or the environment. Design, choice of materials and sourcing should consider safety, the environment and ethics.

## Sustainable operations

RNB's operations should be conducted responsibly and with respect for each stakeholder, which means that continuous improvements in terms of social responsibility and environmental impact should be an integral part of the day-to-day work of the Group and its subsidiaries.

# Policies & requirements

To reach its long-term targets, RNB has policies and requirements that govern the decisions taken in its operations. Joint policies that cover all operations are produced at Group level, and each subsidiary can set its own more extensive requirements and goals to meet specific demands. RNB's requirements and follow-up procedures differ depending on whether the business partner is a producer of proprietary brands or an external brand. However, there is always a written agreement that specifies all relevant policies and requirements.

## Code of Conduct

The amfori BSCI Code of Conduct is a set of values, principles and an approach to implementation that all amfori BSCI-participating companies commit to adhere to, alongside their business partners in the supply chain. The code is founded on the ILO Declaration on Fundamental Principles and Rights at Work, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. The code contains the following 11 labor principles. RNB has participated in the amfori BSCI initiative since 2004. This has given us the tools, resources and processes to address labor issues in the supply chain.

## Principles of BSCI's Code of Conduct



**The Rights of Freedom of Association and Collective Bargaining**



**Special Protection for Young Workers**



**No Discrimination**



**No Precarious Employment**



**Fair Remuneration**



**No Bonded Labor**



**Decent Working Hours**



**Protection of the Environment**



**Occupational Health and Safety**



**Ethical Business Behavior**



**No Child Labor**



### **Zero tolerance policy**

As a complement to the amfori BSCI Code of Conduct, RNB applies a zero tolerance policy to identify issues that can't be compromised on in production. We follow up on this policy in our own factory assessments. RNB's starting point is always that factories must be given the opportunity and support to make improvements, as continued collaboration gives factory owners the opportunity to invest in their employees and improve factories. If a deviation is detected, RNB will issue a warning to the supplier and may halt new orders until the required improvement has been implemented. Ultimately, the contract can be terminated if the supplier does not improve according to plan.

#### **RNBs zero tolerance policy:**

- Child labor
- Bonded labor
- Absence of basic fire safety in production or housing
- Serious danger to workers' life or health, physical or mental abuse
- Serious environmental hazards
- Denied access to production facilities
- Lack of commitment or unwillingness to improve
- Prohibited manufacturing at subcontractors
- Ethical business practice

RNB shall contribute to the sustainable development of the fashion and beauty industries through active and long-term environmental efforts. RNB influences the environment through its daily operations and the products it sells. This occurs through the consumption of natural resources, emissions and waste. We apply our

knowledge of operations, the business environment and environmental considerations in our strategic decisions. Practical compliance with the environmental policy is implemented through internal purchasing requirements, guidelines and procedures.

### **Animal welfare policy**

In the RNB supply chain, animals shall be treated well and be protected from unnecessary suffering and disease. If there is any deviation from this, alternative materials or methods shall be investigated and prioritized. RNB strives to place stringent demands on the protection of animals, and wherever possible requests documentation that substantiates this. Materials from endangered animals are not permitted in any form of production. The policy is based on the CITIES convention and European legislation for the protection of species and wild fauna, and the five freedoms set out by the World Organization for Animal Health (OIE).

### **Personnel-related policy**

The employees of the RNB Group are its most valuable resource, and Human Resource (HR) policies include a wide range of topics such as diversity, equality, physical and mental health and a safe working environment. By implementing HR strategies, employee surveys and by creating a common platform, RNB continuously evaluates its employees' working conditions.

### **Anti-corruption policy**

RNB has zero tolerance of bribery and corruption, which is regulated in two policies to guarantee ethical business behavior. One part regulates employee behavior in interactions with suppliers and external brands to assure professionalism, integrity and transparency throughout the supply chain. The second focuses on employees at supplier level, and is regulated in the BSCI Code of Conduct by external audits. The audits include control of documentation, no falsification of documents and finally how suppliers handle personal information.

# Transparency

## Transparency in the supply chain

Unethical business behavior is a factor we need to consider. If information is hidden or falsified, we cannot be certain that our efforts contribute to more sustainable business. Therefore, being transparent with our operations and our actions is a way of minimizing the risk of unethical business behavior, as the information can then be reviewed and verified. Today there are no set frameworks for transparency. RNB's approach to transparency is to participate in global initiatives or accords, set relevant targets and systematically collect data connected to these areas. RNB analyzes the data through risk assessments to generate conclusions, and we periodically follow up and report on these conclusions. During the financial year 2017/2018, RNB initiated a roadmap for transparency, where the first activity was to publicly display the supplier list for tier 1 production of proprietary brands on the RNB website, and secondly to increase our ambition to report sustainability data according to the GRI standard. Further, we divide our transparency work into two general areas: transparency in our own operations, and the transparency of our business partners.

## Transparency in our own operations

In our own operations, unethical business behavior is regulated by our core values, policies and agreements. All employees have signed an agreement which states that they have read, understood and accepted the RNB policy on corruption. There is a whistleblower function that employees can turn to if suspicious behavior is detected.

If incidents of corruption or unethical behavior is revealed, RNB has a set routine on how to respond. In the past three years, there have been no notified incidents of corruption. During the year, no formal training in our anti-corruption policy was held. There is a risk that the whistleblower function is not fully understood by all employees and that there is uncertainty about how it should be used. RNB is therefore planning to produce a structured plan to educate and communicate its anti-corruption work, both in our own operations and to our business partners.

## Transparency in our business partners' operations

At RNB, most of our sustainability work is carried out in the supply chain of our proprietary brands. Our production mostly takes place in countries where the risk of unethical business behavior is high. Therefore, combating unethical behavior is a fundamental indicator for ensuring socially, economically and environmentally sustainable business. With regard to our business partners, unethical business behavior is regulated in agreements, the amfori BSCI Code of Conduct and in the Accord on fire and building safety in Bangladesh. Our production office in Hong Kong and local partners in Turkey and Bangladesh ensure efficient administration and expertise regarding local conditions on national markets. We believe that working closely with our suppliers and local expertise increases transparency. Examples of unethical behavior is where business partners fail to provide accurate information on production sites or compromise the integrity of audits by means of bribery, falsifications or misrepresentation in the supply chain. If these breaches are identified during an Amfori BSCI audit it can trigger a zero-tolerance alert.

During the past three years there have been no zero-tolerance alerts triggered by BSCI. However, during RNB's internal assessments, there have been several cases of unauthorized production where suppliers have provided us with incorrect information about the actual production site. Not knowing the status of the actual production site is a potential risk for breaches of human rights. If a supplier is in breach of a zero-tolerance issue such as this, RNB provides a warning and may halt all new orders until the required improvement has been documented. Ultimately the business relationship can be terminated if no progress is made, but this is the last alternative if no other option is available. To ensure that information is reliable and accurate, amfori BSCI and the Accord have grievance mechanisms where employees can anonymously report on incidents that have occurred in the production unit. These breaches are then forwarded to all brands involved in that unit, investigated and resolved.

During the past three years, there have been two complaints through the Accord connected to one of the



production units we are working with. Both have been resolved and are publicly displayed on the Accord website. The Accord and amfori BSCI further have internal systems that work with unethical business behaviors with regard to employees and business partners. Knowledge plays a key part in transparency, and both amfori BSCI and the Accord have fully functional education programs aimed at producers' management and employees which RNB's suppliers take part in. These training programs not only cover basic information on what it means to be a producer with obligations to BSCI and the Accord, but also provide detailed information on the content of the BSCI Code of Conduct, the requirements of the Accord, and how to remediate any deviations and implement long term improvements. The Accord executes all safety committee training programs to ensure that all staff has the right knowledge about safety risks and how to raise concerns that have been identified. RNB perceives a risk in not having received any complaints from producers through the BSCI grievance mechanism during the past three years. Over the coming years, RNB will therefore produce a structured plan to educate tier 1 suppliers in "communicating workers' involvement and protection.". During the previous year, RNB initiated a pilot project mapping the sustainability footprint of two products through the supply chain to see how we can increase transparency upstream in production. As of now, there are no finalized conclusions from this project. Apart from

setting demands and routine controls relating to sustainability for external brands, RNB has carried out surveys to identify the status of specific topics relating to these brands. For the coming year, we will produce additional surveys to map the status of external brands.

**Transparency – making it easy to do things right**

Our customers' buying decisions frequently affect overall sustainability. Being transparent in what we do makes it easier for our customers to make good buying decisions. We know that even though our customers are our most important stakeholders, they don't necessarily read the RNB Sustainability Report. Therefore, our subsidiaries communicate with their customers through websites, hang tags on clothes, dialogue in sales channels and on social media. We will continue to develop our communication over the coming years.

**Modern slavery**

RNB doesn't fall under the UK Modern Slavery Act, as the turnover threshold of operations through our master franchise in the UK doesn't exceed £36M. Even though RNB is not required to produce a modern slavery statement, modern slavery is addressed in risk assessments through policies, the Code of Conduct, auditing procedures and trainings in the following, but not limited to, topics: working at RNB, bonded labor, child labor, decent working hours and fair remuneration.

**Collaborations**



# Working at RNB

## The employees—RNB’s most valuable resource

RNB’s operations are based on talented employees and its our staff that interacts with customers every day in our stores and improve operations in one of RNB’s offices. This means that it’s critical to create workplaces where staff are able to thrive, progress and feel that their expertise makes a difference. In total, RNB has 1,021 (1,028) full-time employees throughout our stores and offices in Sweden, Norway, Finland and Hong Kong.

## Our corporate culture is the foundation

At RNB, we have core values and leadership guidelines that serve as the foundation for our organizational culture and provide the building blocks for a collaborative climate. The core values describe and summarize how we at RNB should relate to one another in our day-to-day interactions, and serve as tools for reaching our operational goals. The leadership guidelines are founded on our core values and define what’s expected of managers and leaders when making decisions. Implementing and clarifying the core values and leadership guidelines is a continuous process that ensures a coherent view of the corporate culture. In addition to applying the core values in group discussions, workshops and leadership trainings, all new employees have taken part in an introductory training program on what the values mean in practice and how to integrate them in to our work. Furthermore, RNB introduced flexible working hours for employees at head office to facilitate an improved work-life balance. This means that our employees have the opportunity to arrange their work schedule based on their preferences.

## RNB’s core values are:

- We believe in people
- Direct communication
- The customer is most important
- We do sustainable and smart business

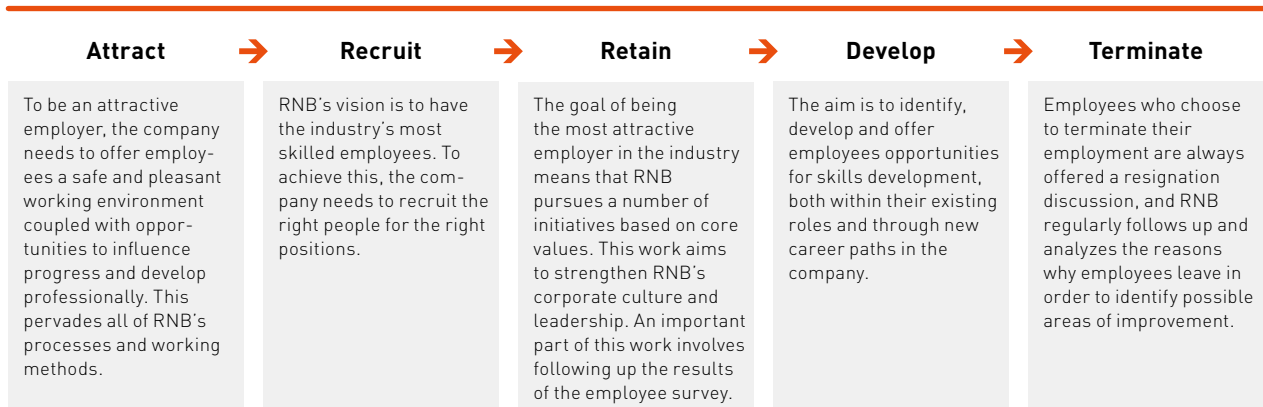
## Talent management

Talent management relates to attracting, recruiting, developing and retaining employees and is a key part of our ability to reach our goals. Within these areas, talent management also ensures structures and processes that clarify how we work with this in practice. In order to attract and retain employees, and to strengthen and develop competences, we’ve introduced several new activities during the year.

These include:

- A leadership training program for store managers and office managers.
- Training initiative for managers at head offices focusing on leadership.
- Start-up/launch of a project for the implementation of e-learning tools.
- Initiatives for physical and mental wellbeing through various types of wellness programs, such as fitness initiatives, mindfulness training, running groups etc.

## Talent management







### **Collective agreements**

RNB is affiliated to employers' organization the Swedish Trade Federation (STF). All employees' in Sweden are covered by the collective agreements between the Swedish Trade Federation and the various Swedish trade unions. The four collective agreements are STF's Retail Trade agreement which covers all the sales staff in stores, STF's Wholesale Trade Agreement which covers warehouse staff, Unionen's Service Company Employee agreement, covering salaried employees in retail, and Unionen's Academic Association's collective agreement for employees working at the head office.

### **Promoting equality and diversity**

For us, diversity means that all employees have equal value and the same opportunities and rights regardless of ethnic origin, gender, age, creed, sexual orientation, transgender identity or functional impairment. The goal is to create an inclusive and non-discriminatory organization. RNB continually strives to design the employee duties and the work organization so that all employees, regardless of background, can participate in the company on equal terms. If a case of discrimination occurs, RNB thoroughly investigates the case to identify suitable solutions. During the financial year 2017/2018, the CEO released an official statement to all employees in relation to #Metoo that made clear that RNB has a zero tolerance on sexual and other forms of discrimination. RNB has a whistleblower function that employees can turn to if power is abused or if discrimination or unethical behavior is detected. This

function has also been promoted to emphasize that we take these issues seriously.

One potential risk is that our employees don't have sufficient knowledge about what channels to use if a concern arises, or that they don't feel comfortable about reaching out and asking for help. Such concerns may include a range of topics such as discrimination, exhaustion and work safety. Today, we handle this risk by providing the whistleblower function, regular employee surveys and exit interviews. These tools should create platforms for our colleagues to express themselves. However, over the coming year we need to improve our communication with employees to ensure that everyone feels included. Finally, RNB will update and execute an employee survey.

The retail industry is traditionally female dominated which is also the case at RNB, where 81% of all full-time employees are women. Even though the industry is female dominated, salary inequalities exist but are insignificant at RNB. For us meritocracy is the guiding principle and we strategically work towards creating and maintaining full equality through a three-year equality plan. The equality plan is based on internal statistics such as mapping of salaries and by carrying out the employee survey. The most recent survey identified that there is broadly equality in areas of competence development, internal recruitment and salaries for store managers and sales staff. However, the plan also showed that there are challenges in sickness absenteeism and parental leave, where women are over-represented.

# Sustainability strategy

RNB works with sustainability in various ways, as the concepts are integrated in our core values, policies, supplier agreements, business strategies and long-term goals. To understand how social, environmental and financial

issues interact in our businesses, we've illustrated this in the various steps of our value chain. Our value chain consists of: design & purchasing, production, logistics, stores and finally consumption.

## 5. Consumption p.29

By offering options to improve a circular production and interact with customers on what they can do to prolong the lifespan of our products, we can decrease our common environmental footprint.



## 1. Design & purchasing p.19

The starting point of our activities where we reconcile conclusions from previous seasons to improve and design quality products. Strategies, demands and goals are determined to generate long-term businesses.



## 4. Stores p.28

Developing store operations with renewable and efficient energy sources improves our environmental impact and it is here that our sales colleagues and sales applications create customer value and communicate our sustainability work on a day-to-day basis.



## 2. Production p.22

This is the main activity where the ideas are transformed into products and stands for the biggest impacts on our surroundings. During production, we control, upgrade and evaluate suppliers and our own activities.



## 3. Logistics p.26

Efficient transportation from production to our customers provides the foundation for an outstanding shopping experience and serves to reduce the environmental impact and greenhouse gas emissions.



## Challenges & opportunities

- Continue to develop a higher share of sustainable materials in inspiring and qualitative assortments
- Overcome difficulties in retrieving sufficient information from external brands
- Deepen internal knowledge of alternative design methods
- Continue the proactive quality and chemical management to ensure safe products and reduce costs and waste

This is the starting point of our activities where we reconcile conclusions from previous seasons to improve and design quality products. Strategies, demands and goals are determined to generate long-term business operations. The planning of fashion ranges includes collection strategy, sourcing volumes and materials choice. This phase generates indirect social and environmental consequences as it sets prerequisites for where production is sourced, what tests to carry out and what products to develop.

## Quality assurance

### Planning

RNB has a dedicated CSR and quality department composed of textile engineers and quality controllers located at the production office. The department develops practices and sets demands to ensure quality, including ensuring that specific product safety and chemical standards are followed. An important part of their work is providing support and training to other departments and stores to create the right conditions for making choices that respect social and natural resources.

RNB applies the precautionary approach in its risk assessments and planning. This approach is implemented throughout the sustainability strategy. RNB has signed agreements with suppliers to clarify requirements, policies and restrictions which they are obliged to follow.

### Controlling and testing

To evaluate materials choice and to ensure quality, thousands of quality, safety and chemical tests are performed on our products. The tests are mainly carried out at accredited third-party laboratories, although RNB conducts some tests in-house. Apart from this, RNB conducts quality inspections in factories, where checkups reveal whether products maintain the company's standards. Even though these tests and controls are executed in the production phase, the planning and the focus on what to evaluate is determined early in the sustainability strategy. For example, during the financial year 2017/2018 there was a sharp increase of 30 % in quality inspections compared to the previous year. Special emphasis was placed

on the pre-production phase to identify potential quality issues earlier in the process.

When quality problems are identified early on in production, this can ensure that shipments are sent on schedule and may reduce both costs and waste of resources. Continuous quality controls ensure that no unauthorized production takes place. Follow-ups of the quality inspections are reviewed alongside the fashion range departments each season to ensure a rapid response for upcoming and planned products. If quality problems occur, these are communicated to suppliers to avoid problems being repeated, and manuals and routines are explained and clarified to facilitate work improvements.

### Sustainable fibers

RNB uses a variety of raw materials that influence local communities and the environment. Depending on the functionality of garments, different fiber compositions are appropriate, but as the preparation of raw materials puts considerable pressure on the environment, RNB works to improve the use of sustainable fibers in its fashion ranges.

During the year, both Polarn O. Pyret and Brothers increased the share of sustainable fibers as a result of strategic mapping of the fashion ranges and clearer goals. In the previous financial year, 42% of Polarn O. Pyrets garments were made from sustainable fibers, while these figures had increased to 69% in 2017/2018. The change is equally positive when it comes to Brothers, which had a 5% share of sustainable fibers in 2016/2017, which increased to 37% in 2017/2018.

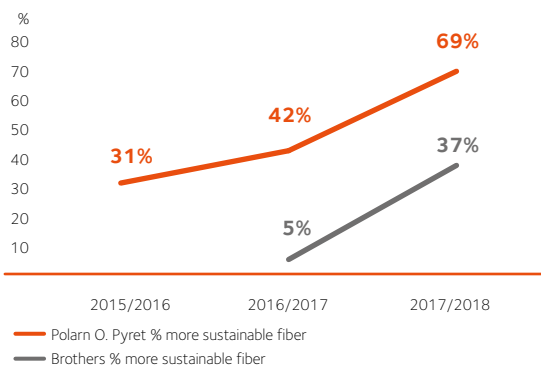
### Cotton development

Cotton is a resource-intensive fiber and the most common material used in RNB's fashion ranges. For example, cotton preparation requires extensive water resources and water-related risks are central to the retail industry. At RNB, the usage of water resources shall not be in conflict with local communities' ability to access clean and safe water. Therefore, sustainable water management is an integral part of RNB's work. By combining a higher proportion of sustainable fibers with strong retail alignments, RNB creates concrete methods to limit risks relating to raw materials and water usage.

In addition to increasing the share of sustainable fibers in its fashion ranges, RNB contributes to limiting material risks by producing certified organic cotton, being part of the Global Organic Textile Standard (GOTS) and through its Better Cotton Initiative (BCI) membership. The BCI membership finances initiatives such as training farmers in more sustainable cultivation methods and represents a sustainable production option as a complement to the Swedish Textile Water Initiative (STWI), which focuses on sustainable resource management. During the financial year 2017/2018, RNB's BCI membership trained 450 farmers in sustainable cultivation methods

Within retail there are many types of certifications for sustainable materials, where the GOTS label represents best practice. This means that each stage in the production chain—such as dyeing, printing and sewing—is inspected and certified by an independent party according to strict criteria for environmental impact, working conditions and quality standards. RNB will continue to work with GOTS and set targets on how to raise our share of GOTS-certified products.

### Sustainable fiber development, % produced pieces



### Recycled materials

In addition to increasing the share of sustainable cotton, Polarn O. Pyret introduced swimwear featuring UV protection manufactured in recycled polyamide in 2015. From summer 2016 onwards, all sun protection garments have this composition. The garments are composed of 78% recycled polyamide and 22% elastomer. The relatively high proportion of elastomer in the garments means that the fabric can be knitted tightly, letting through little of the sun's UV rays, thus providing an effective sun screen without requiring chemical proofing. To ensure that the sun protection works optimally, Polarn O. Pyret tests all sun protection garments and sun protection hats at an external lab ahead of each season.

### Chemical demands

*Prohibition and restriction of hazardous chemicals*  
Chemical elements are the building blocks of life, and clothing is no exception. However, being part of the retail industry, one of our main challenges is to use suitable chemicals in the right quantity. All products sold through RNB's subsidiaries are covered by and should meet the European chemical legislation REACH and equivalent legislation on other markets. RNB works to ensure that demands are updated based on new research, recommendations and progress in the chemicals field. RNB thoroughly investigates chemicals usage in its products and routinely upgrades its chemical demands to manage potential risks.

During this year, there were no breaches of chemical legislation based on REACH, although the RNB Group was under evaluation by a Norwegian environmental organization. The evaluation related to the chemical perfluorocarbons (PFC) in a pair of shell trousers from Polarn O. Pyret's fashion range. The organization claimed that they found traces of PFC in the product. At RNB we viewed this claim with great respect and we welcome organizations to investigate us and the retail industry's work. However, RNB carried out extensive re-testing of the product but failed to find any traces of PFC. We strongly distance ourselves from this claim as Polarn O. Pyret has phased out PFC in all its products since 2015.



## **Four cornerstones for reducing the use of hazardous chemicals**

### *1. Monitoring research and legislation*

RNB carefully follows developments in the chemicals field and participates in the Chemicals Group operated by IVF SWEREA, and other initiatives. The group, which is composed of members from the industry, is an important tool for identifying risks and ensuring sufficient knowledge about chemicals and legislation. The group's work is determined and funded by group members, as well as government action plans such as the "Non-toxic everyday life" initiative. To ensure product safety, RNB bases its decisions on the strictest legislation in our sales countries. Additionally, and in many cases, we apply tougher requirements than is required by law to ensure product safety.

### *2. Requirements and information to suppliers*

RNB has its own list of prohibited chemicals that cannot be used in production, which is based on legislation, industry standards and the company's internal goals. For example, Polarn O. Pyret and Brothers have both phased out all perfluorocarbons (PFC) from their fashion ranges and only use water repellent treatments which are not based on PFC.

All suppliers that participate in the production of RNB's proprietary brands are obliged to sign and understand the list, and to ensure that any subcontractors are also made aware of the requirements. Suppliers of external brands must guarantee that they implement independent measures to ensure that they meet legal requirements. By monitoring the supply chain through internal and external inspections, chemical processing is always controlled and discussed.

### *3. Tests*

Laboratory tests of chemicals in garments taken out of production are conducted regularly at independent accredited laboratories. Each season, additional random checks are carried out on existing products in stores. All tests are conducted based on a materiality analysis of the chemicals in the chemicals stop list, and on a risk assessment of products, processes and suppliers. During the year, chemical testing continued to evolve to become more qualitative, and RNB were able to execute more targeted tests resulting in effective resource and risk management.

RNB identifies if and, where applicable, in what way target customers may be exposed to hazards. RNB removes the hazards wherever possible. For hazards that cannot be removed, we act to reduce the associated risks to an acceptable level.

### *4. Certified products*

RNB works with products and components that are certified by independent partners subject to chemical content requirements such as GOTS and Oeko-Tex. For example, Polarn O. Pyret's classic stripes in red/white and blue/white are GOTS-certified, while Oeko-Tex certification includes textile labels, zips and buttons on all GOTS-product.



## Challenges & opportunities

- Continuing to create strong collaborations to increase sustainability progress in production
- Develop better tools for evaluation and improvements of producers
- Continue the stable transformation of working conditions through education and corrective action plans
- Further reduce the share of non-audited production units
- Remediate and further ensure continuous safe factories in Bangladesh
- Widen the insight in upstream production to create transparency and continuous improvements

In the retail industry, production represents the largest proportion of the environmental and social impact through direct and indirect emissions, water management and workplace conditions. Based on quality standards, the BSCI Code of Conduct, business alignments and demands on suppliers, it's at the production stage that RNB executes the control and auditing that ensures social and environmental compliance and allows us to understand where the challenges and opportunities lie. Close collaborations, clear policies and incentives for improvements are key success factors, and production is governed by systematic controls, as well as action plans for social and environmental initiatives that ensure long-term production.

## Supplier development

### Supplier strategy

On our major selling markets, we're considered a medium-sized operator, but on our production markets we're a very small player. Therefore, apart from creating sustainable fashion ranges, positive buying practices and long-term business relationships with our suppliers, it's also important to establish strong collaborations. We do this through our memberships in organizations, participation in initiatives and projects, and inclusion in Accords, where shared knowledge and strength can drive action for more sustainable production alongside our suppliers through training initiatives, corrective action plans and follow-up audits.

In order to start a business relationship, all suppliers have to sign the RNB Master purchase agreement, which regulates matters such as the supplier's obligation to follow the amfori BSCI Code of Conduct. RNB evaluates its suppliers ahead of each season, and bases its production strategy and supplier-specific plans on this assessment. In our due diligence process, we consider social as well as environmental criteria before approaching a new market. Furthermore, factors such as product quality, on-time delivery and price are key aspects of our regular supplier screening, and are included in the selection process for new suppliers.

### Production chain

RNB doesn't own factories, and production of proprietary brands is outsourced to suppliers. In the fiscal year 2017/2018, RNB collaborated with 100 production units

in 15 countries. RNB seeks to minimize the number of intermediaries and limit the total number of suppliers. The aim is to engender close relationships with selected suppliers to optimize production control. Over the past three years, the number of production units has remained largely stable, with a slight increase in numbers. The main reason was the pursuit of improved margins, sustainable materials and GOTS production. Since most of production takes place in Asia, and 88% of factories are located in risk countries, RNB implements a range of solutions to engage more closely with production units. This work mainly takes place through RNB's production office in Hong Kong and via our agent offices in Turkey and India. These offices carry out tasks such as sourcing suppliers, negotiating orders, administrating supplier contacts, carrying out quality inspections and nurturing supplier relations

Over the past three years, there's been a slight shift between production countries. Although most of our production remains stable in China, the share is decreasing due to the need to find suppliers better able to provide GOTS and casual-wear production. Bangladesh remains the second largest production country, and the share is increasing. Suppliers in Bangladesh primarily provide volume orders in organic cotton and GOTS-production. The denim ranges are certified by BCI, focusing on increasing the share of organic cotton. All Bangladesh suppliers are within the scope of the Accord in terms of ensuring the building, fire and electricity safety of production. India has grown to become the third largest production country. India primarily provides RNB with casual products in organic cotton and GOTS-production.

**Supplier evaluation**

Evaluation of the supplier's ability to satisfy RNB's requirements. →

**Planning and initiatives for continuous improvements**

Important activities to be carried out during the year are specified in a plan, and a manager is appointed to drive the process alongside suppliers. Examples include inspections or improvements based on the Code of Conduct, production adjustments aimed at assuring quality or delivery instruction training. A discontinuation plan is established for suppliers that fail to satisfy the requirements.

→ **Supplier evaluation**

**Collaboration with new suppliers**

<i>Sourcing</i>	<i>Analysis and control</i>	<i>Drafting of contracts</i>	<i>Registration</i>	<i>Production tests</i>
The need for a new supplier is identified, and the type of supplier specified. Suppliers that match the profile are secured through a series of visits and meetings.	The new supplier's potential is reviewed in factory visits to ensure that they satisfy minimum requirements regarding working conditions, and to ensure that production is appropriate for the type of product to be manufactured.	The supplier receives training in RNB's sourcing requirements, including delivery instructions, quality requirements and Code of Conduct. Once these factors have been approved, the parties sign a framework sourcing agreement.	Complete information about the supplier and its factories is entered into the order system.	The first orders are placed and are carefully monitored to ensure that all specifications are met.

**Factory inspections**

RNB utilizes a mix of external and internal inspections to manage risks in a structured manner. Over the last

three years, the number of inspections relating to social compliance has increased by 8%, and the share of internal and external inspections has varied somewhat.

**BSCI audit** – The external amfori BSCI audits from the basis for following up on the social improvement process. An audit includes a physical inspection of the entire factory, review of documentation and interviews with workers and factory management. All factories in risk countries are required to participate in the BSCI inspection process. The results of those audits are valid for a set cycles, depending on the findings and can vary from two months to two years and are carried out by independent accredited inspectors. The number of BSCI inspections has increased slightly over the past three years. More factories, including smaller factories and plants located in non-risk countries, are willing to participate in a BSCI audit.

**QC inspections** – Quality controllers are present for a large part of the production process. They are either RNB's own employees or employees of business partners. In addition to controlling product quality, they validate that production takes place at the specified facility and that there are no visual infringements of RNB's zero-tolerance policy. It's during these inspections that we find most in terms of the breaches of unauthorized production.

**Internal inspections** – The main purpose of RNB's internal inspections is to comply with the inspection results of the external audits, and to set action plans for corrections determined during the audits. These inspections are carried out by qualified inspectors at RNB's or agents' offices, focusing mainly on the physical working environment. Most of the follow-ups are performed at units with the most serious findings. Another purpose of the internal audits is to evaluate the status of units without valid BSCI audit, either in the existing supplier base or new production units that fit the profile for RNB's sourcing strategy.

**Safety inspections** – All factories in Bangladesh are covered by the Bangladesh Accord on Fire and Safety. These factories are subject to initial inspections and periodic follow-up inspections to monitor and verify remedial measures on fire, electricity and structural safety.

**Factory visits** – Factories are visited by buyers and merchandisers when there is a need for onsite product and production development. The overall health and safety standards in the factories are also visually inspected, using a simplified checklist to ensure that the factory meets RNB's zero tolerance requirements.

**Performance reviews** – RNB takes part in the Swedish Textile Water Initiative (STWI) where factories in active projects are reviewed by a technical team monitoring water, energy and chemical performances to produce a joint action plan based on the team's recommendations. Data is then collected on these performances and progress reports presented.

## Production improvements

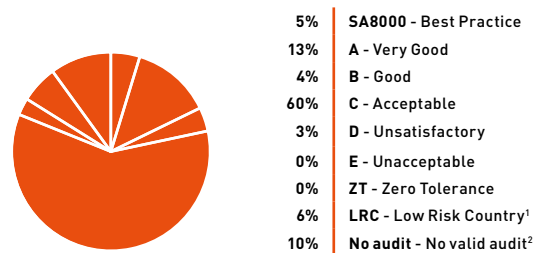
### Social compliance

The following diagram shows a breakdown of the results of inspections carried out in active factories in the financial year based on BSCI inspections. These inspections are based on the 2014 Code of Conduct and are evaluated on a scale of A-E, where A represents the top result and E and ZT indicating very serious irregularities.

The result is a weighted overall rating of the outcome in 13 subsegments. The weighting takes into account the seriousness and frequency of divergences in the respective subsegments. For minor infringements, suppliers may be given up to a year to correct the problem. In cases of serious deficiencies, suppliers may need to address the infringement immediately. If the deficiency is in a zero-tolerance area, this triggers a warning system that immediately mobilizes all brands using the factory for production to address the infringement. If a supplier is allocated an overall level D or lower, RNB assigns the case top priority internally to ensure that the deficiencies are addressed without delay.

During 2017/2018, 84% of the order value came from production units with a valid BSCI audit. 6% of the order value came from production units located in countries which BSCI has defined as “low risk countries,” for example Sweden, Germany and South Korea. RNB has prioritized audits in countries which BSCI has classified as “high risk countries,” explaining why there’s not always a valid audit result from production units in low risk countries. 10% of the order value came from production units that have no valid BSCI audit and are defined as a “risk country” according to BSCI. Half of the units are so small that it’s been challenging to audit them. During 2018, BSCI therefore initiated a new type of audit better suited to smaller facilities, implying

## BSCI audit results breakdown of order value 2017/2018



<sup>1</sup> Low risk country is defined in the Worldwide Governance Indicators (WGI) by the world bank

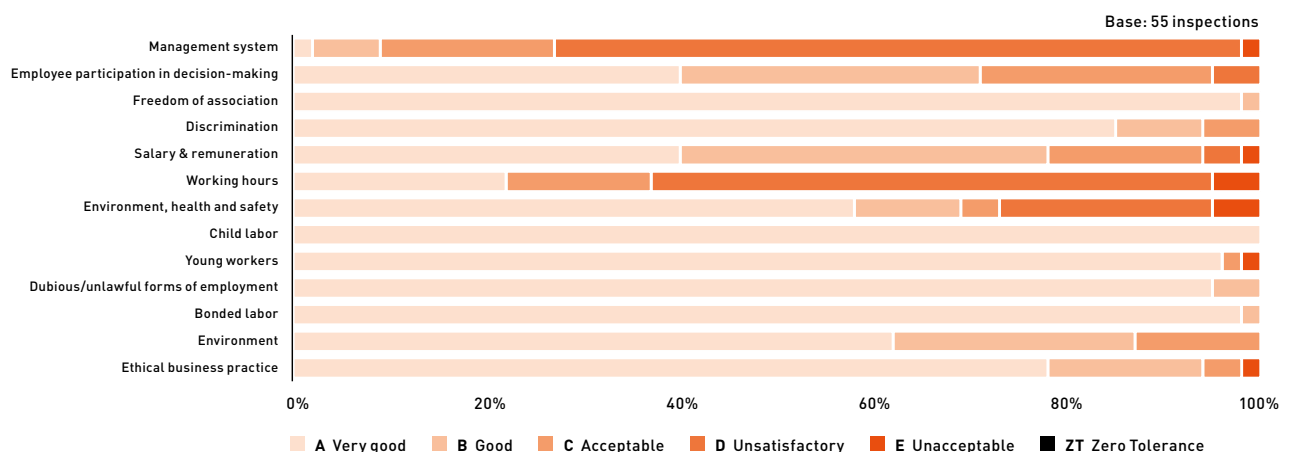
<sup>2</sup> Audit is either missing or the time period for how long the audit is valid has expired

that the “no audit” share is expected to decrease over the coming years. The other half are production units where the unit has failed to renew its audit within the set time frame, and is therefore classified as “no audit” until a new audit has been performed. The challenge has been for RNB to ensure this, as we’re not registered as responsible for the units in the BSCI process and have not been able to initiate new audits by ourselves. RNB needs to find more efficient ways to communicate the need for renewal of audits to BSCI participants with this responsibility, or try to take over the responsibility in order to improve results.

During 2017/2018, 22% of the order value came from units that have an audit result in the range between Good to Best Practice, and this share has increased over the past three years. 60% comes from production units with the average audit result C, which means that the production unit is mainly working on improving smaller deviations.

## BSCI audit result breakdown 2017/2018

The diagram illustrates the proportion of factories diverging from the requirements of the Code of Conduct in BSCI inspections of active factories in the financial year.





3% comes from units with unsatisfactory audit results, and RNB has made these production units the top priority meaning that the result has decreased significantly over a longer period, but has been a quite steady and low rate over the past three years.

When analyzing the results, most areas are improving over time or remain stable at a high level (A or B), which indicates that working with amfori BSCI generally contributes positively to the sustainable development goals. However, there are two areas with a negative trend: Management systems and Working hours. These areas have a negative trend in general, not only at RNB production units. Over the coming years, RNB needs to focus on training production unit management teams to increase the understanding of the critical nature of a fully functional management system for driving long term improvements in all other areas. Training also needs to be focused on fair remuneration and decent working hours. At RNB, we need to further analyze our own buying practices to minimize production delays that may cause increased overtime.

The RNB Group has zero tolerance of child labor, and in the financial year 2017/2018 there were no documented incidents of significant risk of child abuse. There is a general perception that even though the outcome of the audit results is very good in the areas of Child labor and Bonded labor, there is a risk that these issues have moved further upstream in production. To respond to these risks, RNB has started a pilot project to understand and analyze both social and environmental sustainability further upstream in tier 2. Another risk is that the status of the areas of Freedom of associations and Discrimination are difficult to catch in audits or in the BSCI grievance mechanism. Therefore, RNB needs to further analyze if and where there are discrepancies that don't show up in the reports.

### Fire and building safety

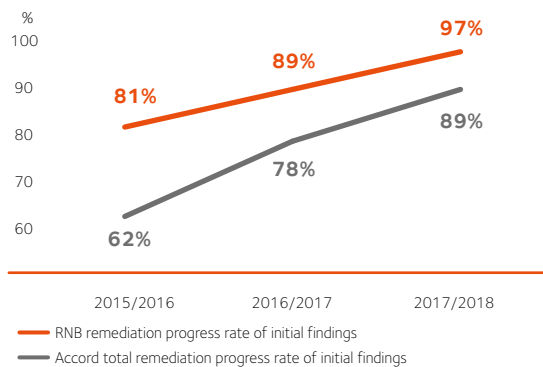
As a signatory of both the former Accord on Fire and Building Safety in Bangladesh and the new 2018 Accord, RNB is committed to ensuring that safety remediation is completed and financially feasible, that safety committees and safety training in all included factories are implemented and that a secure transition of Accord functions to national regulatory bodies is implemented. All production units have been inspected by the Accord and have undergone extensive work of remediating both initial and new findings. As of September 2018, 97% of all initial findings and 93% of all findings had been remediated.

### Water and chemicals management

As previously mentioned, a significant share of the environmental impact of RNB's operations arises in connection with the production of garments. In addition to the resources required to produce materials, the management of water, chemicals and energy consumption in the factories are important areas. Through RNB's participation in the Swedish Textile Water Initiative (STWI), we're part of a collaboration between some 30 Swedish textile companies aimed at jointly training suppliers and subcontractors in more sustainable energy, chemicals and water use.

Between January 2017 and March 2018, RNB's factories participated in the STWI Project in Bangladesh. Through our participation in STWI, RNB contributed to improving factories. Participation in the STWI Project helped factories to decrease energy consumption by 150,000 kWh, trained 46 management members and 156 employees, leading to the factories saving 84,000 m3 water.

### Accord remediation progress



### Challenges & opportunities

- There is an overall significant increase in greenhouse gas emissions
- Understanding the environmental footprint from transportation of external brands
- Inconsistencies in data of freight emissions
- A clear majority of all transportation remains sea freight
- Innovations in transportation techniques can eventually reduce the environmental impact
- The share of business trips by air decreases

Efficient on-time transportation from production to our customers lays the groundwork for an outstanding shopping experience while reducing environmental impact and greenhouse gas (GHG) emissions. Conversely, delays of any kind cause greenhouse gas emissions to increase. This is because freight with shorter lead times such as air and train freight, that can make up for these delays, releases significantly more greenhouse emissions than sea freight.

### Transport of goods

Transport from Asia to Sweden mainly occurs by sea routes, while transport from European producers and distribution from central warehouses to stores mainly take place by road. Air transport, which is the form of transport with the highest environmental impact and the highest cost, is used in exceptional cases when fast delivery must be prioritized for various reasons.

Emissions of GHG gasses have increased significantly over the past three years from 793 CO2ton to 1,552 CO2ton. There are multiple reasons for this, the main reason being the increase in air transport due to different kinds of delay. Other reasons include increased orders and the proportion of orders being transported for longer distances. Furthermore, there's been an increase in the scope of transportations as RNB has taken over freight agreements from significant suppliers, as well as an increase in e-commerce which has increased the number of shipments. In terms of the increase in air freight from

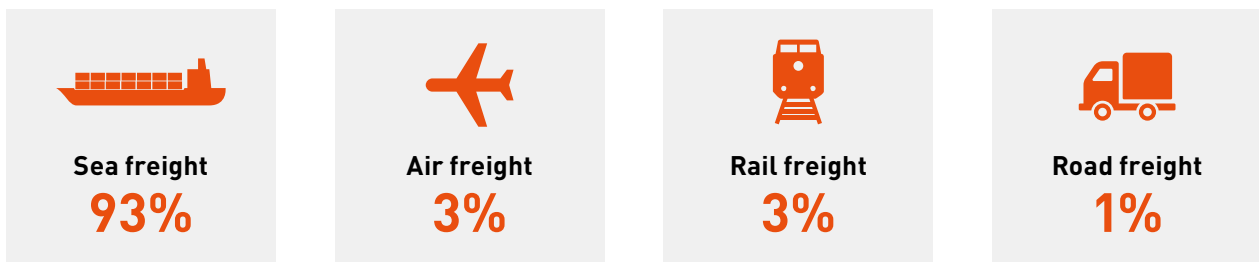
1% to 3%, there are specific reasons behind this, which is reflected in the figures for 2016/2017 and 2017/2018

The strike in the Port of Gothenburg and the cyber-attack on APM terminals globally, lead to major delays during the summer of 2017, which resulted in an increase in air freight.

Finally, there's also been challenges in production planning at some of our producers, as well as in our own fashion range planning, which has led to delays that had to be compensated for by fast deliveries by air freight.

**The logistics data for 2017/2018** is based on the period between June 2017 and May 2018. The offset of the time period is due to the long lead times for data collection with an overlap of three months. Transports to franchises of products from external brands and transports from Departments & Stores to the central warehouse, are carried out by the seller's haulers and have therefore not been included in the calculations.

### Proportion of goods flow by transport type



RNB has implemented strict routines to limit air freights to exceptional cases, which is supported by a control system whereby each potential air freight must be evaluated and validated to determine whether a better alternative could be prioritized. This has limited GHG gases to some extent, and we can see a significant increase in rail transport over the years, while efficiency has also increased both for sea freight and for transports by truck from our warehouses to stores.

Today, there are limited options for better transportation alternatives, as vehicles that run on renewable fuel are not yet available on the scale required. We're continuously seeking to source better alternatives, and over the coming year our main focus will be on decreasing the GHG emissions from our transportations.

### **Business trips**

Every year, employees at RNB complete several international and domestic trips. According to RNB's travel policy, the environmental impact should be considered in connection with travel, and whenever possible, rail travel should be chosen.

RNB receives statistics for business trips from third parties, and for 2017/2018 there were some challenges in terms of obtaining precise information about transportation by train for the full year. Even though obtaining comprehensive data has been challenging, the statistics clearly show that the use of this type of mapping enables RNB to understand the challenges and opportunities we face over time in terms of reducing our environmental impact. One of the opportunities identified was that efficient travel planning decreased CO2 emission from air travel by 13%.



### Challenges & opportunities

- Upgrade the knowledge of our sales staff to guide customers to make better choices through additional e-learning tools on sustainability.
- Forthcoming implementation of updated e-commerce platform to increase product information regarding the environmental impact.
- Further decrease energy consumption, waste of plastic bags and packaging material in stores.

Looking at RNB's environmental impact, our stores provide a relatively small proportion of the overall effect. However, we always consider the environment in connection with new establishments or renovations of existing stores. Environmental awareness has increased in retail, and landlords are offering better opportunities to build more sustainable stores. Furthermore, it's the day-to-day interactions of our sales experts that guide customers to make conscious consumer choices.

### Services

During the financial year 2017/2018, the CSR and quality department upgraded toolboxes and educated store staff at Polarn O. Pyret in sustainability labeling, customer claims guidance, care instructions and chemical restrictions to ensure that our sales associates are experts on the fashion ranges and have the right knowledge about the garments' social and environmental impact.

On the subsidiaries' e-commerce platforms, customers will find information about care instruction and sustainability labeling that makes it easier to make conscious shopping decisions. Over the coming year, RNB will continue to work on developing its staff training and the sustainability information on its e-commerce platforms in order to improve knowledge about and accessibility to sustainable shopping.

### Operations & wrapping

#### *Energy and recycling*

In the financial year 2017/2018, Brothers and Polarn O. Pyret reused most the packaging from central warehouses in its stores. 15,300 (11,830) cardboard boxes were reused, and once the boxes were worn out they were recycled as corrugated cardboard. In previous years, limited storage made it challenging for Departments & Stores to reuse packaging materials. This year, Departments & Stores improved packaging by introducing reusable boxes that can be folded multiple times, which has reduced the use of cardboard boxes. The energy used in RNB stores that are able to determine their own energy providers independently originates from renewable energy sources, reducing the overall environmental footprint. Additionally, during the year RNB's energy efficiency increased as a result of the company's redevelopment plan. Strategic decisions such as the installment of LED lightning are applied to renovations to increase efficiency.

#### *Plastic bags*

In RNB stores, we follow legislation and inform our customers of the environmental impact of plastic bags, the benefits of reducing usage and provide suggestions on reducing consumption. During the financial year 2017/2018, Polarn O. Pyret and Brothers started to charge customers for bags with the aim of decreasing the number of disposable products. All earnings from plastic bags are donated by Polarn O. Pyret and the World Childhood Foundation received a donation of SEK 80,000 in the year. Brothers' charity efforts are focused on their campaign against prostate cancer, which resulted in an SEK 200,000 donation to the Prostate Cancer Foundation during November – December. Moreover, plastic bags are produced using more sustainable materials derived from oyster shells and recycled plastics.

### Challenges & opportunities

- Increase resource efficiency by further reducing faulty goods and customer claims
- Minimize incineration of unsafe products
- Continue to help customer to make sustainable choices by clear product labels
- Retain the second hand value through high quality products that prolong a garment's lifecycle.
- Continue to prolong the lifecycle of products through high second hand value, repairs and rental services

Customer consumption patterns have changed in recent years due to increased knowledge about the negative social and environmental impact of high consumptions. By changing the way we consume, we can move towards reaching the global climate goals. At RNB, we want to be the sustainable option and the opposite of fast-fashion, by creating fashion that lasts and where we reuse and remake faulty products to prolong the life-cycle.

### Responsible claims

#### *Customer claims*

The safety of our customers is always paramount, which means that we control products to ensure that our safety requirements are met. RNB never sells items that could harm our customers. If cases arise where products are faulty, we handle this with care for people and the planet.

Although claims are unusual, if products are faulty but not unsafe, RNB will compensate the customer and work to solve the problem. If the fault is fixable, remedying the problem is the priority. Although this might generate additional costs in comparison to incineration, the environmental benefits are of great importance. Furthermore, damaged but functional products may be sold at a reduced price through outlet stores or donated to people in need. During the year, RNB continued to donate functioning clothes to Human Bridge.

#### *Product recalls*

If a health or safety issue arises in the supply chain, we evaluate appropriate measures. During the financial year 2017/2018, no health and safety incidents were detected by supply chain controls. Once quality control has been carried out at the production stage, fashion ranges are shipped to stores and although it's very unusual, there have been some cases where products have been identified as faulty even after production controls. In the event of such problems, RNB will recall the product. In these cases, we inform all customers on the website, by email

and in stores, and encourage customers to return the product and receive a compensation. During the year, the CSR and Quality department and one Polarn O. Pyret store identified two issues, the first regarding a push-button in a Polarn O. Pyret sweater, and the second a decorative piece on a pair of sandals. There were no confirmed safety incidents reported by customers, but as RNB adopts the Precautionary Approach the products were recalled.

Finally, RNB was issued with two fines totaling SEK 16,000 for inadequate labeling on a cosmetic product from an external brand at the NK department store. All the products were corrected or recalled from stores. RNB also contacted the external supplier to provide instructions about how the product must be corrected to ensure that the issue will not be repeated. RNB additionally examined its internal purchasing routines with regard to external brands to ensure this kind of issue won't arise again.

#### *Incineration*

For RNB, incinerating products is the final option, and should only occur if a product endangers the consumer due to its construction or for chemical reasons. For example, this could occur if RNB or its suppliers have failed to follow routines, or if test results do not appear to be representative of all products included in an order due to production variations. However, this scenario is extremely unusual and only occurs as an exception.

## Circularities

### *Circular clothing consumption*

RNB has participated in Sweden's Textiles for Recycling (T4RI) initiative since spring 2014. This project helps the textile industry to assume a proportion of its responsibility for ensuring that textiles are reused in the first instance, and then recycled optimally, and only sent for incineration as a last option. During this year, Polarn O. Pyret introduced a collaboration with Hyber, a subscription company where you can rent outerwear and exchange garments as children grow and seasons change. With this incentive, Polarn O. Pyret continues to support new ways of ensuring sustainable consumption.

To encourage customers to recycle garments, Polarn O. Pyret has provided a second-hand buy-and-sell website for several years, and has a set goal that each garment should be used by at least three children. According to Polarn O. Pyret's customer survey, its clothing ranges have a strong second-hand value and are a primary factor for choosing Polarn O. Pyret. The survey further showed that 49% of customers use all outdoor garments for a minimum of three children or more.

### *Sustainability concepts*

In spring 2017, Polarn O. Pyret launched the sustainability concept "PO.P Cares" with the aim of gathering all areas of environmental and social responsibility into a single concept to clarify its communication with customers. During the financial year 2017/2018, Polarn O. Pyret upgraded its sustainability labeling. By developing and specifying the sustainability labeling, Polarn O. Pyret aims to increase the transparency of its sustainable materials and make it easier for customers to make conscious choices.

To further increase the lifespan of garments, Polarn O. Pyret stores are equipped with replacement parts such as repair patches and zippers. In fall 2017, Polarn O. Pyret launched the PO.P Repairs service, where in-store experts help customers to repair outerwear at cost price, or free of charge for most loyalty customers, regardless of the garment's age, so that it can continue to be worn, passed on or re-sold.





**What are your visions for Brothers?**

As the new CEO of Brothers, my visions are far-reaching, and I look forward to taking the sustainability work done in Brothers to the next level. I believe that all of us at Brothers have the opportunity and potential to improve our communication strategies, especially with regard to sustainability. We've taken a number of actions in the last few years when it comes to sustainability – but we haven't communicated it effectively. Going forward, we'll be focusing not only on our sustainability initiatives, but also on communicating them more clearly.

**What is sustainability for you?**

To me, sustainability is a question that we all need to consider on a daily basis in order to ensure positive progress. I think that Brothers' fashion range represents a typical example of how sustainability can be applied in practice. Just look at our returns statistics, which are virtually nonexistent. Moreover, when high quality products are combined with the expertise of our staff, who are specialists in fitting and tailoring, we help our customers to make more conscious choices suited to their needs and body type. So, I believe that the combination of high quality and tailoring expertise in our stores are the cornerstones of our sustainability work.

“I believe that the combination of high quality and tailoring expertise in our stores are the cornerstones of our sustainability work”

**Why is sustainability important in the first place?**

Promoting sustainable solutions is crucial as the problems simply won't disappear by themselves. In retail, these issues require direct and firm action. Although we've come a long way, the challenges are complex. Still, I remain hopeful as it's clear that the retail industry and other resource-intensive businesses are building alliances in order to take joint responsibility and generate solutions.

**But Brothers have previously been ranked as a non-sustainable brand, how do you respond to this?**

We need to change that perception! We dug deeper into the ranking and understood that the reason behind it was more a lack of communication than a lack of sustainability initiatives. Recently, we've been phasing out all chemicals of perfluorocarbons (PFC) for example, and we've set targets for usage of sustainable materials. We continuously increase the share of sustainable materials

in our products but not enough people know about it! Going forward, we'll continue to focus on improving our sustainability work, but we'll also increase the focus on communicating what we do.

“We continuously increase the share of sustainable materials in our products but not enough people know about it!”



**Lina Söderqvist**  
CEO, Brothers



#### What does sustainability mean to Departments and Stores?

At Departments & Stores, we focus on product quality beyond the ordinary, with products from over 600 local and international, premium and luxury brands. By combining innovative ideas and luxury fashion ranges, we want to enable consumers to make more conscious choices. Our business activities are pervaded by the idea that our products are the opposite of fast fashion, which is one of the most pressing concerns for ensuring sustainability.

“By combining innovative ideas and luxury fashion ranges, we want to enable consumers to make more conscious choices.”

#### How do luxury products correlate to sustainability?

We curate customized and timeless design to fulfill expectations from our intelligent and aware customer groups. This includes a sustainable mindset that aims to decrease mass consumption and increase product durability through luxurious and carefully selected fashion ranges. This means that we represent brands with a special focus on sustainability. Filippa K provides a good example, one of the most well-known Swedish fashion brands, or All Blues, where the gold and silver jewelry is made

of recycled materials and produced in Sweden. In the cosmetics range, Hourglass and Kester Black are excellent examples of brands that offer pioneering solutions with clear environmental and ethical profiles.

In 2016, we launched the business concept Man of a kind, which is an e-commerce platform for premium men's fashion where we've expanded our products to new customers who don't live in proximity to the department stores. I'm pleased that we at Departments & Stores represent the first choice of an ever-growing consumer group who are conscious of social and environmental developments.

#### How do you ensure sustainable business with so many external brands?

We regularly upgrade and follow up requirements and standards with our partners to ensure that production processes meet our demands regarding transparency, supply chain conditions and environmental impact. I acknowledge the challenge in receiving sufficient information, as this type of work requires extensive resources and continuous learning. However, by establishing a close dialogue with our partners and brands, we aim for continuous improvements.

“We regularly upgrade and follow up requirements and standards with our partners to ensure that production processes meet our demands.”

#### How do you work with sustainability internally?

Internally, we look for innovative, sustainable solutions and it's one of the important pillars of our corporate culture and a mindset we put effort behind. This year, an example was provided by one of our staff members, who initiated a project that replaces the regular cardboard packaging with reusable boxes. This increases the lifespan of packaging and decreases the use of disposable products.



**Yvonne Magnusson**

Acting CEO, Departments & Stores



The earth is a hand-me-down; our clothes should be handed down too



#### Why is sustainability important to you?

For me, sustainability is about responsibility and consideration. Consideration for my surroundings, for the environment and for future generations. For us at Polarn O. Pyret, sustainability has been integrated in our business model since the very beginning in 1976, where the founding idea was to make quality clothes that are easy to care for and durable enough to be inherited for generations. By having the children's best interests at heart as a starting point for everything we do, sustainability becomes the natural approach to how we create and develop our products.

“Having the children's best interests at heart as a starting point for everything we do, sustainability becomes the natural approach to how we create and develop our products”

#### How do you ensure that the ideas and activities are sustainable?

I believe that sustainability is also about change, we need to change how we think about consumption and our surroundings. To ensure that our decisions and activities continuously make us develop and improve, we adopt very specific targets that we work

towards and evaluate our work against. For instance, by 2020, 100% of all our cotton will be organic, at least 50% of our cotton will be GOTS certified and all our garments up to size 80 GOTS certified. We also strive to be leading in sustainability by engaging all our employees to take initiatives and to establish business practices beyond the legal requirements.

“By 2020, 100% of all our cotton will be organic, at least 50% of our cotton will be GOTS certified and all our garments up to size 80 GOTS certified”

#### What do you mean by engaging employees?

Polarn O. Pyret's vision is to produce fashion ranges of high quality clothes where children's needs and wants lie at the core of creation. To do this, we encourage a corporate culture aimed at inspiring and raising awareness about sustainability. For example, this year we launched the concept of PO.P Innovation, where all employees were encouraged to put forward ideas on how to improve the business. We were thrilled to see how sustainability was an essential part of many of the contributions, and to understand how these questions really are integral to our employees' way of thinking.

#### Where do you see Polarn O. Pyret in the future?

Looking ahead, I want to encourage everyone in the company to continue to develop our activities – we're doing a lot of great sustainability work, but we can always do more and better. I want Polarn O. Pyret to be perceived as the leader in sustainability, which is also what we've been over the last decade, when we've been acknowledged as Sweden's most environmentally friendly company. I want to continue to communicate all our initiatives and refine our transparency with regard to our stakeholders. For example, increasing the share of certifications such as GOTS in our fashion ranges ensures transparency, as these types of collaboration focus specifically on improving transparency in the supply chain.



**Nanna Hedlund**

CEO, Polarn O. Pyret



## Consolidated sustainability data

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# Human Recourses

Number of employees	2017/2018	2016/2017	2015/2016
Total	1021	1047	1025

Age and employee turnover	2017/2018
Average age, years	36
Average period of employment, years	6
Employee turnover, %	8%

Personal health and safety	2017/2018
Total sick leave	4%
Short-term sick leave	2%
Long-term sick leave	2%

Employees, gender	2017/2018	2016/2017	2015/2016
Men	19%	16%	16%
Women	81%	84%	84%

Board of Directors, gender	2017/2018	2016/2017	2015/2016
Men	4	4	4
Women	2	2	2

Board of Directors, age	2017/2018	2016/2017	2015/2016
Below 30	0	0	0
30-50	1	1	2
Above 50	5	5	4

Management group, gender	2017/2018	2016/2017	2015/2016
Men	5	5	3
Women	4	4	4

Management group, age	2017/2018	2016/2017	2015/2016
Below 30	0	0	0
30-50	6	6	4
Above 50	3	3	3

CEOs, gender	2017/2018	2016/2017	2015/2016
Men	1	2	2
Women	3	2	2

RNB employees training programs	2017/2018	2016/2017	2015/2016
Number of sessions	9	13	10
Number of participants	118	171	108

# Design & purchasing

The RNB definition of more sustainable fiber comprises: GOTS certified fibers and production, certified organic fiber, certified recycled fiber and Better Cotton.

<b>POP % share of more sustainable fiber</b>	<b>2017/2018</b>	<b>2016/2017</b>	<b>2015/2016</b>
POP % more sustainable fiber	69%	42%	31%
POP % conventional fiber	31%	58%	69%

<b>POP % share of more sustainable cotton (including BCI)</b>	<b>2017/2018</b>	<b>2016/2017</b>	<b>2015/2016</b>
POP % more sustainable cotton	95%	57%	36%
POP % conventional cotton	4%	43%	64%

Goal 2020: 100% organic cotton of which <50% is GOTS cotton

<b>POP % share of recycled fiber</b>	<b>2017/2018</b>	<b>2016/2017</b>	<b>2015/2016</b>
POP % recycled fiber	2%	2%	3%
POP % virgin fiber	98%	98%	97%

<b>Brothers % share of more sustainable fiber</b>	<b>2017/2018</b>	<b>2016/2017</b>
Brothers % more sustainable fiber	37%	5%
Brothers % conventional fiber	63%	95%

<b>BR % share of more sustainable cotton (including BCI)</b>	<b>2017/2018</b>	<b>2016/2017</b>
Brothers % more sustainable cotton	53%	7%
Brothers % conventional cotton	47%	93%

Goal 2021: 100% more sustainable cotton

# Production

## RNB number of production units and production countries with order value

	2017/2018	2016/2017	2015/2016
Number of units	100	112	113
Number of countries	15	14	16

## RNB production countries, % of order value

	2017/2018	2016/2017	2015/2016
<b>Countries<sup>1</sup></b>			
China	57%	60%	66%
Bangladesh	11%	9%	9%
India	8%	6%	4%
Lithuania	7%	8%	8%
Republic of Korea	4%	3%	3%
Turkey	4%	5%	6%
Myanmar	3%	4%	0%
Cambodia	1%	0%	0%
Romania	1%	1%	1%
Vietnam	1%	0%	0%
Other <sup>2</sup> (Croatia, Pakistan, Sweden, Italy, Germany)	2%	3%	2%

1 Due to replenishment production the order value can't be calculated exactly for production in Latvia, but is approximately 1% of the order value.

2 The countries represented in the <1% category vary over the years, implying that the specification is only valid for 2017/2018.

## Share of production countries

	2017/2018	2016/2017	2015/2016
Risk country <sup>1</sup>	88%	85%	80%
Low risk country	12%	15%	20%

1 Risk country is defined in the Worldwide Governance Indicators (WGI) by the world bank

## Share of internal and external inspections

	2017/2018	2016/2017	2015/2016
External inspections <sup>1</sup>	35%	52%	36%
Internal inspections <sup>2</sup>	65%	48%	64%
Total number of inspections	168	126	155

1 BSCI audits and SA8000 audits

2 RNB factory assessments, RNB factory visits and Agent assessments.

## BSCI audit results breakdown of order value in the total supplier base

	2017/2018
SA8000 - Best Practice	5%
A - Very Good	13%
B - Good	4%
C - Acceptable	60%
D - Unsatisfactory	3%
E - Unacceptable	0%
ZT - Zero Tolerance	0%
LRC - Low Risk Country <sup>1</sup>	6%
No audit - No valid audit <sup>2</sup>	10%

1 Low risk country is defined in the Worldwide Governance Indicators (WGI) by the world bank

2 Audit is either missing or the validity period of the audit has expired

	2017/2018	2016/2017	2015/2016
<b>Zero tolerance issues</b>			
BSCI zero tolerance	0	0	0
RNB zero tolerance	2	0	9

## Share of quality controls of total number of orders

	2017/2018	2016/2017	2015/2016
% QC/orders	213%	165%	169%

## Accord remediation progress

	2017/2018	2016/2017	2015/2016
RNB remediation progress rate of initial findings	97%	89%	81%
Accord total remediation progress rate of initial findings	89%	78%	62%
RNB remediation progress rate of total findings	93%	88%	82%
Accord total remediation progress rate of total findings	87%	79%	69%
Number of remediated active factories	4/6	2/5	0/5

<b>BSCI producers training programs</b>	<b>2017/2018</b>	2016/2017	2015/2016 <sup>1</sup>
Number of RNB producers completed BSCI courses	22	37	21
Number of RNB producers completed BSCI courses connected to Human Rights	4	15	6

<sup>1</sup> Data is missing from Q3, Q4 2015

<b>Accord workplace training programs</b>	<b>2017/2018</b>	2016/2017	2015/2016
Number of factories with orders with active safety committee	4/6		
Number of safety committee trainings	5	14	0
Number of all employees trainings	4	4	0

<b>STWI project output</b>	<b>2017/2018</b>	2016/2017	2015/2016
Number of factories participating	4	4	
Water savings, m3	84	168	
Reduction in electricity use in kWh	1,494,540	91,554,738	

## Logistics

The logistics data for 2017/2018 is based on the period between June 2017 and May 2018. The offset of the time period compared to this financial year is due to the long lead time of collecting the data from transporters. This causes an overlap of data of three months of the previous reported data for 2016/2017. During this specific period, there was an extensive strike in the Port of Gothenburg and a cyber attack on APM terminals which is presented in the figures for both 2016/2017 and 2017/2018.

<b>Volume of transported goods, emissions and efficiency for inbound and outbound transports</b>	<b>2017/2018</b>	2016/2017	2015/2016
TonKm	31,330,618	25,970,996	25,149,628
Emission CO2e (ton)	1,552	1,233	793
CO2 gram/tonKm	50	47	32

<b>Share of consignments per transport type, % tonkm</b>	<b>2017/2018</b>	2016/2017	2015/2016
<b>Type of freight</b>			
Sea freight	93%	92%	96%
Air freight	3%	4%	1%
Rail freight	3%	2%	0%
Road freight	1%	2%	2%

<b>Business trips</b>	<b>2017/2018</b>	2016/2017	2015/2016
Flight mileage (km)	7,563,910	8,667,450	
CO2 (kg)	136	156	
Tickets	484	580	

# GRI content index

GRI standard	Disclosure number	Disclosure title	Location of disclosure	Note
<b>GRI 102: General disclosures 2016</b>	102-1	Name of the organisation	4	
	102-2	Activities, brands, products, and services	6-7	
	102-3	Location and headquarters	6	
	102-4	Location of operations	6-7	
	102-5	Ownership and legal form	6	
	102-6	Markets served	6-7, 22, 38	
	102-7	Scale of the organization	6-7	
	102-8	Information on employees and other workers	16-17, 36	Due to limitation in the data we are only able to report the total number of employees based on gender.
	102-9	Supply chain	22	
	102-10	Significant changes to the organisation and its supply chain	22	
	102-11	Precautionary Principle or approach	29	
	102-12	External initiatives	8, 12-13, 20-25	
	102-13	Membership of associations	15	
	102-14	Statement from senior decision maker	5, 31-33	
	102-15	Key impacts, risks, and opportunities	12-13, 19, 22, 27, 29	
	102-16	Values, principles, standards and norms of behavior	8, 12-17, 22	
	102-17	Mechanisms for advice and concerns about ethics	14-15	
	102-18	Governance structure	4	
	102-40	List of stakeholder groups	9-10	
	102-41	Collective bargaining agreements	17	Due to limitation in the data we are not able to report on the percentage, but instead we describe in which regions the agreements are applied.
	102-42	Identifying and selecting stakeholders	9-11	
	102-43	Approach to stakeholder engagement	9-11	
	102-44	Key topics and concerns raised	9-11	
	102-45	Entities included in the consolidated financial statements	See note	Information can be found in RNB Retail and Branda Financial Review, page 35.
	102-46	Defining report content and topic Boundaries	9-10	
	102-47	List of material topics	11	
	102-48	Restatements of information	See note	In case of occurrence, this is reported in connection with relevant topic
	102-49	Changes in reporting	11	
	102-50	Reporting period	4	
	102-51	Date of most recent report	4	
	102-52	Reporting cycle	4	
	102-53	Contracts point for questions regarding the report	44	
102-54	Claims of reporting in accordance with the GRI Standards	4		
102-55	GRI content index	40-42		
102-56	External assurance	43		
<b>GRI 103: Management approach 2016</b>	103-1	Explanation of the material topic and its Boundary	See note	The management approach is presented in connection with each material topic
	103-2	The management approach and its components	See note	The management approach is presented in connection with each material topic
	103-3	Evaluation of the management approach	See note	The management approach is presented in connection with each material topic



GRI standard	Disclosure number	Disclosure title	Location of disclosure	Note
<b>ECONOMIC</b>				
<b>GRI 201: Economic performance 2016</b>	201-1	Direct economic value generated and distributed	7	
<b>GRI 205: Anti-corruption 2016</b>	205-1	Operations assessed for risks related to corruption	14	Due to limitation in data, we focus on describing how we assess risk related to corruption.
	205-2	Communication and training about anticorruption policies and procedures	14-15	The information has not been broken down by employee category or region, as the same approach has been applied to all partners and employees.
	205-3	Confirmed incidents of corruption and actions taken	14-15	
<b>ENVIRONMENTAL</b>				
<b>GRI 301: Materials 2016</b>	301-2	Recycled input materials used	29-30	Due to limitation in the data, we are unable to report on percentage of recycled input material used. Instead we report incentives to increase the life-span of garments
	Own indicator	Share of more sustainable materials used in our garments	20, 37	
<b>GRI 302: Energy 2016</b>	302-4	Reduction of energy consumption	25, 28, 39	Due to limitation in the data, we are unable to report on percentage of energy reduction within our own stores. As a complement, we describe initiatives aimed at reducing energy consumption
<b>GRI 303: Water 2016</b>	Own indicator	Initiatives for more sustainable water management	20, 25, 39	
<b>GRI 305: Emissions 2016</b>	305-1	Direct (Scope 1) GHG emissions	27-28	
<b>GRI 306: Effluents and waste 2016</b>	Own indicator	Share of stores with recycling systems	28	
<b>GRI 307: Environmental compliance 2016</b>	307-1	Non-compliance with environmental laws and regulations	29	
<b>GRI 308: Supplier environmental assessment 2016</b>	308-1	New suppliers that were screened using environmental criteria	22	
<b>SOCIAL</b>				
<b>GRI 401: Employment 2016</b>	401-1	New employee hires and employee turnover	36	
<b>GRI 403: Occupational health and safety 2018</b>	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	17, 36	
<b>GRI 405: Diversity and equal opportunity 2016</b>	405-1	Diversity of governance bodies and employees	17, 36	
	405-2	Ratio of basic salary and remuneration of women to men	17	Due to limitations in the data, we were unable to gather information regarding basic salaries. Instead we report on how we work to ensure equal salaries.
<b>GRI 406: Non-discrimination 2016</b>	406-1	Incidents of discrimination and corrective actions taken	17	Due to limitations in the data, we were unable to gather information regarding incidents of discrimination. Instead we report on how we work to combat discrimination.
<b>GRI 407: Freedom of association and collective bargaining 2016</b>	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	24-25	
<b>GRI 408: Child labor 2016</b>	408-1	Operations and suppliers at significant risk for incidents of child labor	24-25	

<b>GRI standard</b>	<b>Disclosure number</b>	<b>Disclosure title</b>	<b>Location of disclosure</b>	<b>Note</b>
<b>GRI 409: Forced and compulsory labor 2016</b>	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	24-25	
<b>GRI 412: Human rights assessment 2016</b>	412-1	Operations that have been subject to human rights reviews or impact assessments	24-25	
<b>GRI 414: Supplier social assessment 2016</b>	414-1	New suppliers that were screened using social criteria	22	
<b>GRI 416: Customer health and safety 2016</b>	416-1	Assessment of the health and safety impacts of product and service categories	19	
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	29	
<b>GRI 419: Socio-economic compliance 2016</b>	419-1	Non-compliance with laws and regulations in the social and economic area	See Note	We have not identified any non-compliance with laws and regulations in the social and economic area

# Auditor's report on the statutory sustainability report

To the general meeting of the shareholders of RNB RETAIL AND BRANDS AB (publ), corporate identity number 556495-4682

## Engagement and responsibility

It is the Board of Directors who is responsible for the statutory sustainability report for the financial year 1 September 2017 – 31 August 2018 and that it has been prepared in accordance with the Annual Accounts Act.

## The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

## Opinions

A statutory sustainability report has been prepared.

Stockholm 22 November 2018

Ernst & Young AB

Johan Eklund

*Authorized Public Accountant*

Postal address:  
P.O. Box 161 42  
103 23 Stockholm

Visitors:  
Drottninggatan 33, 4th floor  
Stockholm, Sweden

[www.rnb.se](http://www.rnb.se)

Questions about the report can  
be addressed to [info@rnb.se](mailto:info@rnb.se)

