

A full-page photograph of two women standing in a lush green field with yellow wildflowers. The woman on the left has blonde hair and is wearing a dark blue dress with a white and green floral pattern. She has her arms around the shoulders of the woman on the right. The woman on the right has brown hair with bangs and is wearing a similar dark blue floral dress. She is holding a small green handbag. The background is a dense line of green trees under a blue sky with some clouds.

SUSTAINABILITY

*REPORT 2017*

LINDEX



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# WORKING FOR *A SUSTAINABLE FUTURE*

TAKING RESPONSIBILITY FOR THE ENVIRONMENT AND THE PEOPLE THAT ARE AFFECTED BY OUR BUSINESS IS OF GREAT IMPORTANCE TO LINDEX AND WE STRIVE FOR CONSTANT IMPROVEMENT.



## ‘WE ARE ON A *SUSTAINABILITY* *JOURNEY*’



For more than 60 years Lindex has created fashion for women. Everything we do, we do for our customers and we are dedicated to offering them fashion that is inspiring, affordable and made responsibly.

For us to be profitable in the long term it is essential that we work with sustainability as part of our daily business. We want to be one of the most sustainable, open and trusted companies in the industry and we focus on the areas where we can have the most impact. At Lindex we are on a sustainability journey and we continue to make progress thanks to the dedication of Lindex employees as well as our suppliers and partners who drive change and improvement every day.

For Lindex, and the fashion industry as a whole, there are many opportunities but also many challenges that we need to address. Climate change and

water scarcity are some of the biggest risks for our industry which is highly dependent upon and consumes a lot of resources. We need to move towards a circular economy where resources are used in the best way. Achieving gender equality is a precondition for sustainable development and the majority of Lindex employees, customers and the textile workers who produce our clothes are women. We need to do everything we can to have a positive impact and empower women.

We are committed to driving change towards a more sustainable future in line with the Sustainable Development Goals and UN Global Compact. For us to make progress within sustainability and have a positive impact, we can achieve the most when we join forces with partners, suppliers, peers and customers. Networks such as Swedish Leadership for Sustainable Development as well as partnerships in our supply chain are very important.

The year 2017 was one of great achievements. We are dedicated to achieving our 2020 goal of making 80 per cent of our garments from more sustainable sources. In 2017 we reached 55 per cent more sustainable fibres and continued the progress with our cotton, with 95 per cent now coming from more sustainable sources. We also continued to develop our processes as well as our dedicated work to make factories cleaner and better for workers. Our denim journey continued and we launched new Even Better Denim styles that were more sustainable than ever before. We explored new circular ways of working with our upcycled collection Re:Design. We launched WE Women by Lindex to take action for gender equality in the supply chain and work to create more equal and inclusive workplaces. We also launched the joint initiative One Bag Habit in Sweden to reduce the consumption of shopping bags and increase awareness about the negative impact of plastic bags on the environment.

Moving forward we will continue to drive change towards a more sustainable future and meet the challenges ahead. We will continue our ongoing sustainability work, such as developing transparency and responsible water management in the supply chain, exploring more circular business models and reducing our climate impact. We will also continue to contribute to gender equality and enable women in our global supply chain to fulfil their potential.

We have come a long way, but there is still a lot more to be done going forward. I want to thank all of our customers, employees and partners for joining our sustainability journey.

Elisabeth Peregi  
Interim CEO Lindex





## OUR CONTEXT

THE ACTIONS LINDEX TAKE AND THE AREAS WE FOCUS ON WITHIN SUSTAINABILITY ARE ALWAYS CONNECTED TO THE CONTEXT WE ARE IN. BELOW WE DESCRIBE FOUR AREAS THAT ARE ESSENTIAL IN THE CONTEXT OF LINDEX SUSTAINABILITY WORK.

### CIRCULAR ECONOMY

With a growing population and a growing middle class globally combined with unsustainable consumption patterns, we use up more natural resources than our planet can handle. To meet these challenges we need to use resources in the best way and move towards a circular economy. We need a system-level change to a more holistic approach that equates economic aspects to social and environmental ones. This system-level change is essential in enabling more circular business models to change ways of working from linear to circular. A circular approach is not just about recycling; it builds on resource efficiency at every stage throughout

a garment's lifecycle. The most resource-efficient strategy is to find ways to prolong the lifetime of a garment. When the garment can no longer be used or reused, the next step is to find ways to recover the fabric in the garment by, for example, remaking it into new items. Recycling is in most cases more resource efficient compared to growing or producing new fibers, but it should be considered the final step after a garment's lifetime has been maximised.

At Lindex we work in different ways to contribute to a circular economy, which we describe throughout this report. In 2017 we signed the 2020 Circular Fashion System Commitment by Global Fashion

Agenda. Global Fashion Agenda is a group working to set a mutual agenda and industry direction on sustainability in fashion. The aim of the commitment is to accelerate the transition to a circular fashion system and based on its action points we have set three goals that support this:

- By 2020, functional durability and ease of repair will be part of the design strategy for selected product groups and will add up to 10 per cent of our collection.
- By 2020 all designers, buyers and production teams will be trained in design for circularity and the training will be part of the introduction package for new staff as a basic requirement.
- By 2020 we will offer textile collection in all Lindex stores (excl franchise).

### GENDER EQUALITY

Gender equality is a fundamental human right and women's empowerment is essential for global development and economic growth. Ensuring gender equality is crucial to the health and social development of families, communities and nations. Gender equality is highly connected to and a precondition for sustainable development.

More than 60 years ago Lindex started as a lingerie company and we have a heritage and a foundation where women have always been in focus. The majority of our employees, customers and the textile workers who produce our clothes are women. Our focus on women is part of everything we do and enabling women to fulfil their potential benefits Lindex as well as global development. Our focus on women and our actions to have a positive impact are described throughout this report.

### CLIMATE CHANGE

Climate change concerns all regions of the world and all sectors of society as it impacts natural and human systems globally. Climate change is a threat to global development and will ultimately impact people's livelihoods. As it risks having a negative impact on resources, food and water, it will particularly affect marginalised groups such as women and children. Businesses can only achieve sustainable growth by both addressing the direct impacts on climate change and securing the resources that are at risk of disturbance.

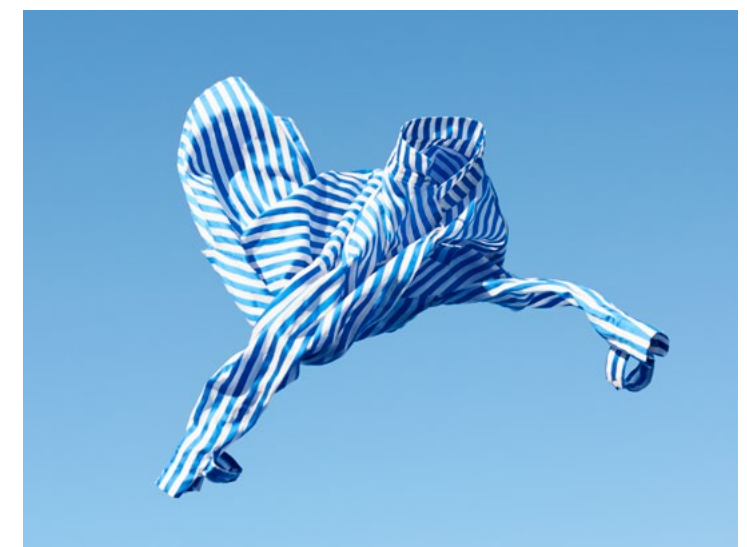
Climate change is crucial to consider in Lindex sustainability work and we are committed to taking our responsibility and taking action to reduce our climate impact. We need to ensure

that we use resources in the best way possible, are energy efficient and reduce our CO2 emissions. The reporting on greenhouse gas emissions can be found on page 82. The reporting serves as a management tool and provides a basis for future setting of reduction targets and identification of areas in which emissions should be reduced. Our entire sustainability work from design to when a garment is no longer wearable and all the actions we describe throughout this sustainability report are highly connected to climate change.

### WATER

There is a saying that if climate change is a shark, then water is its teeth. It is through water that we will first feel the effects of climate change. Water-related risks are some of the most significant facing businesses as well as communities. Access to clean water is a global challenge but the problems are always local and must be addressed with regard to local conditions, as water resources are unevenly distributed across the planet.

Water is an essential part of Lindex sustainability work, as the fashion industry is highly dependent on and risks having a negative impact on access to clean water. In many communities connected to the Lindex supply chain, the local water resources are becoming increasingly stressed because of higher demands as well as pollution of the available water. Women are in focus for us and they are one of the population groups most affected by water scarcity. We strive to be a water-responsible company by addressing all major water impacts along our supply chain. Access to clean water is a basic human right and our ambition is that our business should not compete or compromise access to clean water in the local communities where we operate. Throughout this sustainability report we will describe our different actions concerning water.





# SUSTAINABLE *DEVELOPMENT* GOALS

In 2015 world leaders committed to the Sustainable Development Goals (SDG). The SDGs are 17 goals to make our world a better place by 2030 and achieve extraordinary things; ending world poverty, fighting inequality and tackling climate change. The SDGs have been agreed by governments, demanding action from all countries. However, achieving these goals is heavily dependent on support from everyone and companies such as Lindex have an important role to play. By working together we can drive change towards a more sustainable future for both people and the planet, while at the same time increasing profit and improving cost efficiency and productivity. At Lindex

we are committed to supporting the SDGs. When the SDGs were launched, we went through all the goals as well as their targets and identified which were the most closely connected to the nature of our business and the impact we could have. The selection was also affected by our membership in Swedish Leadership for Sustainable Development. From the 17 goals we have chosen 7 to which our business can make significant contributions. The illustration gives examples of how we contribute to the different goals. However, the goals are highly intertwined with each other and so is our work. We have also visually connected our actions to the SDGs throughout this sustainability report.



# UN GLOBAL *COMPACT*

The UN Global Compact is the United Nations' initiative to encourage businesses worldwide to adopt more sustainable and socially responsible policies based on ten principles. Lindex signed the UN Global Compact in 2003, and in 2011 the

Stockmann Group signed on behalf of the group including Lindex. Lindex has thereby committed to operate in ways that, at a minimum, meet fundamental responsibilities in the areas of human rights, labour, environment and anti-corruption.

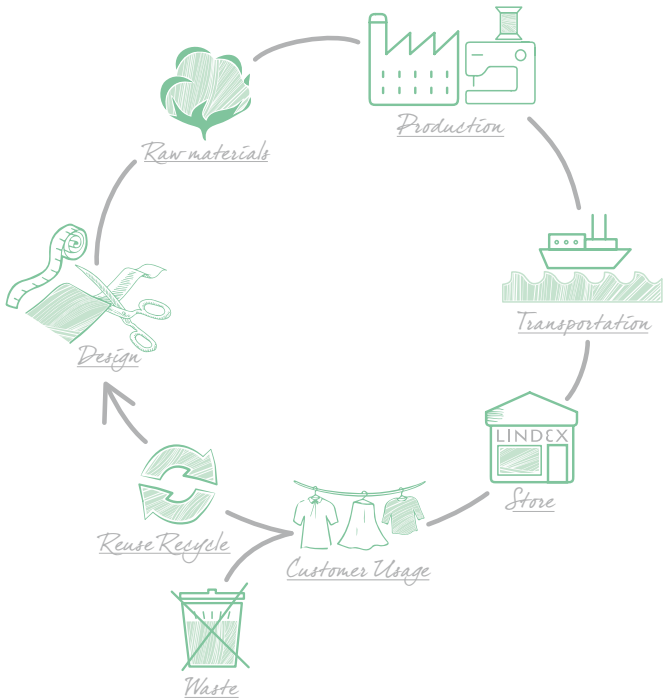
## LINDEX SUSTAINABILITY *AMBITION AND GOAL*

Our ambition is that Lindex will be recognised as a leading fashion retailer, known as one of the most sustainable, open and trusted companies in the industry. We want to be the company that has gone beyond business as usual and sought to drive change. By being innovative, transparent and acting to create a positive impact, we will create a sustainable difference together with our suppliers, partners and customers.

Since our biggest impact lies in the product, we have chosen to set overall goals concerning the product, including both environmental and social aspects. Our goal is that 80 per cent of our garments shall be made from more sustainable sources by 2020, which includes more sustainable fibres, more sustainable processes and more sustainable production units.

## SUSTAINABILITY *FROM A LIFECYCLE PERSPECTIVE*

At Lindex we work with sustainability from a lifecycle perspective, from design to reuse and recycling. In this report, the description of our sustainability progress is based on this lifecycle.





# HIGHLIGHTS 2017

95 % OF OUR COTTON  
COMES FROM MORE  
SUSTAINABLE SOURCES

WE LAUNCH **EVEN BETTER DENIM**  
STYLES THAT ARE MORE SUSTAINABLE THAN EVER  
BEFORE, USING ONLY 2 LITRES OF WATER IN THE  
WASHING PROCESS.

55% OF OUR GARMENTS  
ARE MADE FROM MORE  
SUSTAINABLE MATERIALS

100 % OF OUR DENIM  
ASSORTMENT  
IS **BETTER DENIM**: MADE  
FROM MORE SUSTAINABLE MATERIAL  
AND WITH MORE SUSTAINABLE  
PRODUCTION PROCESSES

WE LAUNCH **WE WOMEN  
BY LINDEX**, A PROJECT  
WHERE WE TAKE ACTION FOR  
GENDER EQUALITY IN THE SUPPLY  
CHAIN AND WORK TO CREATE  
MORE EQUAL AND INCLUSIVE  
WORKPLACES

WE LAUNCH **RE:DESIGN**, A  
COLLECTION OF UPCYCLED PRODUCTS  
MADE FROM OUR BETTER DENIM GAR-  
MENTS FROM PREVIOUS SEASONS.

WE LAUNCH THE JOINT INITIATIVE  
**ONE BAG HABIT** IN SWEDEN  
TO REDUCE THE CONSUMPTION OF  
SHOPPING BAGS AND INCREASE THE  
AWARENESS ABOUT BAGS NEGATIVE  
IMPACT ON THE ENVIRONMENT.





# ABOUT THIS REPORT

THIS IS THE 13TH LINDEX SUSTAINABILITY REPORT AND IT SUMMARISES OUR SUSTAINABILITY PERFORMANCE FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2017.

The report has been produced by the Lindex corporate communications team in collaboration with the sustainability team. Lindex board and management group has been involved in the process. The report has not been reviewed in full by any third party.

The last report, covering the year 2016, was published on 19 April 2017. During 2017 a workshop on Lindex sustainability reporting was held together with Enact Sustainable Strategies. In the workshop the 2016 report was evaluated on a number of aspects, giving valuable insights that was taken into account in the production of the sustainability report for 2017.

This report has been prepared in accordance with the GRI Standards: Core option. Due to the transition from GRI G4 to GRI Standards and a new materiality assessment, all indicators have been reviewed and some alterations have been made.

Additional information about our ownership structure and organisational changes, as well as the Stockmann Group’s annual reporting that covers integrated reviews of business operations, financials, governance and sustainability, can be found in Swedish, Finnish and English on the [Stockmann Group’s website](#).

unions, collaboration partners, students and researchers, suppliers, interest organisations and other partners from local communities. Media organisations were asked to participate but the majority declined for reasons of objectivity. It was not possible to include customers and factory workers in the survey. Media, customers and factory workers were therefore evaluated through internal assessments based on ongoing dialogue and results from other surveys covering this area.

In the survey the stakeholders received a list of 37 different topics relevant of Lindex sustainability work. The topics were formulated with consideration to Lindex business and examples of the meaning of a topic were specified when needed. This was in order to make it easier for the stakeholders to answer the survey and to clarify their answers, as some areas can mean different things depending on perspective. The stakeholders were asked to choose five topics that they considered to be of the greatest importance to include in the sustainability reporting. The choice

was limited to five topics so that the stakeholders would really have to prioritise. The survey also included optional open-ended questions. The response rate of the survey was solid and satisfactory.

The results from the stakeholder survey were combined with an internal evaluation of the significance of the economic, environmental and social impacts of the different topics. Topics were then clustered into areas and the results of the assessment are presented in the form of a matrix. The areas highlighted in italics stood out on both parameters. In the Lindex sustainability report, we will focus most on the areas in the top right box. The areas in the top left and bottom right boxes will be included in the report but with less prominence. In order to prioritise the most material areas in the report, the areas in the bottom left box will be excluded from the reporting except for the ‘Anti-corruption and ethics’ area marked in italics. This area will be included due to our commitment to Swedish Leadership for Sustainable Development.

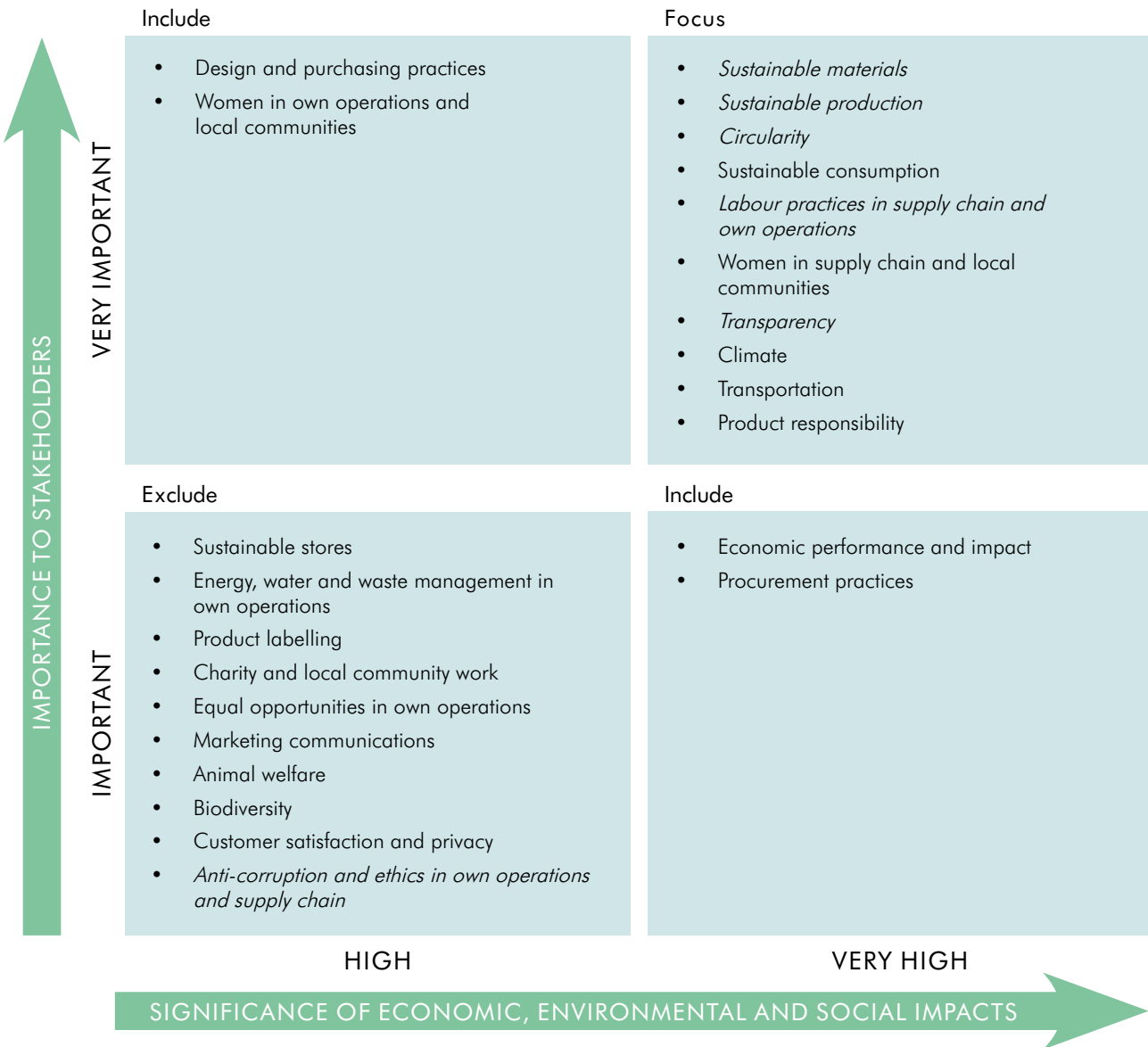
## MATERIALITY ASSESSMENT

Our work within sustainability is based on our ambition, goals and strategies, and we focus on the most significant areas across our entire value chain. We commit to areas where we can have a positive impact and make a difference, and stakeholder engagement is key. We engage in an ongoing stakeholder dialogue which provides us with insights and we continuously evaluate our actions to ensure our focus areas are essential.

As a complement to this ongoing work, we performed a long-term materiality assessment during 2017 specific to Lindex sustainability reporting. In previous reports we based the reporting on the Stockmann Group’s materiality assessment combined with some additional assessments for Lindex. With the 2017 Lindex materiality assessment we were able to focus solely on topics relevant to the Lindex business area and this has strengthened the focus even more on what is most material for Lindex sustainability reporting. This assessment, together with our strategic direction, is the foundation for this report.

The fashion industry is quite mature in terms of insights regarding sustainability and the challenges the industry needs to address and there is much internal knowledge at Lindex. Therefore, we started our materiality assessment internally with a mapping of all areas that are relevant to Lindex sustainability work. We also went through all GRI topics as well as all aspects of impact from the UN Global Compact, ISO 26000 and the Sustainability Development Goals to ensure that all areas were covered that could be relevant in the materiality assessment.

To evaluate the stakeholder perspective on the different topics, we performed a survey with both internal and external stakeholders. The group of stakeholders was diverse; the aim was not to obtain a representative selection, but to include many different areas and touch-points for Lindex. The internal stakeholders included members of the Lindex board, key persons in the organisation, employees and Stockmann Group representatives. The external stakeholders included representatives from NGOs, authorities, trade associations,





# STAKEHOLDER *ENGAGEMENT*

At Lindex we engage in an active and regular dialogue with our stakeholders to strengthen our relationships and understand their expectations. The table gives an overview of the primary

stakeholders for the Lindex sustainability area, our interaction as well as their key sustainability topics raised through the materiality assessment.

STAKEHOLDER GROUP	INTERACTION	KEY SUSTAINABILITY TOPICS
Customers	In-store interaction, social media, customer service, website, loyalty programme 'More at Lindex', newsletters, market research, customer surveys	Materials, labour practices in supply chain, chemicals management in supply chain, women in own operations and local communities
Employees	Intranet, meetings, workshops, employee surveys, individual performance reviews	Materials, production processes, circular products, water management in supply chain, animal welfare
Media	Press releases, dialogue with Lindex media responsible, interviews, showrooms, press events, website	Materials, production processes, labour practices in supply chain, women in own operations and local communities, circular products
NGOs, authorities, interest organisations and other partners from the local community	Projects, networks, collaboration forums, information meetings, website, through trade associations, development projects, website	Materials, production processes, labour practices in supply chain, circular products, transparency
Board, management, owners	Meetings. Dialogue with shareholders is mainly carried out by the Stockmann Group's shared functions. Stockmann provides shareholder and investor information as required for listed companies through Annual General Meeting, stock exchange announcements, financial reports and annual reporting, the Group's website, audio webcasts and regular investor relations meetings	Materials, production processes, labour practices in supply chain, design and purchasing practices, more sustainable consumption, transparency, circular products, women in supply chain and local communities

STAKEHOLDER GROUP	INTERACTION	KEY SUSTAINABILITY TOPICS
Students and researchers	Individual dialogue, meetings, consultations, joints projects, website	Materials, labour practices in supply chain, circular products, water management in supply chain, product labelling
Suppliers and factory workers	Projects, meetings, workshops, visits, inspections, website	Materials, production processes, labour practices in own operations, transparency, water management in supply chain
Trade associations, unions and collaboration partners	Projects, networks, collaboration forums, information meetings, website	Materials, production processes, transparency, design and purchasing practices, labour practices in own operations



# REPORT *BOUNDARIES*

This report covers the global activities of the Lindex group; that is AB Lindex and its wholly-owned subsidiaries, seven production offices in Asia and six country offices in Europe, Lindex stores and the Lindex-owned distribution centre in Sweden. The report also covers the Lindex share of the Stockmann Group's shared production activities in Asia. The

report does not cover Lindex franchising stores, a total of 46 stores in eight countries managed by seven franchising partners. Nor does it cover outsourced distribution centre services. In case that results presented in the report deviates from the above, this is specified in relation to the specific result.



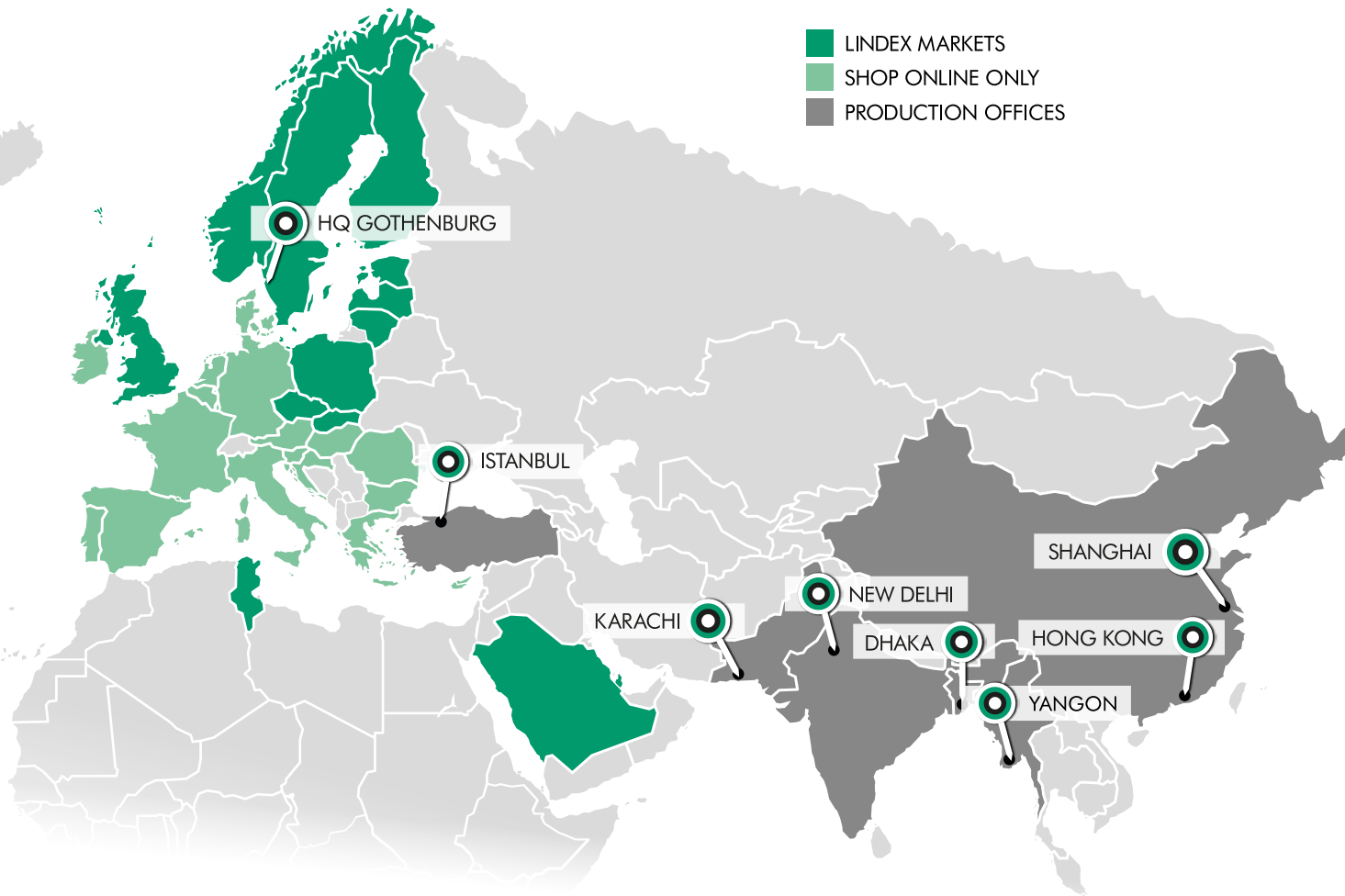
A woman with long, wavy blonde hair is looking down at a device, possibly a tablet or cash register, in a clothing store. She is wearing a white Lindex sales uniform with a black strap across her chest. A name tag on her chest reads "LINDEX Säljare". In the background, there are racks of clothes and a wooden hanger.

# THE

# COMPANY

LINDEX IS A VISION- AND VALUE-DRIVEN COMPANY AND WE HAVE BEEN CREATING FASHION FOR MORE THAN 60 YEARS. FOR LINDEX TO GROW AND MAINTAIN A GOOD LEVEL OF PROFITABILITY IT IS ESSENTIAL THAT WE WORK WITH SUSTAINABILITY AS PART OF OUR DAILY BUSINESS.





## FINANCIAL PROFITABILITY

Lindex revenue for the year was down by 4.3 per cent, to EUR 606.0 million (633.2). In comparable stores, revenue at comparable exchange rates was down by 2.7 per cent. The gross margin for the year was 60.1 per cent (63.8). The gross margin was down due to higher markdowns, negative currency effects and redefined treatment of inventory obsolescence. Operating costs were up by EUR 0.9 million. Adjusted operating profit

for the year was EUR 16.1 million and reported operating profit was EUR 13.4 million (54.9).

A profitability improvement programme was launched in October 2017 and aims to reduce fixed costs with a savings target of over EUR 10 million, to be achieved by the end of 2018. Increasing the gross margin is also a part of the profitability improvement programme.

## LINDEX AT A GLANCE

- FOUNDED 1954 IN ALINGSÅS, SWEDEN
- FASHION FOR WOMEN AND KIDS, LINGERIE AND COSMETICS
- HEAD OFFICE IN GOTHENBURG, SWEDEN
- PART OF THE STOCKMANN GROUP SINCE 2007
- STOCKMANN IS LISTED ON THE NASDAQ HELSINKI
- 490 STORES IN 18 COUNTRIES (INCL FRANCHISE)
- SHOP ONLINE IN 30 COUNTRIES
- 606 MEUR TURNOVER IN 2017
- 4731 EMPLOYEES
- 7 PRODUCTION OFFICES
- 55% OF THE GARMENTS MADE FROM MORE SUSTAINABLE MATERIAL IN 2017

## WORKING AT *LINDEX*



At Lindex we value our employees and it is important to us that we treat them fairly and equally.

Employees are paid fair compensation for their work and we encourage their personal and professional development. We provide our employees with safe working conditions and support their well-being and success as individuals. Our aim is to be an attractive employer in the labour market. All Lindex employees in Sweden, Norway, Slovakia and Finland are covered by collective bargaining agreements. The Director of Communications, HR & Sustainability, who is a member of Lindex Management Group, is responsible for HR governance at Lindex.

In 2017 we undertook a global employee survey to gain insight into how employees view Lindex as a

workplace and our culture. The results of the survey were a record high compared to other similar-sized companies according to global marketing research company Ipsos. Lindex results specifically stood out in areas such as commitment, information, leadership and the degree of identification with Lindex as a brand and its vision and values. The survey also showed that we could improve on competence development and collaboration between the departments at head office. These are important areas that we will work to improve. We have a high level of competence within the company and will work on further enabling the sharing of knowledge more, as well as stimulating a more cross-functional organisation.

31/12 2017:

4.731 EMPLOYEES



19%

NEW EMPLOYEE HIRES

18%

EMPLOYEE TURNOVER

### OUR VISION AND VALUES

In recent years we have worked towards our vision of 'a world class fashion experience'. The vision has helped us to focus on the core of our business – our fashion. It has been our guiding star in increasing the fashion level and developing our offer to our customers. In 2017 we started exploring our next step. Lindex has become the company it is today because of our heritage and foundation where women have always been in focus. During the year, we worked to explore a higher purpose for Lindex and what it really means for us to enhance women's lives. We believe that change comes from within; therefore, employee engagement has been key to this process. We have facilitated numerous workshops as well as a Lindex Academy where 100 employees from different parts of the company gathered to explore our higher purpose together. The work resulted in a new vision that will be launched and implemented during 2018.

Our values are the foundation for building a successful customer centric business culture and

they guide us in everything we do, how we act and the decisions we make. Lindex values are designed to help each employee to be a Lindex brand ambassador. The values are continuously developed to align with our business journey.

## LINDEX VALUES

*Fashion is fun – as a team we strive to make the customer experience outstanding*

- EMPOWER YOURSELF AND EACH OTHER
- SEEK CONSTANT IMPROVEMENT
- MAKE BUSINESS ORIENTED DECISIONS
- ACT SUSTAINABLE
- MAKE IT SIMPLE

*... always with passion and commitment*



## HEALTH AND SAFETY

We have a responsibility to ensure a healthy and safe workplace that is free from discrimination and harassment for our employees. We have policies and guidelines that outline our approach and the responsibilities within the organisation. All matters affecting health and safety are kept under constant review and the policies are reviewed on a regular basis.

We take conscious preventative measures to keep sickness absence at a reasonable level and the overall sickness absence during 2017 was 4.7 per cent. The high attendance level in the organisation

is something that we strive to maintain. For example, at head office we have a goal to keep the sickness absence at a low level of around 5 per cent.

We actively work to prevent discrimination and harassment and take immediate action if this occurs. One case of harassment was reported within the organisation in 2017, at head office. The case was resolved and actions have been taken. In Norway one open case from 2016 was resolved and considered to have no grounds. Any cases of discrimination or harassment are handled by HR, through unions and relevant authorities.



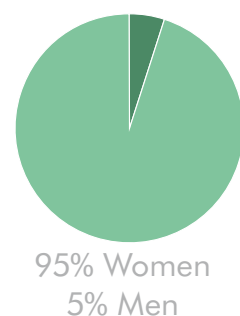
## DIVERSITY

As an international fashion company in a global market, diversity is an important competitive advantage. By taking advantage of our employees' unique competencies and experiences, we increase creativity and deliver better long-term results.

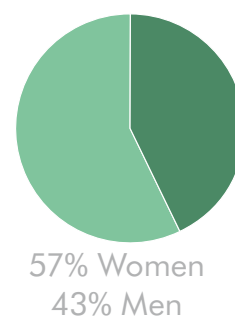
Today, the majority of our employees are women. We believe it is a strength to reflect the majority of our customers, but we also consider that more

inclusion and diversity would be beneficial. There are challenges, however, since we have a brand and products that do not attract men to the same extent as women. We do not have any set goals today, but we have identified the issue and will continue to work on a roadmap towards a more inclusive and diverse company. We have a better balance between men and women in the Lindex Management Group and Board of Directors.

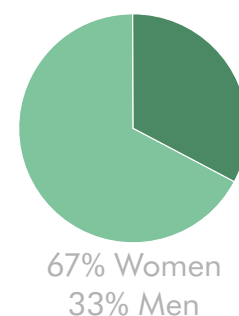
ALL EMPLOYEES:



MANAGEMENT GROUP:



BOARD OF DIRECTORS:



## PERFORMANCE CULTURE

The success factor at Lindex is that our employees show passion and commitment to their jobs and Lindex every day. We believe in a performance culture where all employees take responsibility for developing themselves and their roles together with Lindex. To encourage high performance, we outline clear areas of responsibility, communicate expectations and set yearly individual goals based on Lindex overall goals. In 2016 we started to implement a new way of working with Performance Management to better follow up and support our employees. During 2017 we continued this implementation in our country organisations and we will continue the implementation in our stores ahead.

With the Performance Management approach, the employees take joint responsibility with their leaders in working towards their goals to contribute to Lindex overall strategies and goals. As part of Performance Management, our aim is that all employees shall have continuous follow-ups on their individual goals every six to eight weeks. Once annually we sum up the year and reflect on the overall performance and future ambitions in a performance dialogue. Everything is thoroughly documented. In our employee survey from 2017, 82 per cent responded that they have had performance dialogue with their manager within the last 12 months. Of the

18 per cent that responded that they have not had a performance dialogue, 10 per cent had not yet completed a full year of employment at Lindex.

## INTERNAL ROTATION

At Lindex we believe in internal rotation and we encourage our employees to explore the organisation beyond their specific roles. Exploring and moving into new roles within the company brings with it new experiences, perspectives and insights. Not only does this develop our employees and leaders, it also stimulates innovation and networking within the organisation. Internal rotation increases Lindex ability to develop and adapt in an ever-changing retail industry. For employees, internal rotation can be a career path in developing towards leading positions, as we find many of our leaders through this approach.

## LEADERSHIP THE LINDEX WAY

In 2016 we developed our leadership view: 'Leadership the Lindex way'. Through internal surveys, interviews and workshops as well as studying the values of the next generation, we created a leadership view that comes from within and is relevant to our future employees. During 2017 we continued the implementation of this view to strengthen leadership in the organisation.

# LEADERSHIP *THE LINDEX WAY*

- I'M A LINDEX ROLE MODEL IN MY WORDS AND ACTIONS
- I ALWAYS ACT AND MAKE DECISIONS ACCORDING TO OUR VALUES
- I CREATE CONDITIONS TO DELIVER GOOD RESULTS
- I GUIDE THE TEAM THROUGH CHALLENGES AND I'M CONFIDENT IN MAKING DECISIONS
- I'M CLEAR IN MY COMMUNICATION AND OPEN TO DIALOGUE
- I DELEGATE AND TAKE OUR BUSINESS FORWARD BY DEVELOPING BOTH TEAM AND INDIVIDUALS
- I'M OPEN TO CHANGE AND INNOVATION TO MEET OUR CUSTOMER TODAY AND TOMORROW



# SUSTAINABILITY ORGANISATION

Lindex sustainability work is governed from head office. Lindex Management Group is responsible for the overall sustainability direction, goals and strategies with support from the Corporate Sustainability Team. The Corporate Sustainability Team has overall responsibility for developing sustainability at Lindex and the team works closely together with our Production Sustainability Teams located at our production offices. Each department and country organisation develops their sustainability work in alignment with the direction, goals and strategies decided by the Management Group. Lindex Corporate Communications Team is responsible for sustainability communication and reporting.

## PRODUCTION OFFICES

At Lindex we develop the concept and design but we do not own any production facilities. Instead, we collaborate with independent suppliers in the

manufacturing of our products. Being present in our production countries is of high importance; therefore, we have local production offices that play a key role for Lindex sustainability work in production. We have production offices in Bangladesh, China, India, Pakistan and Turkey, and during 2017 we opened a new production office in Myanmar. Around 90 per cent of our garments are purchased through our production offices.

Our Production Sustainability Teams work at our production offices and they are our local sustainability specialists. They work closely together with our suppliers to implement Lindex sustainability work and initiatives in production and they direct the Lindex orders towards the suppliers that offer the most sustainable production. The Production Sustainability Teams report to the Corporate Sustainability Manager.



# POLICIES AND REQUIREMENTS



## HUMAN RIGHTS POLICY

Lindex human rights policy is based on several international human rights principles. Lindex does not tolerate or condone abuse of human rights within any part of our business or supply chain and we take seriously any allegations of human rights not being respected. In 2017 we initiated a due diligence on our sales markets based on our human rights policy, which will continue during 2018. To read more about how we work with human rights in production, see page 39.

## ENVIRONMENTAL POLICY

Lindex environmental policy focuses on energy, climate impact and circularity, as well as wet processes and set requirements regarding waste water treatment, handling of chemicals and waste treatment. Read more on how we work with our environmental requirements in production on page 39.

## ANIMAL WELFARE POLICY

All of our suppliers are required to follow Lindex animal welfare policy. The policy is based on the Five Freedoms for animals and states that animal rights shall be respected in all stages of producing our garments. Lindex is part of the Swedish Trade Federation network on animal welfare that advocates for animal rights in the fashion industry.

## HR POLICIES

Lindex human resource (HR) policies include topics such as health and safety, non-discrimination, travel, salaries and much more. The policies are based on the company values, the HR strategy and the Stockmann Code of Conduct. The HR policies are implemented and followed up through introduction of new employees, employee surveys, performance management and other feedback channels.

## BOARD DIVERSITY POLICY

While choosing the members of the board, diversity is taken into account in accordance with our board diversity policy. This ensures that the members represent different fields, professions and international backgrounds as well as varying age and gender.

## ANTI-CORRUPTION POLICIES

At Lindex we operate in an ethical manner,



complying with international and national laws as well as regulations valid in our operating countries. We are committed to the Stockmann Group's anti-corruption policy. We work to counteract all forms of corruption within Lindex and our ethical policy is our foundation in this work. Lindex ethical policy has been implemented for employees in all operational countries and all suppliers are informed of it before entering a collaboration. No employee training on our anti-corruption policies was conducted during 2017. In 2017 we had no confirmed cases of corruption and we were not informed of any corruption-related lawsuits against the company.

Lindex employees can report any violations or suspected abuse of our ethical and anti-corruption policies to either their supervisor, the unit's security manager, Lindex Management Group, the legal department or the Stockmann Group's Internal Audit. Since 2015 there is a whistleblowing reporting channel for the entire Stockmann Group where employees, business partners or other stakeholders can report suspected or detected violations of the policies. All whistleblowing reports and discussions are treated seriously and handled confidentially. All incidents are reported to Group Security at Lindex as well as the Head of Internal Audit and to the Director of Legal Affairs at Stockmann.





# THE LIFECYCLE: *DESIGN*

EVERYTHING STARTS AT THE DESIGN STAGE, WHERE CHOICES ARE MADE THAT AFFECT THE ENTIRE PROCESS. DESIGNING FOR SUSTAINABILITY IS ESSENTIAL FOR MORE SUSTAINABLE FASHION.

## DESIGN FOR *CIRCULARITY*



There are many aspects in designing for sustainability but it all starts with adopting a more circular approach. Circular design is a challenging area where we have a way to go, since it is highly connected to the need for system-level change to a circular economy (see page 8).

Our aim is to work to design our garments in ways that create conditions for more sustainable fibres and production, prolonged lifetime as well as reuse and recycling. Using garments for a long time is ultimately up to consumers, but in our design process we need to make choices that enable our customers to use our garments for a long time. Today we especially design our classic pieces with longevity in focus, for example premium quality

collections with classic cashmere sweaters. We have also continued our work on prolonging the lifetime of garments in our newborn assortment, with functionality that enables garments to be wearable longer on fast-growing babies. Selected styles in our kids' denim assortment has reinforced knees for enhanced durability. We have also explored new circular business models and in 2017 we launched the Re:Design collection – read more on page 72.

In accordance with the 2020 Circular Fashion System Commitment (see page 8) we set a goal during 2017 that by 2020, functional durability and ease of repair will be part of the design strategy for selected product groups and will add up to 10 per cent of our collection.

## SUSTAINABLE *DESIGN TOOL*



In 2017 we launched an internal design tool with a focus on sustainability in order to support designers and buyers in product development. The tool is a platform that focuses on designing for circularity, more sustainable materials and production, with information as well as checklists that can be used in the working process. We launched this tool as we believe we can be more efficient when there is consensus on how to develop the most sustainable products possible.

The launch of the tool consisted of introductions and workshops with all employees that work with product development, both in the design and buying department and at our production offices. The ambition is to keep the tool up to date by reviewing and activating it annually. In accordance with the 2020 Circular Fashion System Commitment (see page 8) we set a goal during 2017 that by 2020, all designers, buyers and production teams will be trained in design for circularity and the training will be part of the introduction package for new staff as a basic requirement.





A close-up photograph of cotton bolls on a branch. The cotton is bright white and fluffy, contrasting with the brown, dried leaves and the dark branch. The background is a soft, out-of-focus blue sky.

# THE LIFECYCLE:

## *FIBRES &*

## *RAW MATERIALS*

THE PRODUCTION OF FIBRES AND RAW MATERIALS IS RESOURCE INTENSIVE AND CAN HAVE A SIGNIFICANT EFFECT ON PEOPLE AND THE ENVIRONMENT. TO MINIMISE THE IMPACT, WE ARE CONTINUOUSLY WORKING TOWARDS INCREASING OUR USE OF MORE SUSTAINABLE MATERIALS.



# MORE SUSTAINABLE FIBRES



We are committed to making 80 per cent of our garments from more sustainable fibres by 2020. In 2017 we reached 55 per cent, a slight increase from the 51 per cent we had in 2016. The increase has been more substantial in previous years because of our great progress within our cotton, which stands for a major share of our fibre use. In order to reach our goal on more sustainable fibres we need to progress

more on other types of fibres. There is no solution that fits all types of fibres in making more sustainable choices. The impact in a product’s life cycle differs depending on the type of fibre or raw material, and so does our approach. Lindex definition of a more sustainable fibre is one that comes from renewable or recyclable sources and is produced with cultivation and/or production methods that have less negative impact on people and the environment in comparison with conventional options.



## COTTON



Cotton is Lindex most commonly used fibre. In 2017, 49 per cent of our garments were made from cotton. Cotton is a resource-intensive crop and most of the world’s cotton is still grown conventionally, which requires a lot of water, energy and chemicals. We want to contribute to more sustainable cotton production by choosing more sustainable alternatives to conventional cotton, such as Better Cotton, organic cotton and recycled cotton. That way we can reduce our impact on

the environment and have a positive impact on the cotton farmers and their families as there are many social aspects connected to more sustainable cotton cultivation. Our goal is for 100 per cent of our cotton to come from more sustainable sources by 2020. In 2017 we reached 95 per cent, an increase from the 91 per cent we had in 2016.

During 2017 Lindex was one of the first companies to sign up to the first industry commitment on sustainable cotton, led by the Prince of Wales’s International Sustainability Unit. In the initiative, companies commit to ensuring that 100 per cent

of their cotton will come from more sustainable sources by 2025. The commitment is in line with Lindex cotton goal and it enables collaboration and increased demand for more sustainable cotton, which is crucial to achieve change on a large scale.

### ORGANIC COTTON

Organic cotton is grown with consideration for the cotton farmers and for the environment. The production of organic cotton sustains soil health and uses natural processes rather than artificial inputs, which is beneficial to both people and ecosystems. No genetically modified crops or toxic chemicals such as chemical pesticides and fertilisers are used in the cultivation of organic cotton. Organic cotton requires less water, less energy and improves the health of cotton farmers and their families as they are not exposed to toxic chemicals. All organic cotton purchased by Lindex is certified according to the Textile Exchange Organic Content Standard, a certification that ensures that the fibre is organic.

cotton was organic, including 37 per cent organic cotton in GOTS-certified garments. This is a minor increase from the 63 per cent we had in 2016.



**BETTER COTTON**  
Better Cotton Initiative (BCI) is a non-profit organisation that aims to make global

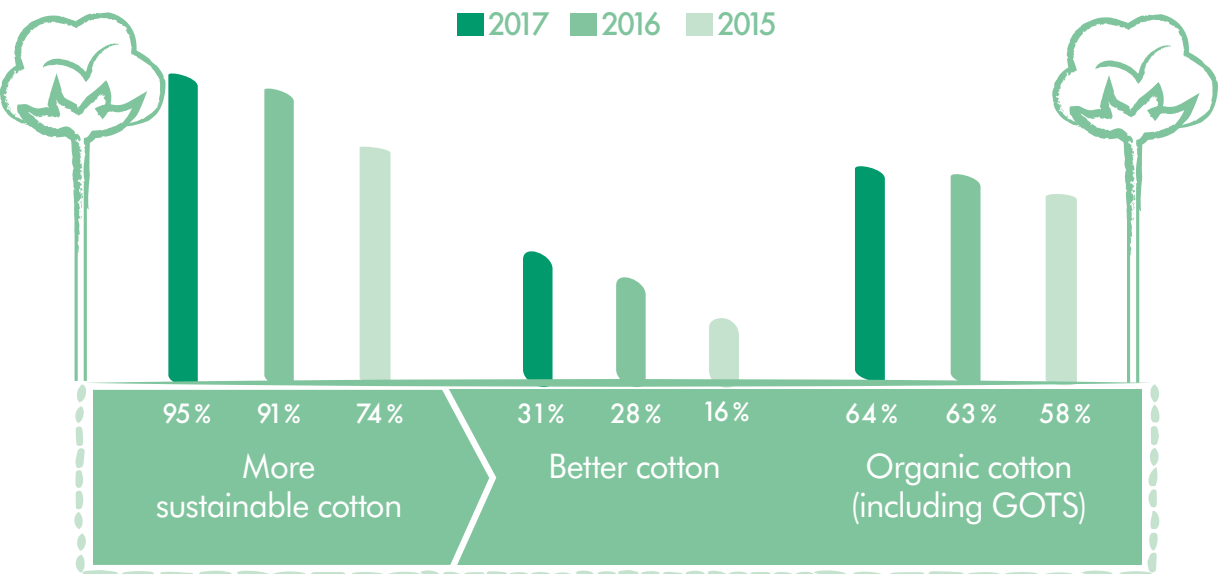
cotton production better for the people who produce it, and for the environment. The initiative focuses on a worldwide transformation of conventionally grown cotton, which will have a major effect on our environment. Better Cotton is grown in a more sustainable way than conventional cotton. Better Cotton farmers are educated in how to treat the soil and use fertilisers and pesticides in a more sustainable way. Better Cotton farming is better for the environment as it uses less water and chemicals. It is also better for the farmer, who is subject to less chemical exposure and saves money by spending less on chemical fertilisers and pesticides.



Many of our organic cotton garments are also certified according to the Global Organic Textile Standard (GOTS). This standard includes social and environmental requirements for all stages of production, from fibre to finished product.

Lindex is one of the top ten users of organic cotton worldwide, according to the [Textile Exchange annual market report](#). In 2017, 64 per cent of our

BCI is designed to enable many cotton farmers to join. For instance, the system allows Better Cotton to be mixed with conventionally grown cotton, which benefits the worldwide transformation. However, it also poses a challenge as the cotton is not traceable and it is not possible to define the percentage of Better Cotton in a product, which means we cannot make content claims on our garments. Lindex Better Cotton garments are labelled with the Better Cotton logo and the labelling means that the garment is within the Better Cotton system. When buying a





Better Cotton garment, the customer supports the initiative and its long-term commitment to worldwide transformation.

Lindex has been part of BCI since 2010 in order to contribute to improving conventionally grown cotton. Through BCI, Lindex has supported the education of 5100 farmers in growing cotton in a more sustainable way. In 2017, 31 per cent of our cotton came from the Better Cotton system, which is an increase on the 28 per cent we had in 2016.

#### FEMALE COTTON FARMERS

Women are essential in keeping our business moving, and we are committed to improving the lives of women in our supply chain. Women play a key role in global cotton production. In India, the world's

second largest producer of cotton, women account for the majority of the planting and hand-picking and yet have few opportunities to improve their livelihoods.

In 2017 we continued to work with CottonConnect on a project for female cotton farmers in Maharashtra, India, which was started during 2016. In this project the female cotton farmers are educated in cultivating cotton in a more sustainable way according to the Better Cotton principles. The project reaches almost 1600 female cotton farmers. Supporting female cotton farmers not only helps to strengthen women as well as their role in the cotton growing communities and improve their income, but also contributes to more sustainable cotton production.



## MAN-MADE *CELLULOSIC FIBRES*



In 2017, 9 per cent of our garments were made from man-made cellulosic fibres such as viscose and Tencel®, which are produced from wood. Lindex is one of the top ten users of more sustainable man-made cellulosic fibres worldwide, according to the [Textile Exchange annual market report](#). We are part of the CanopyStyle Initiative and since 2015 we have had a policy for man-made cellulosic fibres, with a commitment that is in line with and builds on the work of Canopy, a non-profit organisation. Canopy collaborates with brands and retailers to ensure that their supply chains do not affect ancient and endangered forests. During 2016 we conducted a mapping that showed that about 70 per cent of our viscose came from the suppliers that Canopy reports to have best industry practice. During 2017 we continued in this direction and work with suppliers who are either best industry practice or demonstrate ambitions to improve. Suppliers who demonstrate no interest in improving are being phased out.

In 2017 around 5 per cent of our garments were made from viscose. Viscose is a material that can have a negative environmental impact in both the

sourcing of wood pulp and the production process, which requires a vast amount of toxic chemicals. As a more sustainable option to viscose we use Tencel®, a type of lyocell fibre. In 2017 approximately 4 per cent of our garments were made from Tencel®. Tencel® is a natural fibre made from the pulp of fast-growing trees such as eucalyptus. The production of the Tencel® fibre has a reduced environmental impact since it requires less water, energy and chemicals. The wood pulp is processed with nontoxic organic chemicals in a closed loop that reuses 99.5 per cent of all process chemicals.

During 2017 we started sourcing EcoViscose, which will become available in the assortment during 2018. EcoViscose is made from wood sourced from responsible forestry and the fibre is traceable, enabling transparency in the supply chain. The production technology is certified according to the strictest guidelines of EU Ecolabel, a world-leading environmental manufacturing standard. The production is more resource efficient with less impact on climate, water pollution and air pollution compared to conventional viscose. The majority of chemicals are recovered in a closed loop during production.

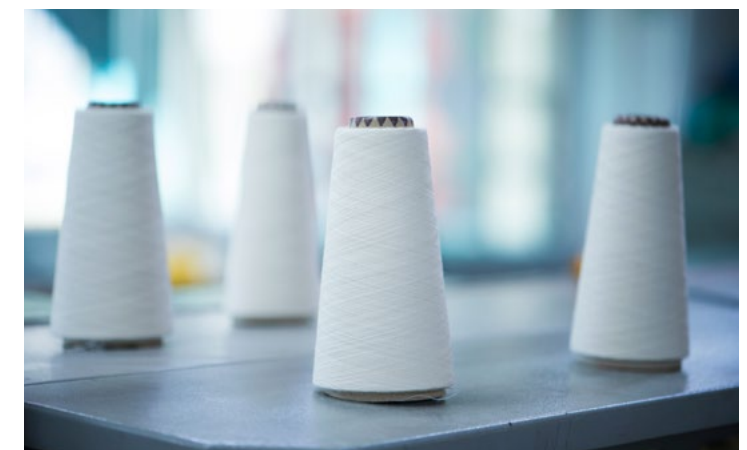
## SYNTHETIC *FIBRES*



In 2017, 38 per cent of our garments were made from synthetic fibres such as polyester and polyamide. Synthetic fibres are produced from non-renewable raw materials such as petroleum, which has a negative environmental impact. Our main focus going forward is to increase the share of recycled materials (see page 34). We are also engaged in finding new ways to produce synthetic fibres (see page 35).

One of the challenges with synthetic fibres is micro-plastics. We do not have any methods to address this issue currently and there are no standards or systems in place in the industry yet. However, we are part of networks in the industry such as Mistra Future Fashion where micro-plastics are on the agenda. There is ongoing work within these networks to increase knowledge and investigate how fibres

released from textiles can be controlled and reduced. New standards to minimise the fibre releases need to be established and we need to find new fibres with similar characteristics. Read more on our work to find new ways to produce fibres on page 35.







## RE-USED AND *RECYCLED FIBRES*



Access to textile fibres is and will remain a challenge for the fashion industry, which is why a more circular and resource-efficient approach to fibres is crucial for the future. Lindex cooperates with partners and suppliers in finding new ways of reusing and recycling fibres. Today at Lindex we use recycled cotton, polyester and polyamide. All recycled material purchased by Lindex is certified according to the Textile Exchange Global Recycling Standard, Textile Exchange Recycled Claim Standard or SCS Recycled Content Standard. Using recycled material saves virgin raw material and therefore requires less chemicals, water and energy in production. In order to retain the quality, recycled material must sometimes be blended with virgin or other materials.

Recycled cotton is either leftover material from production or used textiles that have been given new life by being torn, re-spun and knitted or woven into new material. During 2017 we worked with each of our buying teams to explore ways to increase the share of recycled cotton. It is possible to increase the share of recycled cotton to a certain limit but there are limitations and challenges with quality for the fibre. There is therefore a need for further research to develop more options.

Recycled polyamide is recycled from waste and the most common source of raw material is waste from the manufacturing industry. Availability of recycled polyamide is a challenge, but we are starting to see progress within this area. During 2018 we will increase the share of recycled polyamide in our women's wear, for example by starting to replace the polyamide in our assortment of basic panties with recycled polyamide.

Recycled polyester is recycled from used materials and the most common source is old PET bottles. Together with Unifi, one of our biggest suppliers of recycled polyester, we have recycled at least 10 million PET bottles. We are continuously working on how we can increase our share of recycled polyester. We have also participated in a pledge with more than 45 textile, apparel and retail companies, initiated by Textile Exchange, where we have committed to increase our use of recycled polyester by at least 25 per cent by 2020.

In October 2017 we launched new Even Better Denim styles that contain post-consumer recycled cotton and recycled polyester – read more about this on page 54.

## FINDING NEW WAYS TO *PRODUCE TEXTILE FIBRES*



The need for textile fibres is constantly growing. The production of petroleum-based textile fibres and cotton fibres has already peaked and impacts the environment in various ways. Apart from using and creating demand for the more sustainable fibre options available on the market, we are part of networks such as Mistra Future Fashion and engaged in development projects that work to find new and resource efficient ways to produce textile fibres.

An important aspect with regard to a more circular approach to fibre production is the possibilities offered by chemically recycled cotton. During 2017 we have continued to explore these type of fibres, such as Refibra® which is a new Tencel® fibre made from pulp that contains wood as well as cotton scraps left over from production. The fibre is produced with the same technology as Tencel® (see page 33). The fibre is traceable, which enables transparency in the supply chain.

Lindex is participating in BioInnovation, a research initiative on more sustainable production of man-made cellulosic fibres and recycling of bio-based textiles. BioInnovation is financed by VINNOVA, the Swedish Energy Agency, Formas as well as stakeholders from the industry, academia, institutes and public-sector organisations.



We are also exploring and participating in the development of ways to produce new types of synthetic fibres to reduce the use of non-renewable raw material. During 2017 we started to collaborate with STEPS, a research initiative on developing bio-based synthetic fibres.

## TRACEABILITY *CHALLENGES*

Supply chains in the textile industry are complex and the traceability of fibres and raw material is one of the biggest challenges.

Some of the largest countries in cotton production are China, India, USA and Pakistan. There is, however, a challenge regarding the traceability of conventionally grown cotton, because the cotton is often mixed at the trading point and there is no established method of tracing its exact origin in a reliable way on a large scale. The Better Cotton system allows Better Cotton to be mixed with conventionally grown cotton (see page 31), which means that the traceability challenges for Better Cotton are the same as for conventionally grown cotton.

We work with several types of fibres that are certified in systems that ensure traceability, such as organic cotton, EcoViscose, Tencel® and recycled fibres. Through our Canopy commitment (see page 33) we have reached a closer cooperation with our suppliers of man-made cellulosic fibres, which has developed the dialogue about traceability of raw material.

The traceability of fibres and raw material is highly connected to supply chain transparency and both are essential in ensuring social and environmental sustainability throughout a product's lifecycle. Read more about how we work with supply chain transparency on page 42.



A woman with dark hair tied in a bun, wearing a purple sari and large gold earrings, is focused on sewing a piece of white fabric at a sewing machine. The background shows a factory setting with other workers and bright overhead lights.

# THE LIFECYCLE: *PRODUCTION*

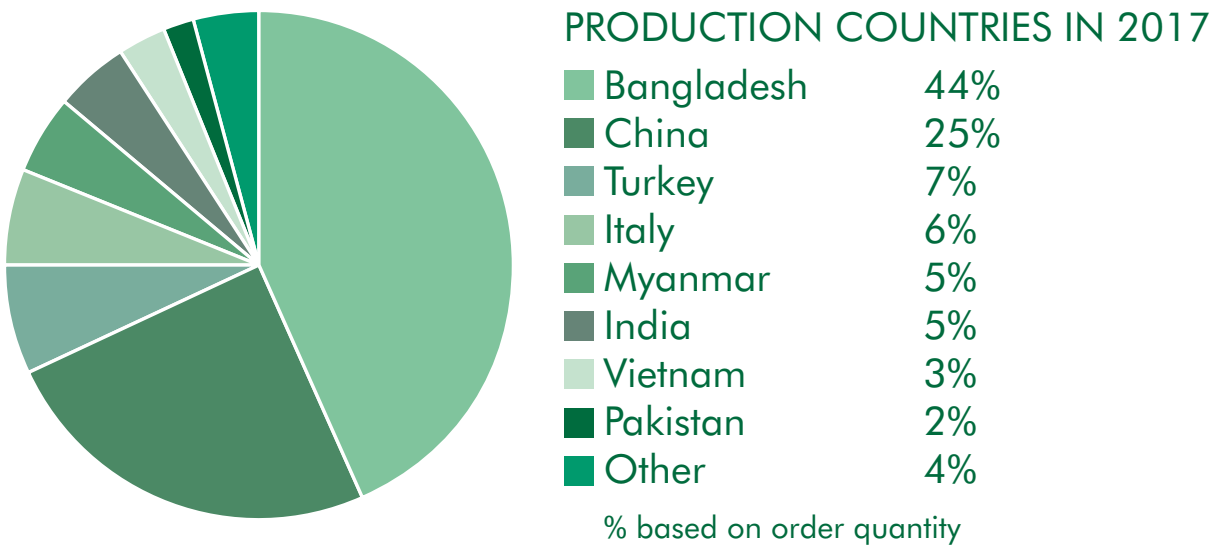
THE PRODUCTION OF OUR GARMENTS STANDS FOR A MAJOR PART OF OUR IMPACT ON PEOPLE AND THE ENVIRONMENT. TOGETHER WITH PARTNERS AND OUR SUPPLIERS WE WORK TOWARDS MORE SUSTAINABLE PRODUCTION.



# OUR PRODUCTION *SUPPLY CHAIN*

We do not own any factories; instead we cooperate with independent suppliers. In 2017 we worked with about 142 suppliers, who worked with 242 factories. We share information about which suppliers and factories we work with on our website – read more about this on page 42. The figures presented about

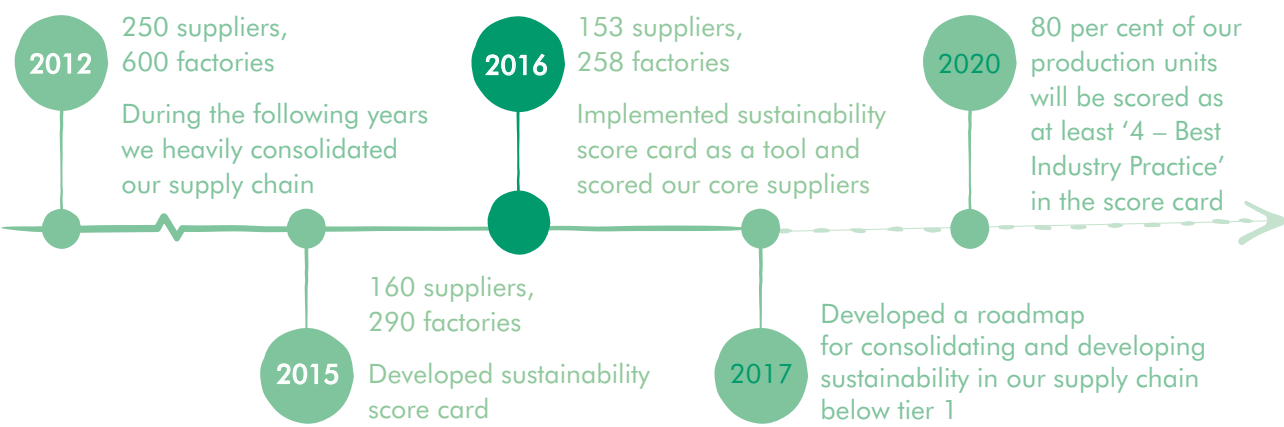
our supply chain in the table represents mainly tier 1 and tier 2 only to some extent, as currently we have less insight further down our supply chain. To read more about how we work with increasing the transparency in our supply chain, see page 42.



# LONG-TERM SUPPLIER *PARTNERSHIPS*

To increase progress in our supply chain and to work more closely with our suppliers, in recent years we have heavily consolidated our supply chain and today we work with fewer suppliers in long-term

partnerships. This has been a crucial part of our sustainability work as it has brought us closer to our suppliers and enabled us to commit to one another in terms of support, investment and long-term improvement projects. Currently, 40 of our suppliers account for 80 per cent of our production.



# BUSINESS INCENTIVES FOR MORE *SUSTAINABLE PRODUCTION*

To accelerate the development of sustainability in production, it is essential that sustainability can be aligned with commercial interests. In order to enhance the business incentives for our suppliers to develop within sustainability as well as monitoring progress in our production, our sustainability score card is an important tool. With the sustainability score card, we score our suppliers on their sustainability performance on a scale of 1–5, with 5 being the

highest. It is built on six criteria that reflect the suppliers' environmental and social performance. The sustainability score is added to our business score card, which is our supplier management tool. This makes sustainability an integrated part of our decision-making. Our goal is that 80 per cent of our garments will be made in more sustainable production units by 2020. A production unit is considered more sustainable when scored as at least '4 – Best Industry Practice' on the sustainability score card. In 2017 we reached 25 per cent.

# COMPLIANCE WITH POLICIES *AND REQUIREMENTS*

The majority of our garments are manufactured in risk countries with regards to negative impact on the environment and social conditions. We are aware of this risk which is why we work to identify, prevent and minimise any negative impact our business activities may have on the environment as well as on human and labour rights. We perform due diligence on our production countries every year as well as before we enter a new production country. Our due diligence includes both social and environmental aspects and risk assessment is an essential part.

occurs is low in tier 1, but the risk is higher further down the supply chain. We work in different ways to counteract this, such as by developing supply chain transparency (see page 42). Using more sustainable materials such as Better Cotton, organic cotton and recycled materials, as well as working with GOTS certification on garments are further examples of how we counteract the occurrence of child or forced labour, as there are social requirements included in those guidelines and certifications. Read more about materials on page 30.

It is a challenging area but we work actively to ensure that our production is in compliance with our policies and requirements, through a code of conduct as well as self-assessment and factory audits. Our presence in our production countries through our production offices is crucial to this work. In China, Lindex also engages closely with the Institute of Public and Environmental Affairs (IPE) to monitor suppliers' environmental status and ensure their legal compliance.

In case of a human rights violation, we work together with the supplier on remediation for the victim. New orders are not placed until the violation has been corrected and the victim has been compensated.

We have a zero-tolerance for child or forced labour at any of our suppliers or production units that produce goods for us. We work actively to counteract any occurrence in our production and we would consider it a very serious matter if this were to arise. The risk that child or forced labour

Before we start working with a new supplier or factory we perform due diligence to make sure that the supplier will be compliant with our policies and requirements. We also look at other factors in the due diligence process, such as the ability to deliver, supplier know-how and the overall fit with our needs. All factories are audited before they receive their first Lindex order.

**CODE OF CONDUCT**  
Lindex has had a code of conduct since 1997 and since 2005 we have been a member of amfori BSCI (formerly known as Business Social Compliance Initiative, BSCI). We use the amfori BSCI code of



conduct, which all our suppliers are required to follow. This code of conduct sets out requirements for freedom of association and collective bargaining, fair remuneration, decent working hours, occupational health and safety, special protection for young workers, protection of the environment and ethical business behaviour, and prohibits discrimination, child labour, bonded labour and precarious employment.

#### SELF-ASSESSMENT

Factory audits have previously been a cornerstone of our compliance work in the supply chain. In recent years however, we have started to doubt the effectiveness of audits as they have not shown much improvement over time or driven change the way we want. We believe this is because the audit approach does not support our suppliers in developing their own ability to identify issues, locate the cause and take action to make improvements. Parallel to our regular compliance work, we are therefore developing self-assessment to move the responsibility for being legally compliant and following our requirements to our suppliers. This shift is aimed at developing the skills of suppliers to a point where they are motivated to improve conditions without constant external pressure. This type of self-reliance is part of our definition of a more sustainable supplier and a self-reliant supplier will score higher on our sustainable score card. Commitment from our suppliers is crucial in reaching our goal of making 80 per cent of our garments from more sustainable sources.

In 2016 we rolled out a self-assessment programme for social compliance with our core suppliers. The programme continued during 2017 and will expand in the coming years. Through self-assessment, we

train the suppliers to assess themselves and report to us. The participating factories are positive towards the project as they feel ownership and are proud when their own assessment is approved. However, it is a programme that builds on a high level of trust and transparency and there are some challenges. Self-audits require a higher level of knowledge within social compliance as well as HR and need to be performed by someone in the factory who has the appropriate mandate. The fact that many suppliers lack HR or sustainability departments with a proper mandate is therefore a big challenge today.

To support our suppliers in Myanmar, during 2017 we continued our collaboration with SMART. SMART is a four-year project (2016–19) funded by the European Union. The project provides local sustainability experts that train and support factory management in addressing international standards as well as ensuring improved working conditions and efficiency on a long-term basis.

#### FACTORY AUDITS

Parallel to our development of self-assessment, we continue our regular compliance work. We have internal audits performed by our production offices as well as third-party amfori BSCI audits performed by internationally accredited independent auditors. Our audits are performed both announced and unannounced.

During 2017 a total of 183 audits were performed, including both internal and third-party amfori BSCI audits. Among the factories audited, 17 per cent were scored as 'outstanding' or 'good', 46 per cent were scored as 'acceptable' and 37 per cent were scored as 'insufficient'. No factories were scored as 'unacceptable'. The negative findings from the audits were mainly issues within occupational health and safety, working hours and management systems.

In accordance with Lindex commitment to the Accord on Fire and Building Safety in Bangladesh, we are also having our factories in Bangladesh audited for fire safety as well as electrical and structural issues. These inspections also include calculations on the load-bearing capacity of the buildings. Read more about our commitment to the Accord on page 44. During 2017 a total of 221 Accord inspections were conducted and 89 per cent of the issues found in factories producing for Lindex were remediated.

After each audit, whether it is a amfori BSCI audit, internal audit or an Accord inspection, an audit report with a CAP (corrective action plan) is put together. Each task on the CAP is given a deadline and the progress is followed up.



## ‘WITH SELF-ASSESSMENT WE BECOME *MORE CONFIDENT* *IN OUR ABILITY*’

DIVINE GROUP IS ONE OF THE SUPPLIERS THAT HAS BEEN PART OF OUR SELF-ASSESSMENT PROGRAMME SINCE ITS LAUNCH. WE ASKED MD. SAIFUL ISLAM, ASSISTANT COMPLIANCE MANAGER, AND TAREQ M.S. RAHMAN, DEPUTY COMPLIANCE MANAGER, ABOUT THEIR EXPERIENCE OF SELF-ASSESSMENT.

#### HOW DO YOU FIND YOUR EXPERIENCE OF BEING PART OF LINDEX SELF-ASSESSMENT PROGRAMME?

To be part of this self-assessment programme is really exciting for Divine Group. The change of ownership from external auditor to ourselves gives us more authority to take appropriate action to solve our problems. We know our strengths and weaknesses in our factory, which means we can also make more in-depth findings of issues. In traditional audits, small findings can sometimes be presented to the management in a way that embarrasses the compliance team. With self-assessment we become more confident in our ability and we can present our findings in the best suitable way. When we handle our own cases, we feel safer and more comfortable to take action to solve any issues. Self-

assessment also improves the transparency and the relations between management and workers.

#### WHAT ARE THE MAIN CHALLENGES FOR YOU WITH SELF-ASSESSMENT?

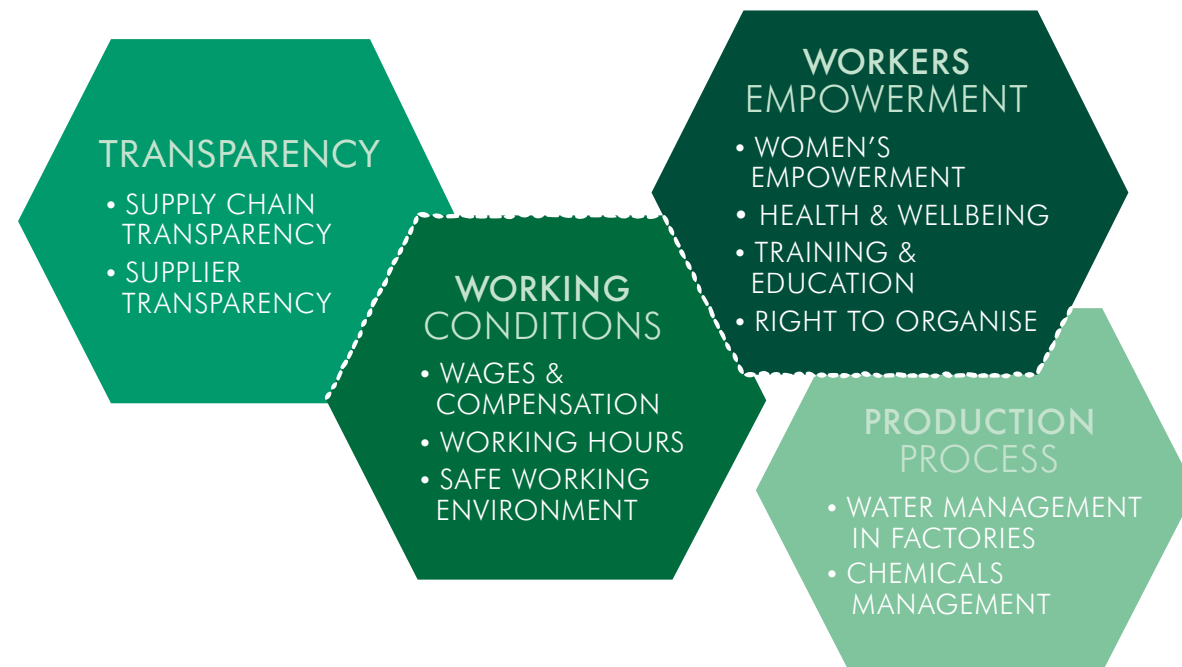
In the beginning we were a bit worried about our capacity to do the self-assessment but once we started to work it became clearer. There are, however, several major challenges for us such as allocating time for auditing. We also have a habit of working with the external assessments. We have therefore had to work with overcoming situations where floor workers have lacked seriousness and some co-workers have been reluctant when the audits are not external.





# SUSTAINABILITY FOCUS AREAS IN PRODUCTION

IN ORDER TO WORK TOWARDS IMPROVING SUSTAINABILITY IN THE FASHION INDUSTRY AND RESPONSIBLE PRODUCTION, WE HAVE IDENTIFIED SOME AREAS THAT ARE ESSENTIAL IN OUR SUSTAINABILITY WORK IN PRODUCTION.



## TRANSPARENCY



Transparency is a major challenge for us and the entire industry, since the supply chains are complex. Transparency is a challenge that affects our entire sustainability work in general and our focus areas in particular.

### SUPPLY CHAIN TRANSPARENCY

Even though we have come a long way, transparency in the supply chain is a big challenge in ensuring sustainable production. Besides the fact that we have started working with tier 2 in water and chemical projects, the actions we perform today are mainly in tier 1 as that is where we have managed to develop the most transparency over the years. Our work over the coming years will focus on developing transparency past tier 1 in the supply chain. In 2017 we started to map tier 2 in order to get more insights further down our supply chain. This work will continue during 2018 and the aim is to get enough insights to be able to continue the process of consolidating our supply chain and set goals (see page 38).

To contribute to the transparency in our supply chain, we share information about which suppliers and factories we work with [on our website](#). We list our sewing factories as well as our processing units. Today the list of processing units include units in Bangladesh, China, Turkey and Myanmar. During 2018 we will also start to publish units from tier 2. Since 2017 we have been committed to the Apparel and Footwear Supply Chain Transparency Pledge, an initiative that helps to demonstrate commitments towards greater supply chain transparency.

An area of risk connected to supply chain transparency is unauthorised subcontracting, which that enables production that is not necessarily in compliance with our policies and requirements. We have a zero-tolerance for unauthorised subcontracting and consider it a very serious matter if this would arise.

### SUPPLIER TRANSPARENCY

Another aspect of the transparency challenge is supplier transparency. Since we do not own any



factories, we have to rely on information from our suppliers. To achieve supplier transparency, we need to develop relationships and mutual trust so our suppliers can be open about their challenges and we can work together to make a difference. We believe that our presence in production countries enables close dialogue and, through the consolidation of our supply chain, we are developing long-term partnerships that also help to increase transparency.

One aspect of supplier transparency that we consider a risk is documentation. Proper documentation is a requirement of the code of conduct, but shortcomings regarding employee

identification and wage lists, for example, are common problems in the textile industry. Lack of proper documentation complicates the process of ensuring compliance with the code of conduct within areas such as wages and overtime. We are working to make suppliers aware of the importance of good documentation through seminars and workshops, and by providing training for responsible persons at the factories. If the documentation is insufficient, the supplier is considered to be non-compliant with our requirements. Our self-assessment (see page 40) programme also raises awareness on proper documentation.



# WORKING CONDITIONS



Good working conditions should be a given, but this is a challenging area in the textile industry with a risk of violation of the code of conduct. We have identified three significant aspects of this area, namely wages and compensation, working hours and safe working environments.

## WAGES AND COMPENSATION

In compliance with the code of conduct and local law, our suppliers are required to pay at least the country's statutory minimum wage to their employees. However, minimum wage is often at a level that only provides a small income and does not cover the workers' basic needs. It is also a common problem that incorrect wages are paid by suppliers. At Lindex we recognise the wage issue and participate in networks that aim to create a shift in the industry.

Together with Solidaridad and Fair Wage Network, we have worked with factories in China on a pilot to improve wage practices and pay systems to work towards fair wages. In a one-year pilot we implemented and tested the Fair Wage Methodology in these factories and provided guidance and training on how to integrate its 12 key dimensions into their HR systems. The project also focused on our own buying practices and what impact we have on workers' conditions when it comes to overtime and wages. The pilot was concluded during 2017 and it resulted in improved working conditions and wage practices. The pilot identified areas where continued progress is crucial, such as connecting wages to performance and skills in a clearer way. The pilot also identified areas where Lindex will improve to have a positive impact, such as improvements in production planning and sample handling, as well as enhanced transparency towards our suppliers during our planning of assortment. The pilot will not be continued; instead, as a next step, we will explore collaborations with other organisations in order to find a collective scalable approach to the wage issue. We will also incorporate the learnings from the pilot in a wage strategy, which is currently under development.

Together with our suppliers, we are also working on providing access to non-monetary compensation such as childcare, food subsidies and transport, as well as education and training such as HERfinance (see page 46)

## WORKING HOURS

Overtime that exceeds the limits set out in the code of conduct is a widespread problem in most of our production countries. It is a challenging area to address since there are many different reasons as to why excessive overtime occurs and it is often a structural issue.

Lindex production lead time contributes to the risk of excessive overtime. We work together with our suppliers to develop our internal routines and buying practices and find solutions that can decrease the risk. A production capacity assessment is always conducted prior to placing orders, which means we consult the supplier regarding the needed lead time instead of demanding a certain lead time. We work continuously to maintain awareness internally of how we can avoid contributing to the risk of excessive overtime.

During 2017 we had overtime projects in 27 factories where we worked together with our supplier to understand what causes overtime and how routines could be improved to reduce the number of overtime hours. When participating in our overtime projects, the suppliers are transparent with us and commit to reducing the number of overtime working hours. In general, the projects show that improved awareness of the factory management is highly connected to reduced overtime. The approach differs depending on each factory's needs but it often comes down to making sure that their own supplier for zippers, fabric, etc. deliver to them on time. Additionally, workflows can be made more efficient through skills training and better production planning.

## SAFE WORKING ENVIRONMENT

A safe working environment is essential to responsibly managed production. Factory audits include safety checks of items in the nearby working environment such as sewing machines and electrical cabinets. However, they do not include safety aspects such as the factory building, its load-bearing capacity and electrical wiring. Since 2013 Lindex and the Stockmann Group have been part of the Accord on Fire and Building Safety in Bangladesh. This agreement was initiated by the two global unions, IndustryALL Global Union and UNI Global Union, and aims to develop safe working conditions for textile industry workers in Bangladesh. By signing the Accord on Fire and Building Safety in Bangladesh, Lindex are committed to having all of the factories



in Bangladesh that produce garments for us audited on the basis of three different inspections, namely fire safety, electrical and structural issues. During 2017 a total of 221 Accord inspections were conducted and 89 per cent of the issues found in factories producing for Lindex were remediated. The Accord was originally intended to be active until 2018, but the agreement will be prolonged for six months at a time, depending on its progress.

In 2017 we continued basic safety training in factories in Myanmar. During 2017 each factory set up sustainability organisations and goals, with the support of Lindex local employees. Lindex also continued to coach the factories regarding safety. The objective of the coaching includes supporting the factories in understanding why it is important, rather than only conducting e.g. fire drills, as we believe this will have a greater long-term impact.

In July 2017 a terrible accident occurred at Multifabs Ltd, one of our most important suppliers in Bangladesh. A boiler exploded during maintenance work and 13 people lost their lives and many more were injured. Lindex has supported Multifabs throughout their ongoing work of recovering from this incident, in establishing the cause, attending to the needs of workers and providing other vital support. Multifabs has compensated the families of the deceased workers in accordance

with regulations in Bangladesh and with their own additional compensation. They have also supported the injured workers beyond regulations and requirements. Multifabs covered all treatment costs for the injured workers and formed a team to stay with the workers in hospital. Two of the injured workers were sent to India for better treatment for their specific injuries. Regarding the deceased workers, Multifabs still consider them full-time employees and pay monthly salaries to their families. They have also offered the family members of the deceased workers employment if they want it.

Local government officials, the Ministry of Labour and the Accord have investigated the incident. The local government concluded that the accident happened due to a mistake by the operator. Multifabs had recently been audited by both BSCI and the Accord concerning the boilers locations and surroundings, with no issues being detected. However, none of the auditing frameworks include maintenance of boilers. Lindex therefore had all relevant boilers in our supply chain in Bangladesh inspected at the end of 2017. The inspections did not show technical issues with any boilers but did indicate that maintenance could be improved. As a result of the inspections, a list of best practices and a checklist were provided. In 2018 the boiler inspection company will also conduct safety training with representatives from the factories.



# WORKERS' *EMPOWERMENT*



The social sustainability aspects of production have several challenging areas and compliance work is crucial to achieving an acceptable base level. In addition to ensuring compliance, we want to go beyond the requirements to actually have a positive impact. We believe this starts with workers' empowerment.

## WOMEN'S EMPOWERMENT

The majority of the textile workers who make our clothes are women and we are committed to do what we can to improve their lives. During 2017 we launched WE Women by Lindex, a project where we take action for gender equality in the supply chain and work to create more equal and inclusive workplaces. Through this project we will integrate gender equality into supplier management systems to change the leadership and management style in factories so they become more inclusive for women and more aware of gender equality issues. The suppliers' work for gender equality will be evaluated and the aim is to include it in our sustainability score card.

WE Women by Lindex is a three-year project developed through a partnership between Lindex and GIZ, and in cooperation with BSR and local NGOs. The project started during 2017 with 33 of our suppliers in Bangladesh. The project also includes ten non-Lindex suppliers in order to promote the concept to the industry in Bangladesh. The suppliers included in the project employ around 82,000 workers, of which more than 50 per cent are women. Our ambition is to scale the project to cover our entire supply chain in the future.



Photo: BSR

Another approach to improving the lives of women in our global supply chain is to support their health and well-being. Read more about our work with HERproject below.

## HEALTH AND WELL-BEING

One important aspect of workers' empowerment is to support their health and well-being, an area where we see great opportunities for Lindex to have a positive impact. The majority of textile workers are women and since 2012 we have been working with HERproject, a factory-based training programme initiated by BSR that focuses on improving the situation for female textile workers.

HERproject is based on peer education and training in which the participating workers become 'peer educators' who share their knowledge with other workers at the factories. HERproject reaches many people at once, as the workers share their knowledge with their families, friends and neighbours. We work with two types of programmes within the project, HERhealth and HERfinance.

HERhealth provides health education and training for female textile workers to increase their awareness and access to health services. The participants choose which topic they need training on such as health, safety, hygiene, safe motherhood, food and nutrition, or diseases.

During 2017 we highlighted female textile workers on International Women's Day and donated 10 per cent of our sales to HERhealth to reach even more women. The donation is being used for HERhealth projects in more factories. So far, we have started new projects in nine factories that will reach another 8500 women with health education and training. Including these new projects, we have reached about 22,000 women in Bangladesh, India and Pakistan since we started working with HERhealth.

HERfinance provides textile workers with financial education on topics such as financial planning and budgeting, as well as saving and borrowing responsibly. This programme reaches both men and women but has a particular impact on women's financial situation since women often lack access to and control over the household finances. In 2015 Wage Digitization was added to the programme. This educates both workers and management in the digitisation of payroll services and connects workers with financial services. The digitisation of payments means that workers can have their salaries transferred to their mobile phones, which



Photo: BSR

can also be used to make payments. Transitioning from cash-based payrolls to digital payrolls has many benefits, such as increased security, resource efficiency and increased factory productivity. The addition Wage Digitization is a pilot that was initiated in 2015 through a partnership between BSR and the Bill and Melinda Gates Foundation. Since Lindex started working with HERfinance Wage Digitization, we have reached about 7800 workers in Bangladesh. In the sustainability report for 2016 we stated that we have reached 11,000 workers, but the data was incorrect and has now been adjusted.

Working with HERproject has improved workers' well-being with regard to health and financial strength. There is also a commercial value to HERproject, since the quality and efficiency of the factories increases when the workers feel better. This commercial value gives an incentive to factory owners to participate in the projects. Working with HERproject has improved the social dialogue between workers and factory management substantially, as the workers have increased confidence in the management and the management view the workers more as individuals.

## TRAINING AND EDUCATION

For workers to be able to drive improvement for themselves, it is crucial that they have the knowledge needed. There is often a lack of awareness among workers as well as a lack of tools for maintaining knowledge and platforms for dialogue. This is an area where we see an opportunity for us to have a positive impact.

Since 2015 we have participated in a pilot with QuizRR, with a digital training tool for educating factory workers on rights, responsibilities and safe

workplaces. The tool is developed by QuizRR in close collaboration with Lindex and several other Swedish brands. The digital tool covers four areas, namely workplace policies, health and safety, fire and building safety, and workplace dialogue. During 2017 we continued with five factories in China that produce for Lindex. The pilot will conclude in 2018 and several of the factories have shown interest in continuing with QuizRR after the pilot.

## RIGHT TO ORGANISE

Freedom of association and collective bargaining is a basic right and a precondition for workers' empowerment. In many of our production countries the trade unions are weak, with underlying causes that are complex and often multifaceted. Establishing trade unions and engaging in collective bargaining is ultimately the workers' responsibility and right. However, Lindex acknowledge the issues and we put pressure on the supplier to ensure that the workers' right to organise is not violated.

We monitor that workers are able to join trade unions if they wish and that there are no repercussions if they do. Factory employees are informed of their rights through BSCI information displayed in the workplace. We encourage factory managers to take part in BSCI training related to the freedom of association and collective bargaining.

In many of the factories that we use, there are Workers Participatory Committees that give the employees the opportunity to engage in dialogue with factory management. We work to ensure that these committees are run according to the law and that the members have been elected by the workers. These committees are not equivalent to a functioning trade union and are not seen as a replacement.



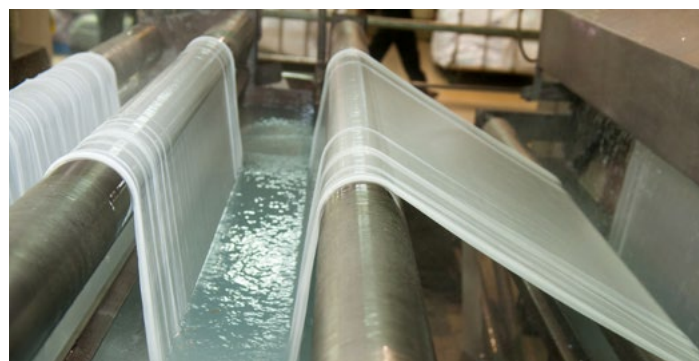
# PRODUCTION PROCESSES



In our production there are several processes, such as washing, printing, dyeing and finishing, that require a lot of water, energy and chemicals. Reducing the consumption of resources in production processes can have a major effect on the environmental impact of a garment. Our environmental requirements state that all Lindex suppliers must be legally compliant from an environmental perspective. With our requirements we aim to raise awareness on environmental issues within our supply chain and to improve processes in order to minimise any negative environmental effects.

However, being legally compliant is not enough for us to create a positive impact. This is why we, together with our suppliers, are working towards having our garments manufactured following best industry practices with more sustainable processes. Our definition of a more sustainable process is one that shows a significant and measurable improvement in comparison with the conventional method with regard to water, energy, chemicals and waste, as well as health and safety for workers. These different aspects of impact are closely connected. For instance, a more sustainable dyeing process may often evolve around the choice of chemicals, but this choice in turn can reduce the consumption of water and energy, result in less or cleaner waste water and improve health and safety for workers.

Our goal is that 80 per cent of our garments will be made with more sustainable production processes by 2020. In 2017 we reached 26 per cent, a slight increase from the 22 per cent we had in 2016. In some of our production countries we have come further than in others. To continue increasing the share of more sustainable production processes, we will scale up the approach in the countries where we have come further. In the production countries where we have not come as far, this corresponds with



the level of insight in the supply chain. Our ongoing work to improve transparency (see page 42) will have a positive effect on this, and once we have a higher level of insight we can apply the approach from our other production countries. Our most significant progress with more sustainable processes has been made with our denim assortment. Read more about our denim on page 52.

## WATER MANAGEMENT IN FACTORIES

Our production accounts for a large part of the water impact of our products. Besides working on a product level with specific processes and chemicals management, we also work with responsible water management at factory level as an essential part of sustainable production.

On our sustainability score card (see page 39) we have a score regarding water and are working towards our core suppliers that have wet processing having a score of 4 in this area. This means that the supplier has a strategic and long-term goal to show significant and sustainable progress on water consumption and waste water production. To raise awareness and educate our suppliers on the importance of responsible water management, long-term cooperation projects within the industry such as the Partnership for Cleaner Textile (PaCT) and Sweden Textile Water Initiative (STWI) are valuable tools. These projects extend beyond legal requirements and these kinds of actions are necessary if we are to have a positive impact together with our suppliers. These projects are part of our goal for 80 per cent of our garments to be made with more sustainable processes and in more sustainable production units by 2020.

From its launch in 2013 until its conclusion in 2017, we were part of PaCT. PaCT was a collaborative partnership between eight international fashion companies that aimed primarily to reduce groundwater consumption and surface water pollution associated with textile wet processing in Bangladesh. The aim of the PaCT programme was to raise awareness about cleaner production methods and increase resource efficiency in textile production. In total, 13 Lindex suppliers in Bangladesh participated in the programme. These 13 suppliers represent 80 per cent of Lindex production capacity in Bangladesh and 100 per cent of our Bangladesh suppliers who have in-house wet process operations. All participating factories have implemented at least four recommended water- and energy-saving measures from the programme.

Lindex is one of the founders of and an active participant in STWI, a partnership project for textile and leather retail companies in Sweden, Stockholm International Water Institute (SIWI) and SIDA. The STWI network was started in 2010, the Sustainable Water Resources Management (SWAR) pilot was conducted in India in 2014, and in 2015 the pilot was scaled up to become the STWI projects. The project aims to develop water management in production. The goal is not only to reduce the water consumption but also to raise awareness, build capacity and educate our suppliers on how to become more sustainable on a long term. Since its inception start 21 of our suppliers have participated in STWI. The project have so far resulted in total savings in Lindex production of 1500 million litres of water, 64 million mWh and 1.2 million kilograms of chemicals. The total reduction in water consumption is equivalent to the daily water needs of 30 million people.

## CHEMICALS MANAGEMENT

Chemicals are used in processes such as dyeing, printing and washing. We actively work to reduce the use and negative impact of harmful substances in our production and supply chain. We fulfill our responsibilities under the chemical legislation REACH and our products meets the requirements of the legislation. We also participate in different networks that share information and knowledge about chemical risks in order to reduce the negative effects of using chemicals in production and to find substitutes for harmful and undesirable chemicals. For example, we are members of the Swedish Chemicals Group and participate in the industry dialogue with the Swedish Chemical Agency, KemI.

All of our suppliers undertake by written agreement to follow the Lindex Limitation of Chemicals list (RSL), which lists chemicals that are not permitted in our products because they present health or environmental hazards. Chemicals banned in our products include PVC, phthalates, PFAS and APEO. The RSL is available on our [website](#). During 2017 we developed a Manufacturing Restricted Substances List (MRSL), which will be published and implemented during 2018. The MRSL is a list of substances that will be banned in all stages in the production of our garments. With the MRSL, we will expand our requirements to apply throughout the entire production chain with the aim of eliminating harmful substances from the beginning so they do not enter the production cycle at all. Consequently, the finished garment will meet the requirements in our RSL and our strict consumer safety requirements. There shall not be any release of harmful substances into the environment and workers shall not be exposed to harmful substances in the production process.



To ensure compliance with our requirements, comprehensive risk and safety assessments are made on every product. Regular chemical tests are carried out at our request by independent laboratories. We cancel orders if a product fails the chemical tests. No products rejected during the chemical test phase are available for sale.

Since 2015 we have worked with international chemical suppliers who are Bluesign® system partners to promote Bluesign®-approved chemicals among our supply chain partners. Bluesign is an organisation that certifies chemicals for more environmentally friendly and safer production. From the start we achieved encouraging results and received positive feedback from our suppliers. Each production office drives the use of Bluesign®-approved chemicals in our supply chain.

During 2017 we extended the use of Avitera in the dyeing of selected basic garments in our kids' wear assortment. Avitera is a dye with a higher fixation rate than conventional dyes. Since the fixation rate is higher, less dye is required and less water is needed to rinse out residue. Using Avitera cuts down water consumption in the dyeing process by 30 per cent and results in lower energy consumption and a cleaner process with less chemicals, waste water and emissions. During 2017 we produced approximately 1.7 million pieces with Avitera, which resulted in an estimated saving of 8300 litres of water and 1040 kWh of energy.

During 2017 we continued to dye our denim with DyStar Indigo Vat 40% Solution and about 90 per cent of our denim assortment is being dyed with this solution. Using DyStar Indigo Vat 40% Solution is better for the factory workers as well as for the environment. The dyeing process has a lower environmental impact, saving water, energy and chemicals. The indigo dye is liquid, thus eliminating all dust in production. The process occurs in a closed system, which significantly reduces the factory workers' contact with chemicals.



A photograph of two young children and a dog standing on a sandy beach. The child on the left is a girl with long blonde hair, wearing a dark blue captain's hat, a light blue denim jacket over a striped shirt, and dark blue jeans. The child on the right is a boy with short blonde hair, wearing a white and black striped sweater over a blue collared shirt and light blue jeans. A medium-sized brown dog is sitting in the foreground. The background is a white wall with beach grass and sand visible on the sides.

# CASE: *BETTER DENIM*

PRODUCING DENIM IS ONE OF THE MOST RESOURCE-INTENSIVE TEXTILE PROCESSES DUE TO THE INTENSIVE WASHING REQUIRED. IN RECENT YEARS WE HAVE BEEN ON A JOURNEY TOWARDS PRODUCING MORE SUSTAINABLE DENIM. WITH SIGNIFICANT PROGRESS IN MATERIAL AND TRIMS AS WELL AS PROCESSES, OUR DENIM ASSORTMENT IS AT THE FOREFRONT OF OUR SUSTAINABILITY WORK.



# OUR DENIM JOURNEY

**6** CLEAN WATER AND SANITATION **8** DECENT WORK AND ECONOMIC GROWTH **12** RESPONSIBLE CONSUMPTION AND PRODUCTION **13** CLIMATE ACTION **17** PARTNERSHIPS FOR THE GOALS

Our denim journey began in 2014 when we, together with our suppliers, started out by screening our denim production to grade the environmental impact of our denim styles. The screening process was supported with expertise from Spanish denim consultants Jeanologia and Environmental Impact Measuring (EIM) software. Using the EIM software, production is scored as low, medium or high in terms of environmental

impact and the tool helps suppliers manage water, energy and chemical consumption in production. Once we had screened our denim production, we started tweaking every part of our process to make it more sustainable. Washing methods were optimised, some actions such as extra rinses were dropped and other washes were combined. We have come a long way, but our denim journey continues. We will continue to develop new ways of making denim in the most sustainable way possible.



## BETTER DENIM



In 2016 we launched our first Better Denim styles, made with more sustainable materials and washing processes. The washing process used up to 45 per cent less water, 27 per cent less energy, and less and better chemicals. We have continued the development and today our entire denim assortment is Better Denim and even more sustainable than at the time of the launch. All of the cotton in our denim comes from more sustainable sources: Better Cotton, organic or recycled cotton. The washing process has been made even more

resource efficient. Today it uses up to 85 per cent less water, 70 per cent less energy and 45 per cent less (as well as better) chemicals than conventional methods. About 90 per cent of our denim is dyed with the cleanest liquid indigo dye on the market today, DyStar Indigo Vat 40% Solution. Using this indigo dye is better for the factory workers as well as for the environment. The dyeing process has a lower environmental impact, saving water, energy and chemicals. The process occurs in a closed system that significantly reduces the factory workers' contact with chemicals, and the indigo dye is liquid, which eliminates all dust in production.

"Even Better Denim" are small collections of styles where we explore innovations and solutions to develop even more sustainable denim with the ambition to implement the improvements in our entire denim assortment.

"Better Denim" is our entire denim assortment that is made from more sustainable material and with more sustainable processes.



# EVEN BETTER *DENIM*



In autumn 2017 we launched new Even Better Denim styles that were more sustainable than ever before. The styles were developed in collaboration with Jeanologia and made with new innovative new technology.

**MATERIALS** -----

Made from more sustainable materials such as post-consumer recycled cotton and recycled polyester. Using recycled material saves virgin raw material and therefore requires less water, chemicals and energy in production.

**DYEING** -----

Dyed with DyStar Indigo Vat 40% Solution, which is better for factory workers as well as for the environment.

**TRIMS**

Made with more sustainable trims such as buttons, zippers and pocket bags.

**WASHING**

Produced with the most sustainable washing process possible. New innovative technologies such as air and laser were used, which resulted in production with less and better chemicals, and a significantly reduced water consumption. The washing process for one pair of denims can require 50–70 litres of water when done the conventional way. Only 2 litres of water were used in this washing process.



‘AS AN INDUSTRY  
WE HAVE A  
RESPONSIBILITY TO  
*ACCELERATE THE  
CHANGE*’



WE HAVE COLLABORATED WITH JEANOLOGIA SINCE WE STARTED OUR DENIM JOURNEY IN 2014. WE ASKED PRODUCT MANAGER BEGOÑA GARCÍA FOR THEIR PERSPECTIVE ON OUR LATEST ACHIEVEMENT, THE IMPORTANCE OF COLLABORATION AND THE FUTURE FOR MORE SUSTAINABLE DENIM PRODUCTION.

**WHAT IS YOUR PERSPECTIVE ON WHAT WE ACHIEVED WITH OUR EVEN BETTER DENIM STYLES LAUNCHED IN 2017?**

It is a great collection of garments that shows, from a consumer point of view, that it is possible to have very nice products produced with minimum water usage. From a technical and design point of view it is a real motivation to keep working to transform the denim production industry to be more environmentally friendly and socially respectful. On average, the conventional washing process of one pair of denims requires around 70 litres of water and about 4 billion pairs of denim jeans are reportedly produced in one year. If only half of those were to be produced with this production process instead, water consumption in global denim production would decrease in a very significant way.

**WHAT DO YOU THINK THAT WE ACHIEVE THROUGH COLLABORATIONS SUCH AS THE ONE BETWEEN JEANOLOGIA AND LINDEX?**

These kinds of collaborations are key for an efficient and immediate implementation of new technologies

and processes. The most challenging part of transforming the denim industry is to change the minds of the people at the factories. For years they have been working in a certain way and it is not easy for them to completely change their well-established routines and production processes. Through collaborations such as ours, where Lindex create the demand and Jeanologia gives support in the development and production, this change of mind happens almost in a natural way.

**WHAT IS YOUR PERSPECTIVE ON THE FUTURE OF MORE SUSTAINABLE DENIM PRODUCTION?**

In the near future all denim production needs to be more sustainable. Use of less resources, complete elimination of toxic chemicals and elimination of unhealthy manual work will be the focus during the coming years. The transformation has started and as an industry we have a responsibility to accelerate the change.





# THE LIFECYCLE: *TRANSPORTATION*

TRANSPORT OF GOODS AFFECTS THE ENVIRONMENT AND  
WE WORK WITHIN SEVERAL AREAS TO MINIMISE THE IMPACT  
ASSOCIATED WITH TRANSPORT OF LINEX PRODUCTS.



# EFFECTIVE *TRANSPORT*



We are working to optimise the efficiency of our transport in several ways, not only for the financial benefits but also to decrease our impact on the environment. We strive to distribute our products in the best way possible and our efforts result in a low level of redeployment of products between our stores.

For us it is essential to use space as efficiently as possible. We aim to fully load the containers in shipments from production to our distribution centres as well as for transport from our distribution

centres to stores. At the distribution centres, filling up the boxes to the last centimetre is kept top of mind. The boxes have been designed so that two shipping pallets can be stacked on top of one another and fit perfectly into the trucks. We regularly measure and follow up on the loading efficiency in containers and filling degree in the boxes.

In the procurement of transport to stores we prioritise suppliers who work with similar clients. This enables combined transport for us and other brands that operate in the same shopping centre or area.



# CHOOSING MORE *SUSTAINABLE TRANSPORT*

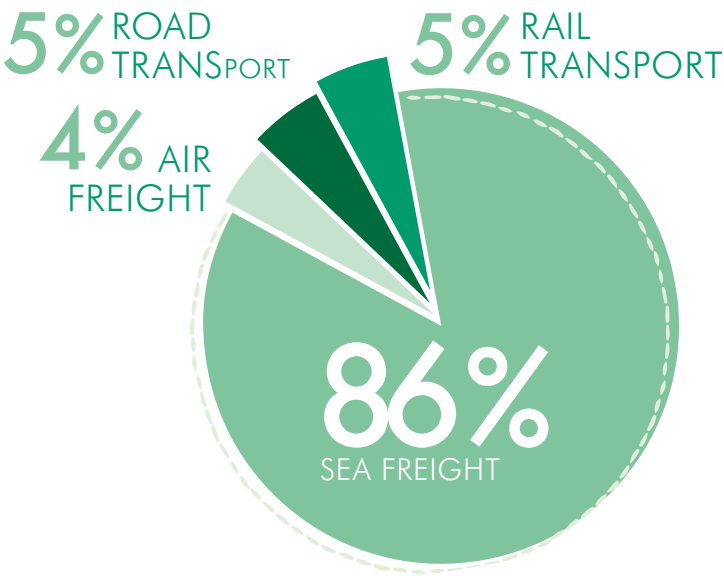


Transporting goods by air freight has a major negative impact on the environment. We therefore only use it in exceptional cases and our goal is to always keep our use of air freight below 4 per cent. In 2017, 4 per cent of our goods were transported by air freight. This is an increase on the 1 per cent we had in 2016 and the percentage is higher than we had planned. This was due to delays and unforeseen events such as the accident at one of our suppliers, Multifabs (see page 45).

Sea freight is a more sustainable option than air freight because it has less negative impact on the environment. Sea freight accounts for a major part of the transportation of goods from our production countries to distribution. In 2017, 86 per cent of Lindex goods were transported by sea freight.

We always try to maximise the share of sea freight as it is the most environmentally friendly option for transport. However, sometimes there is a need for faster delivery. In order to meet the occasional need for fast deliveries in a more environmentally friendly and cost-efficient way, we use rail transport from Italy as well as intermodal transport including rail from Turkey. Since 2015 we have also been using

rail transport from China to our distribution centre in Sweden. Shipping by rail instead of by air reduces CO2 emissions significantly. In 2017, 5 per cent of our goods were transported by rail. Our goal is to continue to increase our share of rail transport.



# CLEAN *SHIPPING*



Since 2008 Lindex has been part of the Clean Shipping Network, a network where global actors in sea freight procurement come together with the shared goal of minimising the negative environmental impact of shipping.

As a member of the network, Lindex uses the Clean Shipping Index, a tool that registers different shipping companies and their environmental impact. The index provides environmental ranking for ships and entire carriers based on their performance in five different areas:

- Carbon dioxide emissions
  - Nitrous oxide
  - Sulphur dioxide and particulates
  - Chemical products and fuel
  - Water and waste control
- The Clean Shipping Index supports our decision-making in the buying of sea freight. By being part of this network we can act to minimise the negative environmental impact related to our products. In Lindex shipment procurement we require that 80 per cent of the ships are Clean Shipping registered.

# ROAD TRANSPORT *REQUIREMENTS*



Road transport accounted for 5 per cent of Lindex transports in 2017. When we choose road transport suppliers we work with a requirement platform that was developed together with other companies in the retail and grocery trade and in cooperation with the Swedish Transport Administration. The platform includes requirements for:

- Business management – the environment and traffic safety
- Compliance with legislation
- Alcohol and drugs
- Greenhouse gas emissions
- Speed
- Emissions of substances harmful to health
- Follow-up





# THE LIFECYCLE:

## *STORE*

WE WANT ALL OUR CUSTOMERS TO HAVE A WELCOMING AND INSPIRING SHOPPING EXPERIENCE. IN OUR STORES WE CAN HAVE A POSITIVE IMPACT BY RAISING SUSTAINABILITY, SHOWING INCLUSION AND DIVERSITY AS WELL AS WORKING FOR MORE SUSTAINABLE CONSUMPTION OF SHOPPING BAGS AND CIRCULARITY.



## SUSTAINABILITY *TOOLBOX*

Our stores are an essential platform in the relationship with our customers. During 2017 we launched an internal sustainability toolbox with information that gives an overview of Lindex sustainability work. The toolbox was developed in order to support and guide our store employees to

enable them to answer our customers' questions and communicate about our sustainability work. The toolbox is intended to be a valuable working tool for our store teams in their daily operations. It is designed to be easily accessed and used in our stores and is being kept updated on a regular basis.



## INCLUSION, IDEALS *AND DIVERSITY*

The majority of our customers are women and we want to have a positive impact with regard to inclusion, ideals and diversity. Since 2016 plus sizes have been integrated into all our fashion concepts. The objective of the integration was to make women of all shapes and sizes feel included and be able to shop from all areas in our stores. We have continued with this during 2017 which has also been reflected in our marketing and choice of models.

During 2017 Lindex signed the Swedish Fashion Ethical Charter, an initiative developed by the

Swedish Fashion Council and Association of Swedish Fashion Brands. The initiative aims to create common guidelines for social sustainability for those who work in the fashion industry and for the consumers reached by the fashion industry's messages and ideals. By signing the Swedish Fashion Ethical Charter, we are taking active responsibility for what we convey in terms of ideals and diversity, as well as ensuring a healthy working environment on photoshoots for example. Our commitment to the initiative is a further step in the work we already do with diversity and inclusion in our marketing.

## ONE BAG *HABIT*



The consumption of all sorts of bags has a negative effect on the environment and current consumption levels are not sustainable. In Sweden one person uses on average almost 200 plastic bags per year and one plastic bag is only used for approximately 30 minutes. It takes nature 400 years to break down a plastic bag. During that time it breaks down to tiny parts and becomes a harmful ingredient in the food chain for both animals and humans. Even bags made of renewable material require a lot of resources to produce, transport and recycle. We want to encourage our customers to buy a more sustainably produced bag and use it several times.

In June 2017 we launched One Bag Habit in Sweden together with KappAhl and H&M. The initiative aims to reduce the consumption of all kind of shopping bags and increase the awareness about the negative impact of bags on the environment. The initiative is a response to the EU directive about reducing the consumption of plastic bags, and since the launch many more retail companies have joined.

On 1 June 2017 we began charging our customers for all shopping bags in our Swedish stores. We saw a significant change in consumer behaviour from the start and during 2017 (1 June–31 December) only about 30 per cent of our customers chose to buy a shopping bag. Lindex shopping bags are more sustainably produced, made of renewable chalk from oyster shells mixed with post-consumer



recycled and industrial recycled polyethylene. The oyster shells are a biological and renewable resource and a waste product from the food industry. All surplus from the sales of shopping bags is donated to causes that drive sustainable development within environmental or social issues. In 2017 (1 June–31 December) Lindex total donation amounted to EUR 280,000, which was donated to WaterAid and the Swedish research programme STEPS.

In 2018 we are also launching One Bag Habit in all our other markets (excl franchise). The surplus from the sales of the shopping bags will be donated to, for example, WaterAid.

## CIRCULARITY *IN STORES*



Working in a more circular way includes addressing our own store waste and recycling. The waste generated in Lindex stores is mainly cardboard and plastic from packaging waste and hangers. Our ambition is to recycle 100 per cent of the waste in our own operations. In order to reach our ambition we are working towards easy sorting and recycling for all fractions. During 2017 we started mapping the stores and the recycling systems that are in place.

Besides recycling waste, it is also important to reduce the occurrence of waste. In 2015 we initiated a

project to reduce the amount of plastic bags used for replenishment to our stores. Our goal is for only 30 per cent of our products to be delivered covered in plastic by 2020. By introducing guidelines for the Lindex purchasing department, where the buyer has to make an active choice to have the replenishment items covered in plastic bags, significant reductions were achieved from the start. The project has been introduced in kids' wear and women's wear, and in 2017 only about 44 per cent of our products were delivered covered in plastic. In 2018 we will continue this work and the next phase is to implement the approach in our lingerie assortment.



A photograph of three women standing in a lush green field with yellow wildflowers. The woman on the left has long brown hair, wears sunglasses, a grey t-shirt, and a red skirt with a white floral pattern. The woman in the middle has blonde hair, wears glasses, and a dark blue dress with a white and green floral pattern. The woman on the right has dark curly hair, wears sunglasses, a blue and white vertically striped button-down shirt, and blue jeans. They are all looking towards the left side of the frame. The background consists of dense green trees under a clear blue sky.

# THE LIFECYCLE: *CUSTOMER USAGE*

LINDEX CUSTOMERS ARE OUR MOST IMPORTANT STAKEHOLDERS. IT IS CRUCIAL THAT WE MEET OUR CUSTOMERS' EXPECTATIONS, SUPPORT THEIR NEEDS AND ENABLE THEM TO MAKE MORE SUSTAINABLE CHOICES.



# MORE SUSTAINABLE CONSUMPTION



The consumption of fashion in its current form and at its current pace will not be sustainable in the long term. In a circular economy the maintaining aspect where products are used for a longer time is the most sustainable option. In order to contribute to more sustainable consumption, developing our offer and exploring new business models is essential. We need to take our responsibility and offer our customers fashion that is as sustainable as possible, a work that we have described in the other lifecycle chapters.

Communicating and engaging with our customers is important as well. We need to encourage our customers in valuing aspects of sustainability and enable them to make more sustainable

choices. We are always working to increase our communication on sustainability and to provide our customers with the information they need to make sustainable choices. In the dialogue with our customers in store as well as through customer service and social media, we aim to inform our customers about our sustainability progress, guide them through their questions and be transparent with the challenges we face. To make it easier for our customers to find our more sustainable garments, we communicate which garments are more sustainable through our Sustainable Choice tags. The tags also explain in what way a garment is considered to be a more sustainable choice and if there are any certificates linked to the item. The same information is visible in our e-commerce.



## PRODUCT RESPONSIBILITY



We ensure that the products sold in our stores are safe, of good quality and do not contain any unwanted chemicals. All of our suppliers sign agreements that the products shall meet quality and chemical requirements based on legal demands and recommendations in our sales markets, and are controlled on the basis of these agreements. We apply the strictest requirements in all of our sales countries. We also have a 'Limitation of Chemicals' list that all suppliers are required to follow. Read more about this on page 49. We evaluate all products from a health and safety perspective with a high

level of awareness and we make comprehensive risk assessments throughout our production.

### TESTS

All product groups are tested through spot checks and the testing ensures that the products fulfil all quality and safety requirements set by legislation, and any stricter requirements set by Lindex. Each year we conduct thousands of quality, chemical and safety tests at our own testing facilities as well as at external independent laboratories. The tests are carried out both in the production process and on the finished product. We do not permit any animal

testing of our products. In 2017 almost 92,000 quality and chemical tests were carried out on behalf of Lindex. The number of failed tests has decreased significantly over the last few years due to active and purposeful quality assurance work. Today approximately 1–2 per cent of the quality and chemical tests fail. Quality tests that fail are corrected or rejected before delivery. Products that fail our chemical tests are rejected.

### SAFE KIDS' WEAR

Children crawl, climb, cling on and jump about, and no child must ever come to any harm when wearing Lindex clothes. Our kids' wear follows the requirements of the European standards regarding children's safety, EN 14682 and TR 16792. We work actively to make our kids' wear safe to use through risk assessments and precautions as well as established routines, guidelines and checklists that are used during the entire process. We have an established routine to ensure that fastenings on garments for very small children are securely attached and do not pose a risk of loosening. No sequins, stones or other small decorations are allowed to be glued onto the garments, and buttons must be sewn on with special sewing machine on the smallest sizes. Moreover, the hoods on outerwear are removable in order to minimise the risk of accidents. Hoods on outerwear only for the smallest babies, those that cannot walk yet and are under constant supervision, are allowed to be permanently fixed to the garment. The length of cords, placement of reflectors and design of hoods are regulated in the checklist.

### COSMETIC AND SKINCARE ASSORTMENT

Since 2015 we have had a cosmetic and skincare assortment, Lindex Beauty. The skincare assortment is more sustainable and certified with the Nordic Ecolabel (Svanen). The Nordic Ecolabel places emphasis on the total environmental perspective such as chemicals, water, energy and waste.

Lindex has participated in a cosmetic network, Dialogue Group, together with the Swedish Chemical Agency and several cosmetic brands and adopted a voluntary ban on insoluble microbeads in rinse-off products.

Some of the products in our cosmetic and skincare assortment are intended for or can be appealing for children. Children are often more sensitive and are more at risk of developing allergies. Therefore, we have adopted a voluntary ban on certain fragrances and preservatives that are allergenic, or suspected allergens, in products intended for children.



### PRODUCT RECALLS

If we have to recall a product, we inform our customers through the website, in stores and with announcements to the members of More at Lindex in order to reach as many customers as quickly as possible.

During 2017 one pair of socks in a three-pack sock set was withdrawn from sale and recalled from customers. The product was recalled as a small piece of the yarn did not meet Lindex safety requirements or the REACH regulation on chemicals and contained a chemical that is included on Lindex 'Limitations of Chemicals' list (see page 49). The socks had incorrectly passed our security controls. The chemical discovered is not allowed as it breaks down to substances that are suspected to be carcinogenic. The discovery only occurred in one of our deliveries of the product, but as a precaution we encouraged all customers who had received or bought these socks to return them to the nearest Lindex store for a full refund. Following this incident we have enhanced the chemical testing for the supplier in question, and the supplier has taken on an action plan. The supplier will demand written confirmation from yarn suppliers regarding agreement on the chemicals requirements before the order goes through. The supplier will also set up a tracking and documentation system regarding the use of chemicals. Internal training and control at the suppliers will also be enhanced.

During 2017 we also had a bib that was not recalled but withdrawn from sale for precautionary reasons. The adhesive property of the fabric's coating was found to be of inferior quality. After washing, the coating could be peeled off and pieces of the coating material could be accessible to the baby.



A close-up photograph of two spools of light blue thread on a sewing machine. The spool in the foreground is in sharp focus, showing the texture of the thread and the metal bobbin. The background spool is blurred. The background is a solid blue color.

# THE LIFECYCLE:

## *REUSE, RECYCLE*

IN ORDER TO MEET THE CHALLENGES OF THE FUTURE, RESOURCE EFFICIENCY MUST INCREASE. WE AIM TO ACT IN A MORE CIRCULAR WAY BY EXPLORING NEW WAYS OF WORKING AND CONTRIBUTING TO AN INCREASE OF REUSE AND RECYCLING.





## CLOSING *THE LOOP*



Production of textile fibres has tripled since 1980 and if it continues to increase at the same pace, 200 million tonnes of textile fibres will be produced per year by 2030. In the meantime one garbage truck of textile waste is discarded every second globally. It can be hard to grasp the statistics, but it is clear that this development cannot continue in the same direction. To meet the challenges of the future we need to be more resource efficient and we need to ask ourselves how we can use the resources

and textiles that already exist in the best way. At Lindex we are constantly looking into new innovative and circular ways of working, and our ambition is to be as resource efficient as possible and enable the closing of material loops.

Read more about our continuous work to use recycled material in our garments on page 34 and our Even Better Denim styles containing post-consumer recycled cotton and recycled polyester on page 54.

## SYSTEMATIC *REUSE*



We are working to ensure that our buying and distribution matches the demand from our customers. We donate any unsold products to different charity organisations and partners, in accordance with our clothes recycling and donation policy. At head office, product samples are sold at a garment sale every month, and leftover garments are donated to different charities. The production offices also donate garments to different charities.

In November 2017 Lindex was one of several companies mentioned on the Swedish television show Uppdrag Granskning. The episode was about incineration of newly produced clothes in the fashion industry and highlighted that about 2.4 tonnes were sent from the Lindex distribution centre in Sweden for incineration during 2016. Our ambition is to reuse and recycle garments to the greatest extent possible.

Our policies and routines state that textiles from our textile collection in store, as well as garments with complaints and unsold garments, shall be sent for reuse and recycling. Sending garments for incineration is something we avoid to the greatest extent possible. Only garments that do not fulfil our health and safety requirements shall be sent for incineration. It could be garments affected by mould during sea transportation or garments that do not fulfil our chemical requirements. It is our obligation to ensure that these types of garments do not enter the market. The volume sent for incineration by Lindex in 2016 was a small quantity that only represented 0.18 per mille of our total volume handled at the distribution centre. In 2017 only 0.6 tonnes were sent from the Lindex distribution centre in Sweden to incineration in accordance with our policies and routines, which represents 0.05 per mille of our total volume handled at the distribution centre.

## TEXTILE COLLECTION *IN STORE*



Each year about 8 kg of textiles per person are thrown away with household waste in Sweden alone.

Lindex collaborates with several organisations to contribute to an increase in textile collection that has the greatest possible consideration for the environment and is easy for the consumer. We also want the reused and recycled textiles to be taken care of in the best possible way. This means material that has already been used to produce a garment can be used several times, which decreases the need for use of virgin material and resources.

In accordance with the 2020 Circular Fashion System Commitment (see page 8) we set a goal during 2017 that by 2020, we will offer textile collection in all Lindex stores (excl franchise). In 2017 customers were able to hand in used textiles to any Lindex store in Sweden, Norway and Finland. Lindex collaborates with Myrorna in Sweden, with Fretex in Norway and Remeo (previously Suez) in Finland. During 2017, 150 tonnes of textiles were collected in Lindex stores, which is a significant increase from the 27 tonnes collected in 2016. Textiles that are handed in are sorted and will either be reused or recycled. Only

a small proportion of the textiles cannot be reused or recycled and are instead burned for energy.

Our long-term ambition is to contribute to increased reuse and recycling on such a large scale that in the long run we can use closed-loop fibres and material to a greater extent in our products. We have a long way to go to close the loop and there are challenges in the recycling of textiles for new consumer products. A major part of textiles consists of mixed material, which is harder to recycle. Identifying the source of material poses a traceability challenge, which means a risk of contamination by unwanted substances and chemicals in recycled material.





# RE:DESIGN



In March 2017 we launched Re:Design, a collection of six upcycled products made from our Better Denim garments from previous seasons. The collection was remade locally in Borås, Sweden. The project was a pilot in collaboration with Re:textile at the Swedish School of Textiles in Borås. Re:textile is an organisation that develops design and business models for redesign and circularity in the textile industry. It is financed by the region of Västra Götaland and the Borås-Sjuhärads

local authority. When creating the collection we looked at each original garment's possibilities and explored new circular ways of working, using less resources and prolonging the garments' lifetime. A project such as Re:Design demands close cooperation between different functions throughout the whole organisation, from design to buying, logistics, stores and everything in between. In this pilot we learned a lot and will continue to explore new innovative and circular ways of working.



**‘BEFORE WE RECYCLE  
WE NEED TO HAVE  
EXHAUSTED *THE PRODUCT’S*  
*ENTIRE POTENTIAL*’**

IN THE DEVELOPMENT OF OUR RE:DESIGN COLLECTION, WE WORKED CLOSELY TOGETHER WITH RE:TEXTILE. WE ASKED THEIR REDESIGN EXPERTS ADRIAN ZETHRAEUS AND ANNA-KARIN REIS FOR THEIR THOUGHTS ON A CIRCULAR TEXTILE INDUSTRY.

## WHAT DO YOU THINK IS IMPORTANT FOR THE FUTURE IN TERMS OF CIRCULARITY?

We need to move towards a maximised use of the resources we consume and an increased lifetime for products. Textile recycling is one way to increase circularity, but before we recycle we need to have exhausted the product's entire potential. It will be important that we design for longevity and take 'redesignability' into consideration from the beginning. That would mean to prepare for the garment's second and third life in the first design stage. Circularity in the textile industry needs to be large scale rather than pilots and occasional collections, which will require more multi-dimensional revenue models, rather than only being profitable in selling new products.

## WHAT CHALLENGES DO YOU SEE FOR A CIRCULAR TEXTILE INDUSTRY?

The biggest challenge is that the overall economy is not adjusted for circularity today, which makes it difficult to work in a circular way and still maintain good profitability. It is also challenging that there is no longer enough textile knowledge in many places of the world. For example, there is very little textile knowledge left in Sweden since most of the production was moved abroad many years ago. Shipping products back and forth to the production countries far away contradicts the goal of a circular business model. The lack of widespread knowledge is therefore a significant challenge for implementing circular methods on a large scale.





# *SUSTAINABILITY REPORT 2017*

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YOU CAN FOLLOW US AT [LINDEX.COM](http://LINDEX.COM) AND SEE HOW OUR CONTINUED  
SUSTAINABILITY WORK IS PROGRESSING.



This is our **Communication on Progress**  
in implementing the principles of the  
**United Nations Global Compact** and  
supporting broader UN goals.

We welcome feedback on its contents.

# LINDEX



# GRI

# CONTENT INDEX

GRI Standard	Disclosure Number	Disclosure Title	Topic boundary	Location of disclosure	Omissions	Note
GRI 102: General disclosures 2016	102-1	Name of the organisation		20		
	102-2	Activities, brands, products, and services		20		
	102-3	Location of headquarters		20		
	102-4	Location of operations		20, 24		
	102-5	Ownership and legal form		20		
	102-6	Markets served		20		
	102-7	Scale of the organisation		20–21		
	102-8	Information on employees and other workers		20–23, 38		More detailed information is available in the <a href="#">Stockmann Group CSR review</a> , page 14–21
	102-9	Supply chain		24,38		
	102-10	Significant changes to the organisation and its supply chain		See note		<a href="#">Stockmann Group Financial Review</a> , page 3
	102-11	Precautionary Principle or approach		49, 66		We apply the precautionary principle in our environmental work and have adopted a preventative approach with the substitution of hazardous chemicals.
	102-12	External initiatives		6–11, 30–35, 39–49, 59, 62		
	102-13	Membership of associations		See note		<a href="#">Stockmann Group website</a>
	102-14	Statement from senior decision-maker		6		
	102-16	Values, principles, standards, and norms of behavior		21–25, 39		
	102-18	Governance structure		24		
	102-40	List of stakeholder groups		16–17		
	102-41	Collective bargaining agreements		21		
	102-42	Identifying and selecting stakeholders		14–17		
	102-43	Approach to stakeholder engagement		16–17		
	102-44	Key topics and concerns raised		16–17		
	102-45	Entities included in the consolidated financial statements		See note		<a href="#">Stockmann Group Financial Review</a> , page 22
	102-46	Defining report content and topic boundaries		14–15		
	102-47	List of material topics		15		
	102-48	Restatements of information		See note		In case of occurrence, this is reported in connection with relevant topic
	102-49	Changes in reporting		14–15		
	102-50	Reporting period		14		
	102-51	Date of most recent report		14		
	102-52	Reporting cycle		14		



GRI 102: General disclosures 2016	102-53	Contact point for questions regarding the report		75		
	102-54	Claims of reporting in accordance with the GRI Standards		14		
	102-55	GRI content index		76–83		
	102-56	External assurance		14		
GRI 103: Management approach 2016	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
ECONOMIC						
GRI 201: Economic performance 2016	201-1	Direct economic value generated and distributed	Inside the organisation	20		More detailed information is available in the <a href="#">Stockmann Group CSR review</a> , page 37–41
GRI 203: Indirect economic impacts 2016	203-1	Infrastructure investments and services supported	Outside the organisation	46		
GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	Inside and outside the organisation	See note		<a href="#">Stockmann Group Financial Review</a> page 8, <a href="#">Stockmann Group Corporate Review</a> page 6 and <a href="#">Stockmann Group CSR Review</a> page 37–41
	205-2	Communication and training about anti-corruption policies and procedures	Inside and outside the organisation	25	Information unavailable, see note	The information has not been broken down by region or employee category, as the same approach has been applied to all partners and employees.
	205-3	Confirmed incidents of corruption and actions taken	Inside and outside the organisation	25		
ENVIRONMENTAL						
GRI 301: Materials 2016	Own indicator	Share of more sustainable materials used in our garments	Outside the organisation	30–33		
	301-2	Recycled input materials used	Outside the organisation	34	Information unavailable, see note	We are unable report on percentage of recycled input materials used, due to limitations in the data. Instead we report on initiatives to increase the use of recycled materials.
	Own indicator	Collected textile through Lindex stores	Inside and outside the organisation	71		
GRI 302: Energy 2016	302-4	Reduction of energy consumption	Outside the organisation	48–49	Information unavailable, see note	The necessary information regarding energy consumption cannot be obtained. Instead we report on initiatives to reduce the energy consumption in production.
GRI 303: Water 2016	Own indicator	Initiatives for more sustainable water management	Outside the organisation	30–35, 48–49, 52–55		
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	Inside and outside the organisation	82		
	305-2	Energy indirect (Scope 2) GHG emissions	Inside and outside the organisation	82		
	305-3	Other indirect (Scope 3) GHG emissions	Inside and outside the organisation	82		
GRI 306: Effluents and waste 2016	Own indicator	Share of stores with recycling systems	Inside and outside the organisation	63		
GRI 307: Environmental compliance 2016	307-1	Non-compliance with environmental laws and regulations	Inside and outside the organisation	See note		We have not identified any non-compliance with environmental laws and/or regulations.



GRI 308: Supplier environmental assessment 2016	308-1	New suppliers that were screened using environmental criteria	Inside and outside the organisation	39		
SOCIAL						
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	Inside the organisation	21	Information unavailable, see note	The information has not been broken down by age group, gender and region due to limitations in the data.
GRI 403: Occupational health and safety 2016	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Inside the organisation	22	Information unavailable, see note	Due to limitations in the data we report on the total rate of sickness absence.
	Own indicator	Remediation rate of issues found through Accord inspections	Outside the organisation	44		
GRI 404: Training and education 2016	404-3	Percentage of employees receiving regular performance and career development reviews	Inside the organisation	23	Information unavailable, see note	The information has not been broken down by age group, gender and region due to limitations in the data.
	Own indicator	Number of women reached in HERhealth and workers reached in HERfinance	Outside the organisation	46		
GRI 405: Diversity and equal opportunity 2016	405-1	Diversity of governance bodies and employees	Inside the organisation	22	Information unavailable, see note	Due to limitations in the data we focus the reporting on gender.
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	Inside the organisation	22		
GRI 407: Freedom of association and collective bargaining 2016	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Outside the organisation	47		
GRI 408: Child labor 2016	408-1	Operations and suppliers at significant risk for incidents of child labor	Outside the organisation	39		
GRI 409: Forced and compulsory labor 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Outside the organisation	39		
GRI 412: Human rights assesment 2016	412-1	Operations that have been subject to human rights reviews or impact assessments	Inside and outside the organisation	25, 39		
GRI 414: Supplier social assessment 2016	414-1	New suppliers that were screened using social criteria	Outside the organisation	39		
GRI 416: Customer health and safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	Outside the organisation	49, 66		
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Outside the organisation	67		
GRI 419: Socioeconomic compliance 2016	419-1	Non-compliance with laws and regulations in the social and economic area	Inside and outside the organisation	See note		We have not identified any non-compliance with laws and regulations in the social and economic area



# CLIMATE REPORTING

GREENHOUSE GAS EMISSIONS 2015–2017 (MARKET-BASED) CATEGORY:	tCO2 2017	tCO2 2016	tCO2 2015	CHANGE 2017 TO 2016 %
SCOPE 1 - DIRECT EMISSIONS	163	162	164	0%
Stationary combustion	163	162	164	0%
SCOPE 2 - INDIRECT EMISSIONS FROM PURCHASED ENERGY	12 543	11 945	12 795	5%
Purchased electricity (market-based)	6 281	5 971	5 875	5%
Heating and cooling	6 262	5 974	6 920	5%
SCOPE 3 - OTHER INDIRECT EMISSIONS	10 581	7 252	7 270	46%
Internal logistics	2 204	1 205	1 242	83%
External logistics	6 275	3 883	3 862	62%
Business travel	831	880	884	-6%
Waste	1 271	1 284	1 282	-1%
TOTAL	23 287	19 359	20 229	20%

Comment:  
Lindex has updated its greenhouse gas emissions calculation aligned to the GHG Protocol. According to the GHG Protocol, companies are required to report the emissions arising from indirect electricity consumption as market-based figures as well as location-based figures. The figures reported in the table are reported according to the market-based calculation method, and the Lindex's total emissions were 23 287 tCO2e, while location-based emissions were 21 067 tCO2e. In the table, figures for previous years have been adjusted to market-based figures, which allows comparability.

During 2017 the emissions in scope 3 increased significantly, this due logistics and unforeseen events. Increase of air freight to avoid delay is the main reason for increase of emissions from external logistics, whilst the increase of emissions from internal logistics is due to new distribution partner and a different calculation method.

ENERGY AND WATER	2017	2016	2015
Direct Consumption	685	684	691
Stationary combustion (MWh)	411	410	414
Natural Gas (MWh)	274	274	276
Indirect Consumption	91 957	92 708	92 781
Electricity (MWh)	41 835	42 104	41 854
Heating and cooling (MWh)	48 008	47 155	47 478
Water (m3)	2 114	3 449	3 449

Comment:  
Reporting on the consumption of fuels has been converted to megawatt (MWh).  
The data for natural gas has been converted to megawatt (MWh) and is based on estimations for Lindex. Electricity consumption as well as heating and cooling energy consumption covers all Lindex functions, excluding franchising operations. Due to significant amount of estimations and extrapolation in the heating consumption for Lindex the data quality is considered fair. Reporting on water covers Lindex head office and distribution center. Previous year figures have been restated.