

Social Report 2011

*“Inspired by my own needs and of those around me, I set out to build **a brand that had substance and truth**, not dependent of the superficial trends of the fashion industry.”*

www.filippa-k.com
Member of FWF: March 2008
Social report – Filippa K – October 2011

Filippa K

Contents

About Filippa K	3
Facts and figures	3
History in brief	3
Filippa K organisation	3
Chart: Filippa K organisation	3
Summary: Social goals and achievements	4
Sourcing strategy	5
Sourcing strategy & pricing	5
Chart: Production by country based on cost	5
Production in Europe	5
Organisation of the sourcing department	5
Production cycle	5
Selection of new factories	6
Restricted Chemicals list	6
Integration of monitoring activities and sourcing decisions	6
Coherent system for monitoring and remediation	7
China	7
Factory A	7
Factory B	7
Factory C	8
Previous audits in Turkey and Romania/Italy	8
Complaints procedure	8
Training and capacity building	9
Staff members – information activities	9
Figure: CR Framework	9
Trading companies – information activities	9
Manufacturers and workers – information activities	9
Transparency and communication	10
Forthcoming CR work – 2012	10

About Filippa K

Filippa K is a leading Swedish high quality fashion brand with 45 own stores, 25 shops-in-shops and 600 selected retailers. Our largest market is Sweden and the head office is located in Stockholm. Besides Sweden, Filippa K is represented on six core markets (Norway, Denmark, Finland, The Netherlands, Germany and Belgium) as well as on ten additional export markets.

Filippa K's business idea is to design, manufacture, communicate and sell fashion garments and accessories with its own, timeless style. By offering well-designed products with a clear concept and of high quality at an attractive price, Filippa K shall be one of the most attractive brands for both women and men who appreciate fashion and quality.

Our vision is to make everyday life easier for the modern woman and man, by interpreting fashion trends into wearable, timeless style solutions that are long-lasting both in quality and design.

The Filippa K philosophy is based on the values Style, Simplicity and Quality. We apply these values to every detail in everything we do. Style in the way we are authentic, creative and passionate about what we do. Simplicity in the way we communicate the Filippa K brand in a straightforward, uncomplicated and honest manner. Quality in the way we are demanding, responsible and respectful in all our processes. By being true to our core values of Style, Quality and Simplicity we aim to keep providing sustainable solutions in the way we do business. As citizens in a global world, we want to contribute to a more sustainable future for our customers, suppliers, employees and business partners. To realise our vision, values and strategy we have our greatest asset, our passionate and committed Filippa K people.

Filippa K organisation

Filippa K's head office is located in Stockholm, Sweden and employs around 65 people in design/range, supply, marketing, retail, wholesale, HR, finance and Corporate Responsibility (CR). In September this year we appointed a CR manager who will coordinate and lead our social and environmental work. Filippa K also has separate country offices in Norway, Denmark, Holland and Germany where the country managers develop the business within their respective markets.

There are 45 Filippa K stores and 25 shops-in-shops mostly located in Scandinavia and Northern Europe. We are represented by around 600 retailers who are mostly located in Europe but also in Canada, Australia, Hong-Kong and Russia.

FACTS AND FIGURES:

Headquarter: Stockholm, Sweden

Brand established, founded: 1993 By Filippa Knutsson and Patrik Kihlberg

Annual turnover 2011: SEK 528 million

Profit before tax 2011: SEK 77 million

CEO: Jon Abrahamsson

Employees: 200

Markets: present on 7 core markets and on 10 export markets, predominantly Scandinavia and Northern Europe

Retail: 45 Filippa K stores, 25 shops-in-shops and 600 selected retailers

Market positioning: Leading Swedish high quality fashion brand

Further information: www.filippa-k.com

HISTORY IN BRIEF:

1993 Filippa Knutsson and Patrik Kihlberg launch Filippa K, with the ambition to meet the need for simple, functional garments with a clean design.

1994 Early positive response from Denmark and Norway leads to expansion outside Sweden.

1995 The stretch jeans become the first iconic product of Filippa K. Women all over Scandinavia start naming themselves "Filippa K girls".

1997 The first Filippa K store opens in Stockholm.

1998 Based on positive demand, Filippa K Man is launched.

2000 Filippa K starts to grow in Europe, entering Holland and Belgium.

2001 Filippa K opens first flagship store on PC Hoofstraat in Amsterdam.

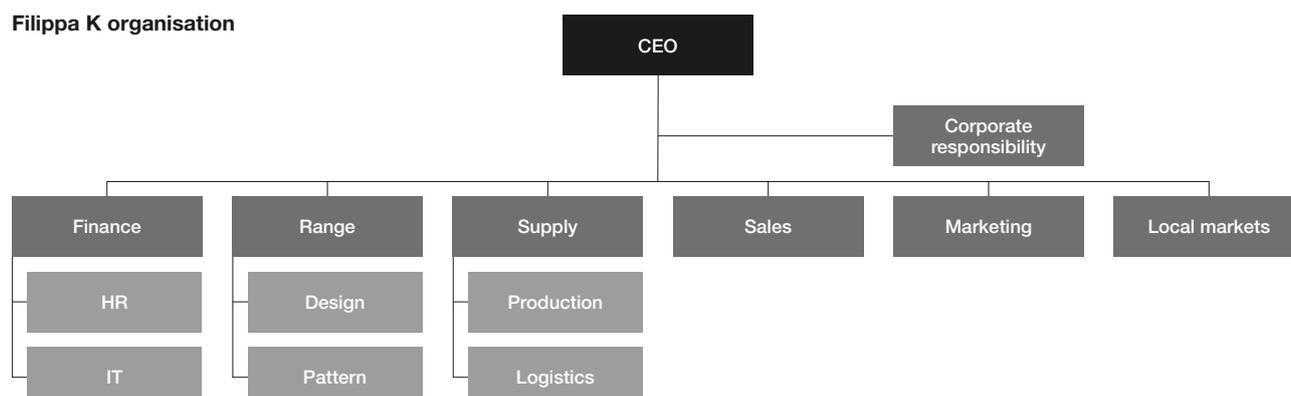
2006 The establishment of Filippa K continues in Europe. The Swedish investment company Novax becomes majority shareholder in the company.

2008 Filippa K defines environmental strategy and becomes member of Fair Wear Foundation (FWF). A second-hand shop with only Filippa K garments opens in Stockholm.

2010 The expansion continues with focus on core markets Sweden, Norway, Denmark, Finland, The Netherlands, Germany and Belgium.

2011 Filippa K reaches highest turnover in the history of the company, Strong growth and profit development.

Filippa K organisation



Summary: Social goals and achievements

In 2011 we continued our focus on auditing our Chinese suppliers. We carried out three audits in China – Filippa K initiated two of the audits and one audit was conducted in cooperation with another Fair Wear Foundation (FWF) member who secures the services of the same factory. All in all we have now audited 89% of our suppliers and are close to the 90% target we have set ourselves (that will be achieved in 2012). We visit our suppliers on an annual basis and take the opportunity to talk about our work with FWF.

Exceeded overtime is a reoccurring problem at our Chinese suppliers. To prevent this we work constantly with our suppliers to even out production by switching production periods to low seasons for some styles. This has been a great success and we believe this is the most effective way to make a real change regarding working hours.

This year we have made some organisational changes and appointed a Corporate Responsibility (CR) manager who will focus

on and fast-track our sustainable work agenda. The CR manager will work internally and externally with sustainability issues. Our staff is engaged in our sustainability work and we have formed a group with representatives from different parts of the company to focus on sustainability in their area of work. On our website we provide information to end-consumers on our commitment to improving the social aspects of the production and our environmental work. We are committed to staying true to our values and producing our garments responsibly.

In 2012 we will define our Corporate Responsibility (CR) agenda and develop tools to ease the implementation into our organisation. We will audit two more suppliers in China and carry out repeat audits of three-year-old audits. We will set up a structure for follow-ups of audits and follow-up all audits from 2011.

Sourcing strategy

Sourcing strategy & pricing

Filippa K's business idea is to design, manufacture, communicate and sell long lasting garments and accessories both when it comes to style and quality. By offering a well-designed high quality product, Filippa K shall be one of the most attractive brands for both women and men who appreciate fashion and outstanding quality.

The collection consists of both men's and women's garments and accessories. We offer high quality basic items – a wardrobe for your everyday life, such as knitwear, suits, T-shirts, dresses, trousers, skirts and jeans as well as outerwear and more fashionable evening items. The accessories range consists of, among other things, shoes, bags, ties and gloves. The collections are made with a long-term perspective and items from different collections can be combined. A Filippa K piece is made to be loved for a long time.

The choice of suppliers is made by Sourcing Managers at the start of the design process in order to distribute the production of styles in the most effective way. We develop styles in very close cooperation with our suppliers to achieve the optimum level of quality at the right price. Our core values of style, quality and simplicity are reflected throughout our processes and we are never willing to compromise on the quality of our products. The purpose of our sourcing strategy is to create great value for our customers. This means, for example, that we need to provide optimal conditions to achieve the best outcome for each product.

In most cases we buy on full-price terms, but in some cases we also use CMT. Price negotiations begin during product development and end just before the order is placed, when we have the actual sales figures.

Our products are made in Portugal, China, Romania/Italy, Estonia, Italy, India, Lithuania, Spain and Turkey. The chart below shows the percentage of production by country, based on production cost. Romanian production is purchased through Italy, where the material cutting and washing takes place. The chart only marginally changes if it were to be based on quantity.

We have a long history with most of our suppliers, and many of them have been working with us for more than 10 years. Every season we evaluate our suppliers and provide feedback on their performance and opportunities to improve. We aim to develop long-term relationships and when we are introducing new suppliers we take measured steps to establish a long lasting business relationship. To deliver a high quality product, remain competitive and to limit inherent risks we keep ourselves informed about new potential suppliers.

Production in Europe

62% of Filippa K products are made in Europe and 48% of our products are made in countries that FWF consider as low-risk countries. Low-risk countries are defined by FWF as countries where labour standards are regulated by law. In low-risk countries freedom of association and collective bargaining are always assured. There are laws and institutions to protect workers and regulate the working environment. In low-risk countries wages are negotiated by trade unions and a living wage is paid.

Many of our European suppliers have been working with us for a long time, and a number of them since the very beginning of Filippa K. We are proud to have enduring business relationships with suppliers and it assures outstanding quality of our products.

Organisation of the sourcing department

The design and production departments work closely together during the collection process and product development, and have shared targets for quality, sustainability, delivery performance and margins. Sourcing Managers are responsible for the sourcing of suppliers and materials. One of the main tasks for our production department is to maintain a close dialogue with our suppliers to ensure we achieve the best possible outcome for both parties.

Filippa K works both directly with suppliers and through trading companies. The role of a trading company in sourcing rests often on suggesting suppliers based on our requests. However, the final decision on whether to start collaborating with a supplier is always taken by Filippa K and we do not commence a new partnership until we have visited the factory. Relationships established by a trading company are transparent and these usually result in a continuous business partnership in the forthcoming seasons.

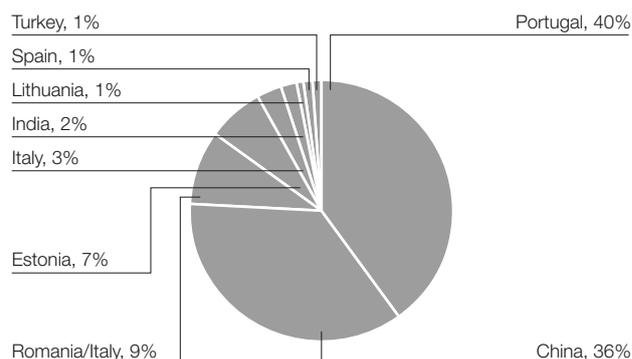
Production cycle

Filippa K manufactures one main collection and one in-season collection each season. In selected stores special edition items are also offered. Each season has a set time plan with deadlines for each step of the process.

The lead time from a supplier can vary significantly, depending on the type of product they produce and the supplier's location. We carry out our planning together with the supplier so that the lead times can be discussed and requested delivery times achieved. The lead times differ from different suppliers and also depend on the quantity of orders for the period. We try to place orders in advance on estimated sales figures to secure the planning. This detailed planning means that we can avoid peaks in production and prevent overtime. It also results in a very good delivery performance by Filippa K.

Our European orders are transported by land. 85% of all our Asian orders are transported by sea, which requires a certain amount of planning if the products are to arrive on time. We establish production planning together with our suppliers to ensure that all parties have the best opportunity to deliver on time as well as use the most cost efficient and sustainable delivery option.

Production by country based on cost



Selection of new factories

months. Before starting production with a new supplier, we need to ascertain that they can comply with our strict standards. Factories are visited to check that faultless collaboration is possible regarding machines, working methods and, of course, conditions for workers at the factory. Before embarking on a full production order, we conduct a trial test period during which a supplier must show that it can work according to our collection production process. We then place test orders with the factory to ensure that their working methods meet our standards. Before starting cooperation, we inform suppliers about our FWF membership and ask them to complete a questionnaire. In the questionnaire questions regarding subcontracting and labour standards are asked and the supplier needs to certify that they intend to comply with the document. The signed document is returned and filed at Filippa K's head office in Stockholm. Filippa K makes sure that the questionnaire is available in the local language to facilitate cooperation and understanding. When signing an order from Filippa K, suppliers commit to our guidelines, which include our Restricted Chemicals List and our Code of Conduct. The Code of Conduct is based on the FWF Code of Labour practices. Our relationships are built on mutual trust as well as transparency and we aim to support the development of our suppliers.

Introduction of new supplier process:

- Collate supplier references
- Inform supplier about Filippa K brand and our values
- FWF membership information
- Supplier fills in Questionnaire
- Ask about previous audits carried out at the factory
- Place prototype order
- Evaluation of sample to ensure that the Filippa K quality is understood and achieved
- Trial period to make sure high quality is met
- Visit new supplier
- Place test orders
- Signing of a new order (Code of Conduct and Restricted Chemicals List included)
- Place production order
- Recap and evaluation of bulk order and supplier

Restricted Chemicals list

Filippa K is working with its suppliers to reduce and monitor the use of substances in the production process. This is to safeguard the people working in the factories and the environment where our product is manufactured as well as protecting the people using the finished product. To keep ourselves informed on the latest developments we consult specialists who help us develop our Restricted Chemicals List. The Restricted Chemicals List is based on EU's REACH legislation and is constantly updated. We continuously work to reduce the number of substances used in our processes. Finished products are regularly checked to monitor that no hazardous substances are present. When we visit suppliers we inform them about our Restricted Chemicals List and check how chemicals are handled.

Integration of monitoring activities and sourcing decisions

Filippa K works in close cooperation with its suppliers and they are required to sign and implement our Code of Conduct. We used to conduct monitoring in full, once a year, which involved drawing up scorecards for each supplier. We will resume this practise in 2012. Even though we do not have a set structure in place we evaluate each supplier before starting production of a new season's collection. This can result in us winding up our work with a factory for one or more reasons. It may also mean that we need to carry out closer monitoring to increase cooperation and improve production. We always make sure we have an open and transparent relationship with our suppliers thus leaving room for discussions and improvements of conditions rather than termination of cooperation. We have never terminated a supplier relationship due to noncompliance with our Code of Conduct. We make sure that relevant information is updated and available for Sourcing Managers to evaluate which suppliers they choose to work with.

Coherent system for monitoring and remediation

We avail ourselves of FWF representatives to perform audits thus ensuring that the audits are professionally carried out and that the supplier understands that we take the auditing process seriously. The audits help our suppliers to improve and develop their social compliance standards.

An audit takes place at the factory premises and takes approximately one day. All parts of the premises are inspected. Meetings and interviews with management and workers are also conducted. Interviews with managers involve inspection of documents regarding labour, health and safety and other general documentation. Individual interviews with factory workers are also conducted outside of the workplace and out of working hours. These interviews are carried out prior to the date of the factory audit with a number of workers. The interviewee's identities are never revealed to the management. The interviews are an important tool in verifying that the information provided by the management is correct and that policies are implemented in the workplace. The inspection on site is conducted in all factory premises, including dormitory and canteen when applicable. Local stakeholders and organisations are also consulted in order to gain an understanding of the current situation in the country or region concerning labour standards and expectations.

The audit is documented in an Audit Report and a Corrective Action Plan (CAP) is set up. The CAP is a document that enables overview, pinpoints issues and monitors progress. The CAP is the main tool used for follow-ups and the timeframe for each issue is agreed with the management in the audited factory. Filippa K makes sure that all audit documentation is available in the local language as well as in English. The documents are available to the production team on our local server and we encourage our staff to keep themselves informed on the content(s).

China

Since we became members of FWF in 2008 we have conducted several audits in China. Audits were carried out in 2008 and, in 2010 we audited our biggest Chinese supplier. Follow-up and repeat audits were conducted in one factory in 2010.

We keep visiting factories to follow up on our audits and ensure social compliance progress.

In 2011 we conducted three audits together with FWF in China. Filippa K initiated two of the audits and one audit was conducted in cooperation with another FWF member who secures the services of the same factory. In the audits initiated by Filippa K the FWF representatives and a Filippa K observer present were all Chinese speaking to ensure optimal interaction and understanding.

China is considered a high-risk country vis-à-vis labour rights violations. It is therefore important that audits at our Chinese suppliers are carried out. One of the major issues is that Chinese laws restrict workers when it comes to joining unions and self-organising. In the audit interviews, for example, workers witness to the fact that they have little awareness of unions and workers' organisations.

In general the standard of the audited Chinese suppliers is good with no serious violations of workers' rights or discrimination. (No child labour, no forced labour, minimum statutory wage paid, wage payment on time, health and safety practices in working order)

Locally governed minimum wages are paid at the factories – however local stakeholders estimate that the minimum wages for a

standard working week does not cover living costs. They point out that, so-called, living wages are not paid in the garment industry. This is a general concern and workers compensate for low wages by working overtime. Filippa K aims to work together with the factories to see how this issue can be resolved. Be that as it may, the management must work together with all its customers and not just Filippa K if wages are to rise.

Concerns were raised in all factories about ergonomic standards and the workers' working positions. It is recommended that the workers have backrests and standing mats to prevent muscular strain caused by incorrect working positions. It is also recommended that the workers receive training in how to prevent strain and potential irreversible injuries.

Factory A

The factory was audited in June 2011. FWF staff conducted the audit and a Filippa K observer was present. This is the first time the factory has ever been audited.

The factory produces knitted garments for Filippa K and the production here accounts for 2.6% of Filippa K's total production. The factory has been doing business with Filippa K since 2009. The auditors were positively received by the management, workers and consulted organisations. The information required was provided and the auditors are of the opinion that the information obtained was sufficient and reliable enough to draw certain conclusions.

Auditors remarked that the management does not record working hours and overtime accurately. During peak season, when the workload is high, the overtime hours exceeded the limit set by FWF. The total number of consecutive days worked in a row were also exceeded during this period. Workers were paid for statutory holidays. The FWF Code of Labour Practices is posted on a wall in the factory. Fire as well as health and safety issues were found and immediate corrective plans were set up for rectification. The factory is providing some social insurance and pay for part of the fee that is normally paid by the worker, but say they find it difficult to provide full social insurance for all workers.

The CAP from the audit is set up with time limits for issues to be corrected. The CAP will be followed up in 2012.

Factory B

The factory was audited in October 2011 by FWF staff. At the time of audit there was no Filippa K observer present. However Filippa K visited the factory in October 2011 to discuss Filippa K's social work and inform about the forthcoming audit. It was the first time the factory has ever been audited. The factory produces trousers for Filippa K and the production here accounts for 0.9% of Filippa K's total production. Filippa K has done business with the factory since 2010 via a trading agency. The auditors were positively received by the management, workers and consulted organisations. The information required was provided and the auditors are of the opinion that the information obtained was sufficient and reliable enough to draw certain conclusions.

Auditors remarked that overtime is not properly recorded and that the overtime exceeds the FWF set limit. The total number of consecutive days worked were sometimes exceeded and workers had not been paid for statutory holidays. There was no grievance system in place – however workers can express their complaints to

management orally. The FWF Code of Labour Practices were not on display in the factory. Registration forms of employers were not complete. There were no policy documents stating the prohibition of discrimination in the workplace, forced labour and child labour (although there was nothing to suggest that any of the above was taking place in the workplace). The factory is providing some workers with social insurance but say they intend to increase the number of socially insured workers gradually. Workers have to pay for their part of the social insurance. There are no pressing health and safety issues but some structure needs to be set up for fire drills and first aid training. The CAP from the audit is set up with time limits for issues to be corrected. The CAP will be followed up in 2012.

Factory C

The factory was audited in November 2011. FWF staff conducted the audit together with another fashion company (also a FWF member). An observer from this company was present but no Filippa K representative was present. However Filippa K staff visited the factory in October 2011. The factory has been doing business with Filippa K since 2008. The factory has been audited before and has experience of social compliance. The factory produces dresses for Filippa K and the production here accounts for 1.4% of Filippa K's total production. The auditors were positively received by the management, workers and consulted organisations. The information required was provided and the auditors were of the opinion that the information obtained was sufficient and reliable enough to draw certain conclusions.

Auditors remarked that overtime was not properly recorded and that the overtime exceeded the FWF set limit. Overtime was paid at a higher rate than normal hours but did not cover the statutory overtime rate. The total number of consecutive days worked were sometimes exceeded. Workers were paid for statutory holidays. The FWF Code of Labour Practices was on display in the factory and there was a person responsible for the factory's social compliance system. Health and Safety records and procedures were in good order and fire safety was of a high standard. Social insurance was only partly paid by the factory and the workers have to pay for their part of the insurance on a voluntary basis. In accordance with FWF

a CAP from the audit is set up with time limits for issues to be corrected. As another company conducted the audit they will manage the follow-up.

Previous audits in Turkey and Romania/Italy

In 2008 we conducted audits at one of our Turkish suppliers and at our supplier in Romania/Italy.

We audited one of our Turkish suppliers in 2008. At the time there was a need for setting up structures and policies to make sure the local labour laws were followed. A CAP was set up with management to ensure improvements. The factory was thereafter visited in 2009. However, our cooperation with the factory concerned has gradually decreased each year.

In 2008 we also audited our factory in Romania/Italy. This Italian supplier has part of the production subcontracted to a factory in Romania. Only the Romanian part of the production was audited. At the time of the audit there were no urgent issues that needed to be addressed with any immediacy but there was room for several improvements vis-à-vis processes. A CAP was set up to enable follow-up and the factory is due for a repeat audit in 2012.

Complaint procedure

During audits it is assured that workers are informed of the connection the factory has with FWF via Filippa K. In each factory a copy of the complaints information sheet and who to contact for any grievances should be posted on notice boards visible to all workers in the local language. Any complaints or grievances can be reported to the FWF complaints handler in each country. The complaint is then passed on to the FWF bureau in Amsterdam and they communicate with the affected companies. In Filippa K the concerned sourcing manager will be responsible for taking care of the claim and start-up of a dialogue with the factory. In 2009 a complaint was raised to Filippa K in this manner. The case was thoroughly investigated in cooperation with FWF. The investigation consisted of visits to the factory, consultation with local stakeholders and interviews with workers and management. The factory was advised to improve their processes and a follow-up was planned. This is the only time Filippa K has experienced a complaint reported directly by a worker.

Training and capacity building

Staff members – information activities

It is very important to us to provide clear and honest information to all our stakeholders. We believe that it is our responsibility to implement our CR work in everything we do. We have therefore started to build our responsibility agenda and have defined our focus areas. We have created a model for our ethical work that contains 4 equally important elements: environmental, social, financial and ethical work. In our environmental work we contribute to a more sustainable future by providing long-lasting fashion and we strive to constantly minimise our environmental impact. Social work is very important to us and we want people and partners to grow with us in our business. We care for our relationships and base them on honesty and transparency. Doing business in a long-term sustainable way will secure financial growth and profitability. Our ethical work relates to everything we do and refers to the way we act in all situations. Filippa K strives to be part of the solution by constantly innovating, evaluating and seeking to improve ourselves.

We formed a CR group with representatives from all different departments late 2011. The group meets once a month to discuss the way forward regarding sustainability issues and implementing CR in an optimal manner. Representatives are responsible for driving the CR agenda within their respective departments. This way we make sure that all parts of the business get involved and take responsibility for our everyday work. Together we find with solutions and share the responsibility.

Filippa K staff is present at audits, together with representatives of FWF, as this gives us a deeper understanding of factory conditions. We believe in the importance of carrying out professional audits – both to show respect to factories and to demonstrate the importance of workers' rights. The audits are also an important way of educating our staff in social compliance matters.

During our monthly supply meetings we discuss CR related issues and the work we do with FWF. We share the outcome of

audits and discuss how we proceed in order to make improvements. All Audit Reports and CAPs are stored on our server and are accessible for the entire production team.

We update the rest of head office staff on CR issues twice a year. During 2011 we have been sending out a newsletter to all our offices and stores. A section of the newsletter is dedicated to CR topics and keeps our staff up-to-date on current developments.

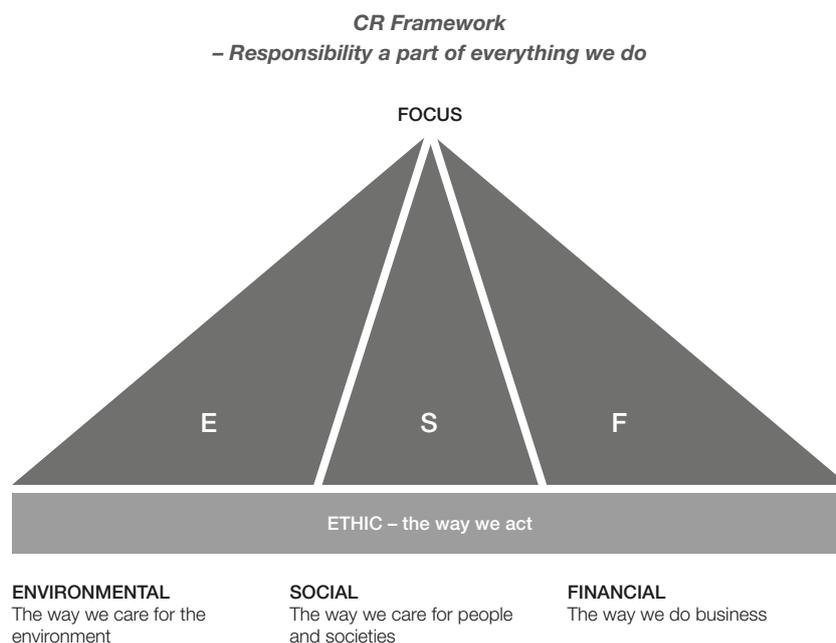
Trading companies – information activities

We have close relationships with our trading companies and we always report the outcome of audits that are relevant to them. The trading companies are closely involved in our plans to improve working conditions. We also send the above-mentioned newsletter to trading companies and inform them when FWF is holding workshops or meetings in their area.

Manufacturers and workers – information activities

Each supplier has a copy of our guidelines, including our Code of Conduct, and suppliers commit to these guidelines when they sign an order. They are also asked to complete a questionnaire related to local working conditions. The Code of Conduct in the local language is on display in the factories that produce Filippa K products. Information is also displayed on FWF membership and how to report or complain on issues relevant to the working environment. It is important to us that workers are aware of their rights and that they have the support they need in order to air any grievances.

In addition our staff attend audits and visit suppliers. During visits we ask questions and check the factory premises. This enables us to discuss Filippa K's values and ethics with other people than top management. We inform our suppliers when FWF is holding workshops or meetings in their area.



Transparency and communication

It is part of our philosophy to be honest and transparent in the way we communicate. Filippa K has a part of our website dedicated to our CR work. Here we inform end-consumers and, on the basis of our Code of Conduct, how we work with our suppliers and other aspects of our environmental work. We also provide information on our engagement with FWF and other organisations. In addition, the sales department provides information to wholesalers and their customers. The staff working in-store are informed via the newsletter on CR developments and can pass this information on to interested end-consumers.

The company also provides information and works together with students who are writing their dissertations on CR issues.

Forthcoming CR work – 2012

2012 will be an important year for Filippa K's responsibility work. We have a full agenda and we aim to take several leaps forward. One mission is to form and commence implementation of our responsibility agenda. In the beginning of the year we will hold a Corporate Responsibility workshop together with a consultancy firm. Here we will agree on CR focus areas and decide on areas of responsibility. The outcome will be an action plan for Filippa K's CR work in 2012 and the forthcoming 5 years.

Our auditing work continues apace and we have planned audits covering two of our Chinese suppliers. The goal is to have 90% of our suppliers in high-risk countries audited and all suppliers who produce more than 2% of our total production in high-risk countries

audited during 2012. We will also carry out repeat audits on audits finalised in 2008 to establish that conditions have improved. We have, to date, not been methodical enough in our follow-up work and this is something we aim to improve on in 2012. We will set up an internal structure to cover this issue. Part of this new structure consists of a Social Audit Group that will be responsible for our supplier relationships. The Social Audit Group consists of head office staff who have the mandate to set up cooperation agreements with both new and existing suppliers. They will ensure audits are regularly conducted and CAPs are set up. Through a close dialogue with the suppliers they will oversee follow-ups and social compliance improvements.