

*Lindex Corporate Social Responsibility Work  
2005/2006*

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## *A word from the CEO*

Caring for the world around us produces many positive effects such as better quality clothes, satisfied customers and employees, better profitability and fewer environmental hazards. That's why systematic sustainability work is part of the company's strategy. The work is part of our business and contributes to Lindex' financial development.

The sustainability work is a well-integrated part of our day-to-day business since it is in this area that we achieve the greatest synergy effect. In 2006, we continued our work of expanding our inspections of suppliers, conducting more BSCI inspections than ever before. We must continue to focus on providing our suppliers with training and information in future to achieve even wider recognition of the importance of good working conditions.

For us, just as it is for our customers, it is really important to know that the manufacturers of our goods are working in good working conditions. We can ensure this by basing our long-term work on continuous improvements and audits.

To reduce our spending as well as our effect on the environment, we are now placing stricter requirements on our work of optimising the use of resources in all areas of the company. Some of the things we are looking at in particular is monitoring our electricity consumption in all our stores and taking a closer look at our shipments and business trips. We also always looking out for new production methods as a way of minimising our impact on the environment. In this way, we strongly hope to be able to reduce our impact on the environment in the future.

Our passion for fashion combined with our commitment to sustainability issues has convinced me that we can meet the challenges the sustainability work has thrown our way, and continue our development into an even more sustainable company.

*Göran Bille, President and CEO*

## *Background and organisation*

For a number of years now, Lindex has been focusing on sustainable development, known more formerly as Corporate Social Responsibility (CSR). For Lindex, CSR embodies working environment work, environmental issues, ethical issues and our attitude to human rights. Lindex wishes to be a socially responsible company and views this not just as a duty but also something very much in keeping with the company's business concept.

Working with CSR-related issues is perceived by the majority of the countries in which Lindex has retail operations as something companies are naturally responsible for. The clothing industry has been working with these issues for some time now and, today, is probably one of the industries that has come furthest in its long-term work. Since Lindex introduced its ban on child labour in 1993, a lot has happened and many improvements have been made. The CSR work is now far more integrated in Lindex' activities and a part of the day-to-day work.

### **Important events in Lindex' code of conduct work**

- 1993 Ban on child labour. Purchasing office opens. Inspections are brought in.
- 1997 Lindex' Code of Conduct is established.
- 1999 A good half of Lindex' biggest suppliers are checked. The DressCode cooperation is introduced.
- 2000 Lindex' own system of classifying suppliers is launched.
- 2002 The DressCode cooperation ends. Regular discussions are held at European level about a common code of conduct/system (BSCI).
- 2004 Membership of BSCI.
- 2005 Lindex starts working to BSCI's code of conduct and classification of suppliers.
- 2006 New group-wide training in environmental issues and Code of Conduct.
- 2007 Information and workshops for suppliers and factories on the Code of Conduct.

### **Important events in Lindex' environmental work**

- 1995 Analysis made of the average store's and textile producer's impact on the environment.
- 1996 Lindex' environmental policy and first environmental objectives are adopted.
- 1998 The environmental management system based on ISO 14001 is introduced.
- 1999 Environmental training is brought in throughout the group. Lindex starts reporting on its carbon dioxide emissions.
- 2003 A common internal CSR organisation and environmental requirements are incorporated into the Code of Conduct.
- 2006 New group-wide training in environmental issues and Code of Conduct.
- 2007 New guidelines replace the old environmental policy. Clothes made from organic cotton start to become popular.

## *Lindex' CSR vision*

Lindex has a set vision for its CSR work:

“Within the framework of Lindex' business, we act as a responsible company. Through our long-term CSR work, we uphold human rights, good working conditions, good business ethics and a sustainable environment. In this way, we want to create confidence among our stakeholders.”

### *Increased value for our shareholders*

Lindex' principal duty is to create value for our customers by offering inspiring and affordable fashion. In so doing, Lindex also adds value for our shareholders.

Lindex also believes that this growth in value and the CSR work go hand in hand and that social responsibility contributes to Lindex' financial development. The CSR work boosts Lindex' competitiveness. Respect for the world around us creates many positive consequences for Lindex' business such as better quality clothes, satisfied customers and employees, improved sales and fewer environmental hazards.

### *Lindex' main stakeholders*

Lindex has both internal and external stakeholders, who have expectations and place demands on the company's CSR work. Lindex has a set strategy for pursuing the CSR work within the group. By observing the world around us and engaging in regular dialogue with our stakeholders, Lindex is able to develop and improve this work. Customers, employees, shareholders, investors, analysts, suppliers and others are our main stakeholders, and for them, the CSR work is important.

Lindex is also a member of a number of networks that focus on CSR, such as Global Compact's network, which we joined in order to exchange experiences with other companies.

### *Internal organisation and the employees responsible*

Ultimate responsibility for Lindex' CSR work falls to our CEO. At group level, Lindex has a CSR group made up of members from group management and employees responsible for the Code of Conduct and environmental work. This CSR group is responsible for promoting the CSR work strategically, while the operational side of the work is down to the business area managers and country managers. The CSR group defines goals and action plans, and regularly follows up how the work is progressing. A report on Lindex' CSR work is submitted at least once a year to the Lindex board.

At group level, Lindex has a code of conduct manager, who promotes, implements and follows up this work. Seven full-time inspectors, located at Lindex' production offices in China, Bangladesh, India and Turkey, assist him in his coordination work. Lindex also has, on average, 25 quality control personnel, who visit suppliers on a regular basis, inspect the quality, perform tests and file reports if they suspect the Code of Conduct is not being observed.

At group level, Lindex has an environmental manager, who via an environmental network at departmental and country level within the group, promotes, implements and follows up the environmental work. A number of departments at head office have environmental managers appointed for that purpose. On the retail side in Sweden, store managers act as regional environmental coordinators.

Personnel issues at Lindex are dealt with group-wide by the company's Human Resources (HR) department. HR is responsible for:

- developing the group's HR issues
- developing Lindex' corporate culture and values
- supporting management in the areas of recruitment, introduction, development and conversion/dismantling
- identifying potential
- insurance and pensions

- legislation, agreements and regulations
- working and negotiating with the trade union
- the working environment
- the pay structure.

The group's safety manager is responsible for developing, implementing and following up Lindex' ethics policy.

Lindex' CSR work is based on the principles laid down in the UN's Global Compact, BSCI (Business Social Compliance Initiative), its ethics policy, its equality and diversity plan together with the working environment policy, its environmental policy and environmental goals together with their key figures and action plans.

### *Marketing policy*

Lindex' marketing policy contains guidelines on the production of the company's advertising and the messages it conveys. Lindex' attitude towards choice of models is to distance itself from the extreme and unhealthy ideal as well as the various types of substance abuse.

### *External reputation*

Lindex has been granted approval to invest in all Roburs' environmental and ethical funds on the grounds that Lindex has worked with environmental issues and evaluated its suppliers for many years.

In a survey of Sweden's top 150 companies conducted by Amnesty Business Group in 2007 on the subject of their approach to human rights, Lindex took 7th place.

The Clean Clothes Campaign's Ethical Barometer organisation regularly evaluates and compares Lindex' code of conduct work with that of other companies. The results can be seen on the Clean Clothes Campaign's website and elsewhere in the media.

### *The Global Compact*

The Global Compact was founded by the UN with the aim of promoting responsible enterprise across the world. By supporting the Global Compact, Lindex has undertaken to implement and integrate the following ten principles in our day-to-day work:

#### *Human rights*

1. As a company, Lindex must support and respect the preservation of internationally declared human rights wherever we can be involved and influence.
2. Lindex must ensure that we are not involved in the violation of human rights.

#### *Working conditions*

3. Lindex must uphold the freedom of association and recognise the right to conduct collective bargaining.
4. Lindex must participate in the abolition of all forms of forced labour.
5. Lindex must participate in the abolition of all forms of child labour.
6. Lindex must eliminate discrimination in terms of employment and work.

#### *Environment*

7. Lindex must observe the principle of care in environmental challenges.

8. Lindex must show initiative in the promotion of greater environmental responsibility.
9. Lindex must encourage the development and spread of environmentally-friendly technologies.

*Corruption*

10. Lindex must actively fight all forms of corruption including blackmail and bribery.

Lindex must also spread its principles and in this way become involved with and influence other companies in the support for the Global Compact. More information about the Global Compact and other companies which have adopted its principles can be found at [www.unglobalcompact.org](http://www.unglobalcompact.org). You can also follow Lindex' work in implementing the ten principles here.

## *Code of Conduct*

Lindex does not own its own factories. It collaborates with independent textile producers in Europe and Asia. In several of the countries where Lindex produces clothes, the view on working conditions and environmental issues differs from the western world's. The production of clothes and other goods in developing countries creates necessary jobs, and Lindex, like other countries with suppliers in developing countries, has both the opportunity and responsibility to improve the working conditions and reduce the environmental impact in these countries. Production must take place in good conditions and Lindex' suppliers must offer their employees a good working environment and good social conditions.

Lindex has just over 300 suppliers producing from around 400 factories. Lindex' production employs around 160,000 people. The company buys around 20% of its clothes from Europe and around 80% from Asia, where China is the biggest market.

Lindex knows that it's possible to produce fashion in good social conditions, but it requires long-term cooperation with suppliers to improve working conditions. Lindex' tool in its work with suppliers is its Code of Conduct, which it has been working with for many years.

The work with the Code of Conduct has respect for human rights, the culture of each individual country and the situation of the factories as its foundation. Lindex is aware of the risks of violations against the Code of Conduct but is working actively to ensure the Code is fully complied with. Together with its suppliers, Lindex has implemented many improvements throughout the years it has worked with the Code of Conduct - but there is still a lot of work to be done.

### *History - the path to today's Code of Conduct*

#### *Ban on child labour*

Lindex' code of conduct work started at the start of the 90s, when Lindex, instead of buying in clothes via agents, started buying in clothes directly from the suppliers, with fewer or no middlemen. This gave Lindex direct contact with the suppliers and insight into the situation in the factories. Lindex' own employees arrived home to Sweden from factory visits questioning the conditions the clothes were being made in. This led to a ban on child labour in 1993, and the work on producing a code of conduct which suppliers would be expected to follow began to take shape.

#### *DressCode*

In 1999, the Clean Clothes Campaign together with Lindex, H&M, KappAhl and Indiska started the "Project for independent inspection of clothes production", which was given the shorter name DressCode. The aim was to improve working conditions in the clothing industry, especially among suppliers to the Swedish clothing companies. The project appointed a pilot board with representatives from clothing companies, human rights organisations and trade associations. The pilot board initiated a number of studies to test the suppliers' and clothing companies' "independent" inspections and audits. A proposal for a code of conduct was produced but the project was stopped in 2001 when the union representatives refused to support the proposal for independent inspections.

#### *Business Social Compliance Initiative*

Since spring 2005, Lindex' Code of Conduct has been part of a major European cooperation, BSCI – the Business Social Compliance Initiative.



## *Business Social Compliance Initiative*

In global terms, Lindex is a small company, which is why in the early stages Lindex sought out various forms of collaboration with other companies, so the company could work more effectively with the Code of Conduct and produce a common code, which several companies could agree on. Since spring 2005, Lindex' Code of Conduct has been part of a major European cooperation, BSCI – the Business Social Compliance Initiative.

BSCI is a cooperation between a number of mainly European retailers, all of whom want to improve the social situation and terms of employment in the production countries. All members of BSCI place the same requirements on their suppliers. Therefore, together, the members can exert a stronger influence on them than before.

A common code of conduct also makes it easier for suppliers to observe the code. Each supplier often produces goods for several companies and, in the past, this meant lots of codes of conduct with varying contents and requirements. Now all they need to do is follow one code.

By coordinating these time-consuming and costly inspections, further resources can be invested in strengthening the collaboration with Lindex' suppliers in a joint effort to improve conditions in textile production.

BSCI's Code of Conduct is based on the UN's Declaration of Human Rights, Convention on the Rights of the Child and ILO's (International Labour Organisation) conventions. The Code of Conduct means, among other things, that Lindex' suppliers must follow the labour laws and other applicable laws, regulations and ordinances of the manufacturing country. The supplier must also allow Lindex and external, independent inspectors to check for compliance with the Code of Conduct. The requirements set out in the code are only minimum requirements.

Lindex/BSCI's Code of Conduct covers the following areas:

- Laws and regulations
- Right to organise and the right to collective bargaining
- Ban on discrimination
- Wages and compensation
- Working hours
- Working conditions and working environment
- Ban on child labour
- Ban on forced labour
- Environmental and safety issues
- Management system.

The BSCI code is translated into the local language and displayed in the factory in a place where all the workforce can see it.

More information about BSCI's Code of Conduct can be found at [www.bsci-eu.org](http://www.bsci-eu.org).

## *Inspections*

To ensure that Lindex' suppliers observe the set requirements, inspections are regularly made of the factories. The inspections are usually arranged, but on-the-spot inspections can also happen. The inspections are conducted by Lindex' own inspectors or independent inspectors from external auditing

companies approved by BSCI. The results from external inspections are stored in a database, so that the information is available to other members of BSCI. The supplier is assessed against each section of the Code of Conduct and marked on a scale of 0-2 according to how well the supplier has satisfied the requirement. Level 0 means critical, non-fulfilment of the majority of the requirements and/or crucial factors. Level 1 means improvements are needed, non-fulfilment of some of the requirements and no crucial factors. Level 2 means complete fulfilment of the requirements or only some minor discrepancies.

As at May 2007, Lindex had conducted altogether 868 BSCI inspections, 482 of which were initial BSCI inspections, i.e. first inspections, (62 of them by external auditing companies) and 386 of which were re-inspections (94 of them by external auditing companies).

During an inspection, the inspector reviews what needs to be improved and what measures the supplier needs to take. Based on an audit of the documents, a visual inspection of the factory and any worker accommodation and interviews with both representatives of the company and workers, an action plan is drawn up, which also includes timeframes within which any action needs to be taken. The inspections are then followed up with re-inspections. The supplier must be given a reasonable amount of time for change in order to ensure that a process of change can take place. If improvements are not made, Lindex will end the cooperation.

Besides the supplier, the results are also reported to staff at Lindex' purchasing offices and to the purchasing organisation in Sweden.

Lindex' local inspectors have various backgrounds, such as engineering, factory work, ILO or auditing. All new inspectors undergo internal training, after which they receive continuous training in areas such as the environment and local legislation. All inspectors also attend an SA 8000 inspector's course. In addition to their mother tongue, all inspectors have a good command of English. An inspector needs to have good knowledge of the country's laws and culture as well as the different situations suppliers can be in.

Once a year, all Code of Conduct inspectors come together for a common strategy week, where the focus is on follow-up, risk analysis, continued training, future goals and working methods.

### *Local production offices*

Lindex' production offices around the world are an integral part of the purchasing and code work. Lindex has production offices in Shanghai, Hong Kong and Guangzhou in China. Lindex also has production offices in Istanbul in Turkey, New Delhi in India, Dhaka in Bangladesh and Karachi in Pakistan. Being in close proximity to the suppliers makes the work with the Code of Conduct easier. It means also that Lindex can control the supply from a country in terms of price, quality and volume.

### *The code embraces all Lindex' suppliers*

All suppliers with whom Lindex has a business connection are embraced by the Code of Conduct. It is part of the General Agreement which the supplier signs before an order is placed.

The suppliers subject to inspections are those involved in the final production process, not fabric suppliers or dye works, for example. External brand suppliers are also not included in the inspection process at present. Lindex has a number of external underwear brands. Through dialogue with the supplier, however, Lindex also hopes to be able to encourage the subsuppliers to observe the code.

### *Child labour*

Child labour is not allowed at Lindex' suppliers and, fortunately, seldom found among Lindex' suppliers today. If child labour is found, Lindex doesn't end the cooperation, but instead produces an action plan, Lindex' Child labour action plan, with the supplier and the parents based on what is best for the child. The supplier guarantees that the child does not work but in any way will receive a monthly wage equal to or above the country's statutory minimum wage until the child reaches working age. The supplier also guarantees in writing that the child will be re-employed when it reaches working age. The parents guarantee in writing that the child will not start work elsewhere. Lindex will then follow up this action plan carefully. In the 2005/2006 financial year, two cases of child labour were found where the child was one year younger than the legal working age. In both cases Lindex' Child labour action plan was applied.

The working age is the age stipulated by law in the country concerned, and is not usually below 15. In China the working age is 16 and according to ILO's conventions and the UN's Convention on the Rights of the Child the minimum age is 14 for certain developing countries.

### *Compliance with the code*

The work with the Code of Conduct is long-term work, in which Lindex, together with the supplier, tries to bring about improvements in all areas required by the Code of Conduct. The work takes place in stages and Lindex combines information and training with clear requirements and regular inspections. It is continuous, long-term work.

A basic problem among suppliers is that the majority seriously lack documentation. This makes it difficult to verify complete fulfilment of certain requirements in the code, such as whether the right wages are being paid and whether overtime is being worked or not. In these cases, suppliers are assessed as if they haven't satisfied the code's requirement and classified at the lower level.

Most violations of the code concern:

- Overtime
- Union membership
- Compensation
- Health and safety.

In the area of health and safety, Lindex has found major problems during initial inspections. However, these problems are relatively easy and quick to rectify, making this area to be the one in which most improvements have been made. The improvements mainly concern the physical working environment, such as ensuring that fire extinguishers, emergency exits, protective equipment, correct lighting and ventilation are available and that the ergonomic working environment is appropriate.

Suppliers' working hours must follow the code and the country's laws, however there are still problems with overtime. In dialogue with the suppliers, Lindex tries to convey the importance of suppliers having a production plan. Lindex also tries to make realistic assessments of the supplier's capacity and make as few late modifications to clothes as possible.

In some countries there isn't the same opportunity to join a trade union as there is in the western world and, in some cases, it is completely forbidden. There is fear and uncertainty among employers about what union work means, and even workers are unsure about how it works and how it can help them. The right to collective bargaining and join a union, or workers' committee, is important. The responsibility of establishing an independent, well-functioning trade union at a supplier or factory falls outside the

framework of Lindex' code of conduct work. Lindex is responsible for promoting dialogue and ensuring the right isn't violated.

In the area of wages, Lindex has a minimum requirement that states that suppliers must pay at least the country's statutory minimum wage to the workers in the factories. Lindex is, however, well aware of the problem that the minimum wage is not always the same thing as the living wage, but finds it hard to disregard laws and regulations. Since Lindex doesn't own any factories, it instead holds talks with suppliers to explain the importance of employees being able to live on the wages they receive. The objective is for everyone to be able to live on their wages.

## *Long-term work*

### **Key areas and guidelines for steering Lindex' long-term work with the Code of Conduct**

#### *Compliance with the Code of Conduct*

- Lindex must work actively to achieve complete compliance with the BSCI code among all its suppliers and sub-suppliers working at the assembly level.
- Lindex must actively support and encourage suppliers/factories to take greater responsibility in the effort to achieve long-term, sustainable compliance with the BSCI code.

#### *Business etiquette*

- The Code of Conduct must be fully integrated in Lindex' business activities.

#### *Employees' responsibility:*

- All Lindex' employees must have good awareness of Lindex' environmental and code work.
- Lindex' employees must receive regular information and relevant training on Lindex' environmental and code work.

#### *Dialogue and communication with stakeholders*

- Lindex takes part in external forums and networks in order to exchange relevant information about our environmental and code of conduct work.
- Lindex works together with organisations, authorities, stakeholders and companies in the effort to uphold human rights and work towards a sustainable environment (within the framework of Lindex' Code of Conduct work).
- Lindex must publish reports on its environmental and sustainability work both internally and externally.

Each year, sub-goals are set within each key area. These are followed up regularly by the relevant production office and verified with the managers at Lindex' head office.

The work with the Code of Conduct is also part of the overall supplier assessment, which is carried out at Lindex' head office once or twice a year.

## *Forward focus*

Lindex' work with the Code of Conduct has developed from what was earlier mainly a matter of supplier inspections and checks to today being more of a matter of information, communication and training, where suppliers are expected to take greater responsibility.

Over the next twelve months, Lindex will focus on the following, among other things:

- Regular reviews of Lindex' internal working methods and tools for the Code of Conduct work.

- Better internal communication and further work on integrating it in day-to-day activities.
- Increased measurability.
- Earlier follow-ups of suppliers' achieved or failed improvements.
- Suppliers' improvement work, mainly through training in the form of workshops.
- All employees undergoing environmental and code training.

### *Results of Lindex' inspections*

As at May 2007, Lindex had conducted 868 BSCI inspections at its suppliers. Of these, 91% were conducted in Asia and 9% in Europe.

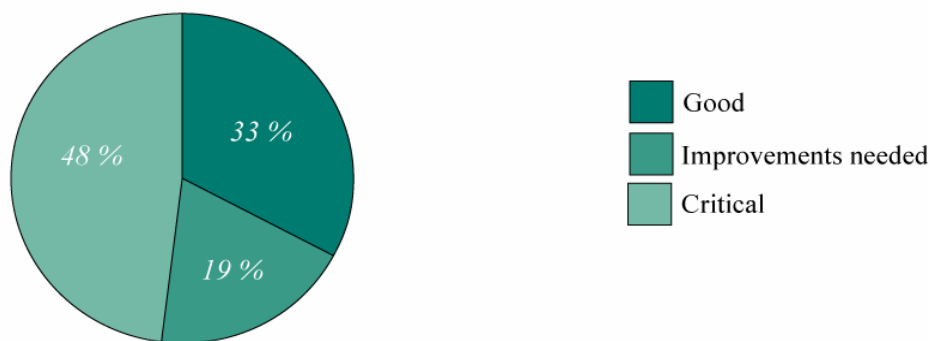
Of the active suppliers which Lindex works with today, based on sales and who was inspected, 33% meet BSCI's top requirement level 2. 19% meet level 1 and 48% are rated at level 0.

The most common Code of Conduct discrepancies are in the following areas:

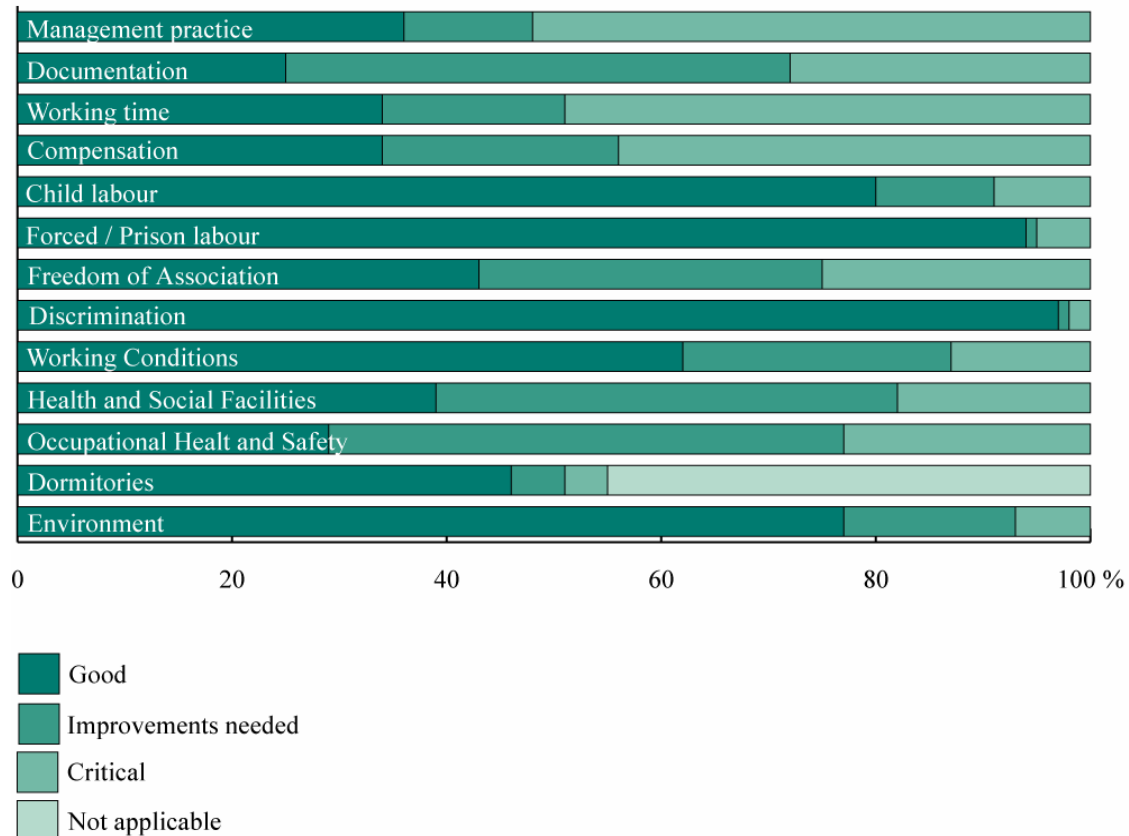
- Management system
- Working hours
- Compensation
- Health and safety
- Documentation.

See also the diagram on the next page.

Levels achieved by Lindex' active suppliers based on sales as at 31.05.07



Levels achieved by Lindex' active suppliers as at 31.05.07



## *Quality*

Lindex' work with quality conforms with its business concept: to offer inspiring and affordable fashion with good quality and fit. Lindex' quality work is an integral part of the purchasing work and the entire production process.

Lindex' quality requirements are based on the statutory requirements and recommendations of the sales market concerned. If there are differences between the various markets' requirements, Lindex always observes the strictest requirements. The quality requirements also follow Lindex' quality policy. Lindex' quality department is responsible for ensuring the requirements are complied with and that quality control personnel and test coordinators, who ensure the quality of the products, work at the relevant purchasing offices.

When Lindex enters into partnership with a supplier, the supplier also signs an agreement which contains Lindex' quality requirements, among other things. The requirements apply from the moment an order is placed until it is despatched. Quality tests are conducted regularly throughout production, from when the first production sample is produced until final delivery.

Quality tests are conducted at various stages on all models. Shrinkage, wringing, dry and wet folding, colour fastness when washed, burling and nickel are tested. Other tests are also made depending on the type of clothing concerned, for example flammability, waterproofness and fastness to light. The tests are conducted at Lindex' own laboratories and through external laboratories.

Lindex' quality control personnel also carry out production checks on most orders, both during manufacture and on delivery. They look at the stitching quality, measurements, fit and packaging.

## *Chemical stop list and checks*

Lindex works with a chemical stop list, which is based on statutory requirements and Lindex' own internal requirements. This list comprises chemicals which may not be used under any circumstances and chemicals which may be used below a certain limit. The company regularly conducts chemical inspections to make sure that suppliers conform to the restrictions.

Last financial year, Lindex modified and extended the procedures for chemical inspections of clothes. 5% of all orders from all suppliers are now tested every year. In 2006, tests were made for the presence of allergenic dispersion dyes, azo dyestuffs, cadmium, formaldehyde, phthalates, hexavalent chrome and pentachlorophenol, and pH values were tested. The supplier was not notified in advance which products would be tested.

In 2006, 8% of the clothes tested were rejected. Since Lindex has changed its procedures for chemical inspections, comparisons cannot be made with figures from previous years. The majority of the clothes which were rejected was due to excessive pH values. In 2007, Lindex is focusing on checks for azo dyestuffs and phthalates, in particular.

## *Safe children's clothes*

Apart from the right fashion level, quality and price, safety is a very important parameter for children's clothes. Lindex works actively with safety in children's clothes. Safety awareness must be present in the working method all the way from design to finished product. All Lindex' children's clothes must comply with the requirements of the new European standard for child safety (EN 14682) and the Swedish agreement regarding detachable hoods.

To ensure that children's clothes are as safe as possible and comply with the requirements of the European standard and the Swedish agreement, Lindex uses a checklist during development of the clothes' production. The checklist regulates, among other things, the length of hair bobbles, the placing of reflectors and the use and design of hoods. The checklist minimises the risk of injury. Lindex participated in the work to produce the European standard for safety in children's clothes and will contribute to the future revision of the standard and possible new standards concerning child safety.

All suppliers who produce children's clothes for Lindex must be able to produce needle documentation to ensure that no parts of a worn sewing needle have been left in the garment. This means that when a sewing needle breaks during production, the seamstress must present all parts of the worn needle in order to be released with a new needle. The documentation is checked by the quality control personnel at each factory visit. All suppliers who produce Lindex' children's clothes also have a sewing needle detector, whereby all clothes are scanned for needle parts.

### *Recall of clothes*

Despite the stringent quality and safety testing of Lindex products, it has happened that products that don't fulfil the requirements find their way to the stores. Lindex has produced an activity plan for such an event to ensure the clothes are quickly recalled. Measures include advertisements in the media, mailings to Lindex Club members, information at store tills and on the website. In 2006, one garment was recalled as it had not met the requirements.



## *Ethics*

Honesty, integrity and pure fun must always characterise Lindex' business. It is just as important that the employees - CEO and store personnel - have a clear attitude to bribes, gifts, entertainment and company secrets. With its Code of Ethics, Lindex works actively to fight all forms of corruption including blackmail and bribery.

All Lindex suppliers are made aware of and sign Lindex' Code of Ethics as part of the IFS (Instructions for Suppliers).

In 2006, Lindex focused on increasing the knowledge employees had about how the company was going to actively fight all forms of corruption, including blackmail and bribery. This was achieved by training personnel at Lindex' purchasing offices in Lindex' Code of Ethics. Through this training and through discussions about the problems that exist and how they can be avoided, Lindex has made sure that personnel at the purchasing offices have knowledge and understanding of the subject. Training in the Code of Ethics has also been provided to staff at head office.

### *Guidelines on designing our product range*

#### *Ethical design*

Lindex has chosen to avoid certain clothes designs, and certain symbols and print on the products. As a leading company in the fashion industry, Lindex has a lot of sway and opportunity to influence fashion, which brings with it responsibility. Therefore, Lindex is involved in regular debates on ethical guidelines and design of the clothes.

Lindex avoids products linked to war or other military operations, for example military symbols, drawn weapons and karate kicks may not be used. Nor does Lindex use symbols, text or pictures incompatible with a democratic point of view. Symbols linked to drugs must also be avoided.

#### *Design of children's clothes*

Lindex takes the way clothes are designed seriously, so as not to offend. The company holds regular discussions on this subject. Drawing the line can be difficult, since perception and wishes vary from person to person and from market to market. The fact that fashion these days is international and with few borders doesn't make it any easier to decide whether a garment is considered unsuitable or not, but it does make the debate even more important. As an influential company, Lindex wants to take responsibility.

Lindex' children's clothes must be characterised by a combination of the right level of fashion, quality, fit, function and affordability. Lindex' children's clothes must not be perceived as sexy. Lindex only uses see-through material in children's clothes which are designed to be worn over or under other tops, dresses, skirts or trousers.

### *Fur, leather and animal experimentation*

Lindex has a restrictive policy concerning products made of fur and leather. Real fur must not appear in the Lindex product range. Lindex' suppliers sign an agreement which stipulates that they may only use leather from animals bred for meat production for manufacture of the goods. Leather appears in products such as gloves, belts and trousers.

Lindex does not permit any animal testing of cosmetic end products.

## *Environment*

Lindex can and wants to take responsibility for sustainable development and there is a strong commitment to environmental issues in the company. Producing fashion is a complicated process and Lindex must ensure that this happens in a good way that doesn't compromise the environment or people's well-being, but which, at the same time, allows the company the opportunity to offer customers fashion at a good price and good quality.

### **Key areas and guidelines for steering Lindex' long-term environmental work**

#### *Environmentally-aware production*

- Lindex' suppliers must observe the environmental requirements set out in BSCI's Code of Conduct and inspections must be conducted on a regular basis.
- Lindex must support and encourage specific environmental projects among suppliers in the production countries.
- Lindex' suppliers must observe the chemical restrictions set out in Lindex' stop list and chemical inspections of the company's products must be conducted on a regular basis.
- Lindex offers its customers environmentally-labelled products.

#### *Sustainable transport*

- Lindex strives to reduce the environmental impact of its goods transport by setting requirements on its hauliers/carriers and making conscious choices in its methods of transport.
- Lindex strives to reduce the environmental impact of its business trips by making conscious choices in its methods of transport.

#### *Efficient energy*

- The electricity Lindex uses in its stores and offices must come from renewable energy sources wherever possible.
- Lindex works actively to reduce its consumption of electricity.

#### *Less waste*

- Lindex works actively to reduce the amount of waste from its stores and offices through reuse and segregation at source based on the local conditions.

#### *Environmentally-friendly packaging and purchasing*

- The retail packaging and labels used for Lindex products must be produced according to the requirements set out in the company's packaging policy.
- When purchasing indirect material (such as IT products, equipment, consumables and printing services), an environmental assessment must be made of the supplier.

## *Environmental management system*

Lindex' environmental work is not ISO-certified. Nevertheless, the company's environmental management system observes the principles of ISO 14001. Although it is important for environmental work to follow a systematic procedure, Lindex has opted to focus on reducing the impact on the environment by using simple and practical methods.

The Lindex Group's biggest impact on the environment comes from the release of carbon dioxide in the transport of its goods, energy use, mainly electricity, by the company's approx. 350 stores and packaging waste. The environment is also affected by the production of the company's goods by its external suppliers.

## *Environmental goals*

Every two years, internal environmental goals are set for the whole group and for each department.

### *Progress towards the goals*

#### **Goals to be met by 31 August 2007**

Cooperation project with supplier in Bangladesh.  
Reduction in air freight to 5%.

Reduction of electricity consumption in Swedish stores of 3%.

Cooperation project with the Swedish Road Administration and other fashion and sports companies to set environmental and road safety requirements on the company's hauliers.  
Reduction in amount of plastic used as handling packaging.

Conduct supplier assessments with regards to consumables and draft environmental requirements.

Prepare environmental requirements for IT products and quantify the proportion of products which must fulfil these requirements.

Reduction of paper consumption by head office by 15% and by sales offices by 10%.

#### **Status - current situation**

Ongoing.

Ongoing.

Ongoing.

Ongoing to 31/12 2007. New common environmental and road safety requirements have been produced and will apply from autumn 2007.

Ongoing.

Supplier assessments are made for all indirect material purchases.

Environmental requirements have been prepared, quantification work is ongoing.

Reduction of 7.6% by head office and 6.5% by sales office in Finland Norway is ongoing. Measurements cannot be done at the Swedish sales office due to reorganisation, since it was formerly part of head office.

### *Textile suppliers*

With regards to the environmental impact made by suppliers, Lindex sets requirements through its cooperation with BSCI and the Code of Conduct produced by Lindex. It places requirements on such factors as water purification and the handling of waste and chemicals. According to the Code of Conduct, suppliers must also comply with the applicable environmental legislation in the country concerned. See page 8 for more about the inspections at Lindex' suppliers.

### *The impact from chemicals*

Some of the chemicals used in the manufacture of textiles can be harmful to humans and the environment. Lindex therefore works according to a chemical and PVC policy and places strict requirements on suppliers regarding certain chemicals used in the manufacture of the company's products. In the agreement which suppliers sign with Lindex, they undertake to comply with Lindex' restrictions on the use of chemicals. Lindex also makes requirements regarding the quantity of residual chemicals found in the finished products.

Lindex works actively with industry organisations on these types of issues and has worked to a list of chemicals which are not permitted in production for a long time. The company regularly monitors new findings and legislation for further chemicals which are to be restricted or banned and keeps its chemical stop list updated.

### *Environmental project in Bangladesh*

Together with a local environmental organisation in Bangladesh, Lindex is running an environmental project with one of the company's textile suppliers. The aim of the project is to chart the supplier's impact on the environment and draw up a plan to mitigate the impact the supplier has on the environment.

During the review, Lindex found that the supplier needed to improve water purification and its handling of chemicals and improve on its use of protective equipment when using chemicals. In 2006, the supplier appointed someone to work exclusively with the handling of chemicals, including improving storage, keeping a list of the chemicals used and ensuring that chemicals which are not used are returned to the manufacturer. In autumn 2007, the supplier will also be building a new water purification works.

### *Indirect material*

When purchasing indirect material, such as equipment, consumables, IT and printing services, Lindex carries out an environmental assessment of the supplier and his operations. Some of the areas looked at are environmental certification, the environmental management system, the environmental policy, environmental goals, procedures for ensuring the supplier observes environmental legislation, specific product issues such as Swan labelling and the use of water-based dyes. The environmental assessment is then put alongside other factors as a basis for selecting a supplier.

### *The stores' environmental work*

All Lindex' stores have checklists to follow when it comes to environmental work, which include instructions and segregation at source. The environmental work of every store is followed up every year when the stores submit their "green checklist" report. This is a report on such issues as how the stores segregate at source, whether they have undergone environmental training and whether they comply with environmental legislation. In 2005, 82% of the Swedish stores segregated at source in 12 fractions or more.

#### *Percentage of segregation by Swedish stores*

Corrugated cardboard	97%
Strip lights and batteries	100%
Hangers	96%
Soft plastic	82%
Glass	88%

### *Transport*

In the 2005/2006 financial year, Lindex released 10,050 tonnes of carbon dioxide from the transport of goods. Compared to the 2005 calendar year this was a reduction of around 1,470 tonnes. This means that carbon dioxide emissions have fallen from 20 g CO<sub>2</sub>/tonne km to 16 g CO<sub>2</sub>/tonne km. Lindex was able to cut emissions mainly through reducing its percentage of air freight. Part of the reduction is also due to changes in the conversion factors. The company has a long-term goal to continue reducing carbon dioxide emissions.

To reduce the impact on the environment, Lindex has, for several years now, placed requirements on its hauliers to document their environmental work and provide Lindex with a follow-up report on carbon dioxide emissions from Lindex consignments.

The majority of Lindex' shipments are by boat. This is followed by road, rail and then air. A small proportion of goods are also transported by a combination of boat and plane, known as Sea/Air. Air is the least used form of transport, but accounts for the greatest impact on the environment. The company is therefore aiming to reduce the number of regular air consignments. Lindex' goal is to cut the percentage of air freight to 4%, measured in volume, by August 2009. In the past, air freight has stood for around 7-10%.

Together with Lindex and a number of other Swedish fashion chains, the Swedish Road Administration has launched a cooperation project to produce safer and more environmentally-friendly transport. The idea is for the companies to utilise each other's experiences so, together, they have

developed common transport requirements to suit the Swedish fashion industry. The main points include environmental requirements, environmental management, road safety, basic requirements for complying with legislation, drivers not under the influence of alcohol or drugs and lower emissions of harmful substances. Lindex will apply these requirements to all purchases of transport from autumn 2007.

### *Business trips*

Lindex' travel policy advocates travelling by rail instead of by air where possible. The company is a member of a car pool which provides access to environmentally-friendly bi-fuel cars. Lindex is also increasing its use of video and telephone conferences to cut the number of business trips made.

Lindex requires the impact of its company cars on the environment to be as low as possible and therefore works to a company car policy. All company cars must be fitted with catalytic converters and engine heaters. Lindex employees are encouraged to use a company car which is environmentally classified by offering 0.5 extra on the base amount, if they opt for an environmental car or diesel car fitted with a particle filter. Out of the 35 company cars within the group, one is classified as an environmental car and nine are diesel cars fitted with a particle filter.

In total, Lindex emitted around 1,240 tonnes of carbon dioxide as a result of business trips during the financial year. The largest share was due to flights to and from purchasing countries.

### *Packaging*

Lindex uses packaging to protect goods in transit and as an important part of the way products are presented to customers. Packaging accounts for a large part of Lindex' impact on the environment, which is why the company is working towards reducing the volume of packaging material. The work is based on a packaging policy setting out requirements and instructions which apply to all Lindex packaging and labels used to sell and present Lindex' goods. The policy sets out that packaging must have the smallest impact on the environment possible during manufacture, use and final use/incineration.

Lindex chooses packaging material with as little environmental impact as possible. In accordance with the EU's Packaging and Packaging Waste Directive, the volume of the heavy metals, lead, cadmium, mercury and chrome in the packaging material must be below a set limit. The company also sets requirements on its suppliers' choice of materials. By avoiding mixed materials as much as possible, the packaging will be easier for customers to segregate.

In 2006, Lindex consumed a total of around 1,300 tonnes of packaging. This is an increase of 12% in the amount of corrugated cardboard and paper and an increase of 7% in the amount of plastic compared to last year. On the other hand, the amount of plastic used in retail packaging has fallen by 22% compared to last year. The company ensures that its retail and transport packaging is taken care of after the customer has bought the good by reporting the volume and paying the packaging duty in the Nordic countries and Germany.

During the financial year, Lindex focused on reducing the quantity of plastic used for transport by trialling perforated plastic bags. Unfortunately, it was difficult to get hold of plastic of the right quality, which meant that the trial didn't work for pure practical reasons.

Packaging type	Sweden	Norway	Finland	Germany	Total group	Previous year group	Difference group
<b>Retail packaging</b>							
Cardboard	82,330	38,571	20,262	4,590	145,753	125,297	16%
Plastic	7,797	5,369	2,657	1,053	16,876	21,514	-22%
<b>Transport packaging</b>							
Corrugated cardboard	539,247	206,843	119,588	53,189	865,678	774,688	12%
Plastic	176,605	67,863	39,093	17,525	283,561	260,294	9%
<b>Total corrugated cardboard + cardboard</b>							
	<b>621,577</b>	<b>245,414</b>	<b>139,850</b>	<b>57,779</b>	<b>1,011,431</b>	<b>899,985</b>	<b>12%</b>
<b>Total plastic</b>							
	<b>184,402</b>	<b>73,232</b>	<b>41,750</b>	<b>18,578</b>	<b>300,437</b>	<b>281,808</b>	<b>7%</b>

### *Electricity*

In the Nordic region, Lindex has been using green electricity, which comes from renewable energy sources such as solar, wind, hydro and bio fuels, since 2003. In other countries, Lindex buys green electricity when possible. Owing to an administrative error, standard electricity instead of green electricity was bought in Sweden and Finland in 2005 and 2006. This error has now been rectified and from January 2007 only green electricity has been bought.

In total, the electricity that Lindex used in the 2005/2006 financial year released 1,350 tonnes of carbon dioxide. (This calculation is based solely on electricity consumption by premises with whom Lindex has an agreement and where Lindex knows the energy source of the electricity. Some rental agreements include electricity, so the company doesn't know what electricity type is used.)

In total, the Lindex Group bought around 45.5 million kilowatt hours of electricity during the financial year, a reduction of 5% on the previous year.

The Swedish stores consume the highest percentage of electricity, around 17.3 kilowatt hours a year. Lindex' goal is to cut electricity consumption in its Swedish stores by 3% over a two-year period from 2007. The installation of a computer-based control system has been trialled in a number of stores. By reading the consumption of electricity in the store every minute during the day, the idea was that the company would be able to identify cases of high electricity consumption and unnecessary consumption. Unfortunately, the system turned out not to meet Lindex' requirements.

<i>No. of kilowatt hours used in store activities per country</i>					
	kWh	kWh	No. of		Average kWh
Country	2005/2006	2004/2005	stores	Difference	per m2
Sweden	17,299,951	17,719,385	145	-2%	160
Norway	7,732,399	7,677,339	56	1%	206
Finland	1,582,977	1,816,348	17	-13%	146
Germany	5,148,233	5,764,916	24	-11%	313
Group	31,763,560	32,977,988	242	-4%	192

### *Organic fashion*

In spring 2007, Lindex started buying in organic clothes made from 100% organic cotton. Some of the goods have also been produced to special environmental requirements in terms of dye and print. To enable customers to recognise the organic alternative, they are marked with a special label.

Currently, a few items in each of Lindex' business areas, covering both basic goods and fashion goods, are produced organically. In its 2007 autumn collection, Lindex has expanded its range of organic products.

Lindex buys organic cotton which is certified, which means that an accreditation body checks that the cotton has been cultivated without chemical insecticides or artificial fertiliser. Some of Lindex' organic clothes are labelled as EKO Sustainable Textile, the mark for organic clothes administrated by the Control Union World Group. Clothes displaying this label are, first of all, produced from 100% organic cotton. In addition, the whole of the production process is taken into account, which means that each step of the production process (spinning, weaving, dyeing, washing etc) must satisfy certain criteria to ensure minimum possible impact on the environment.

### *Roburs' environmental funds*

Since Lindex has worked with environmental issues and evaluated its suppliers via the Code of Conduct for many years, the company has been granted approval to invest in all Roburs' environmental and ethical funds.

### *Environmental risks*

Lindex' biggest risk exposure in the environmental area is in the supplier chain at the production level. The chemicals used in production constitute a working environment risk and an environmental risk through the emissions released into the environment.

Residual chemicals in the clothes also constitute a risk.

Lindex' carbon dioxide emissions and, therefore, the company's contribution to the worsening of the greenhouse effect are a potential risk. If the social debate on this issue escalates, all companies contributing to the rise in greenhouse gas emissions will risk greater criticism.

### *Environmental results*

	Emissions in tonnes of CO <sub>2</sub> 2005/2006	Emissions in tonnes of CO <sub>2</sub> 2004/2005	Difference	Tonne/SEK m 2005/2006	Tonne/SEK m 2004/2005
Total	12,820	12,800	0%	2.46	2.46

Lindex cut its carbon dioxide emissions by 20 tonnes in the 2005/2006 financial year. In the same period, turnover rose by 0.2% from SEK 5,202 m to SEK 5,212 m. Total carbon dioxide emissions per krona sold was, therefore, by and large unchanged over the two years.

## Employees

Employees are crucial in Lindex' business. The ability to attract new employees, keep them and assist in their development is a criterion for the fulfilment of the company's vision and goals.

Lindex' employees mirror the company's target group to a large extent. Most of the employees are women, around 95%, with an average age of 36.

At the end of the financial year, Lindex had around 5,000 employees in total. Since a large proportion work part-time, the number of full-time employees is few. Of the Lindex employees in Sweden, 78.6% work part-time. This is mainly due to the fact that the company adjusts its timetabling to when customers want to shop. One of Lindex' objectives is for all employees to be able to live on their wages and the company aims to ensure that all store personnel work at least 30 hours a week. One of the ways this is achieved is by negotiating the best possible opening times with new shopping arcades.

During the financial year, the timetabling in the stores was rationalised, which meant that the number of store hours fell and with it the number of full-time employees fell by 11.7% to 1,682 full-time staff in the Swedish operations.

<i>Number of full-time staff per country</i>				
	2005/2006		2004/2005	
<b>Parent company</b>	Average no. of employees	Of which men	Average no. of employees	Of which men
AB Lindex, Sweden	1,682	72	1,905	71
<b>Subsidiaries</b>				
Lindex AS, Norway	515	6	493	6
Lindex Oy, Finland	364	6	316	6
Lindex H.K. Ltd, Hong Kong	110	51	117	54
Shanghai Lindex Consulting Company Ltd	13	2	12	1
Lindex GmbH, Germany	139	6	135	4
<b>Total</b>	<b>2,823</b>	<b>143</b>	<b>2,978</b>	<b>142</b>

### *Age distribution of employees\**

Age	Percent
- 29	35.6
30-39	30.2
40-49	18.9
50-59	10.2
60-	5.1

\*Figures apply to Lindex Sverige AB and AB Lindex.



<i>Degree of employment*</i>	Men %	Women %	Total %
Degree of employment			
100	2.2	19.2	21.4
90	0.0	1.7	1.7
80	0.1	6.9	7.0
70	0.0	21.2	21.2
60	0.0	20.2	20.2
50	0.2	22.5	22.7
40	0.0	0.9	0.9
30	0.0	1.4	1.4
20	0.0	2.8	2.8
10	0.0	0.5	0.5
0	0.0	0.2	0.2
<b>Total</b>	<b>2.5</b>	<b>97.5</b>	<b>100.0</b>

\*Figures apply to Lindex Sverige AB and AB Lindex.

### *Working environment*

Lindex' working environment policy forms the basis for Lindex' working environment work. The policy comprises guidelines for employee and working environment-related issues and sets out that Lindex aims for a good physical and psychological working environment. The primary goal is to ensure a working environment that doesn't pose a risk of ill health or accident.

In Sweden, Lindex observes Systematic Working Environment Management (SWEM), which means that the working environment must be managed as a natural part of the day-to-day activities, which also includes the psychological and social conditions of the working environment. The concept is not found in the other countries in which the Lindex Group is active, although the company focuses on the working environment in the same way in all countries.

In Sweden, inspections based on SWEM are carried out every year in consultation with the company's health and safety representative. The inspections are made to ensure that the workplace maintains a good standard in terms of both the physical and psychological working conditions. As a result of the inspections, an action plan is drawn up for any element that needs rectifying. The company's overall working environment shows that the biggest working environment problem is in the stores' storerooms, which are perceived to be too small to cope with the amount of goods stores have these days. With the opening of the new distribution centre in autumn 2007, the company hopes to alleviate this problem. The new distribution centre will despatch goods more often and adapt deliveries more to the current need of each store.

### *Absenteeism due to illness*

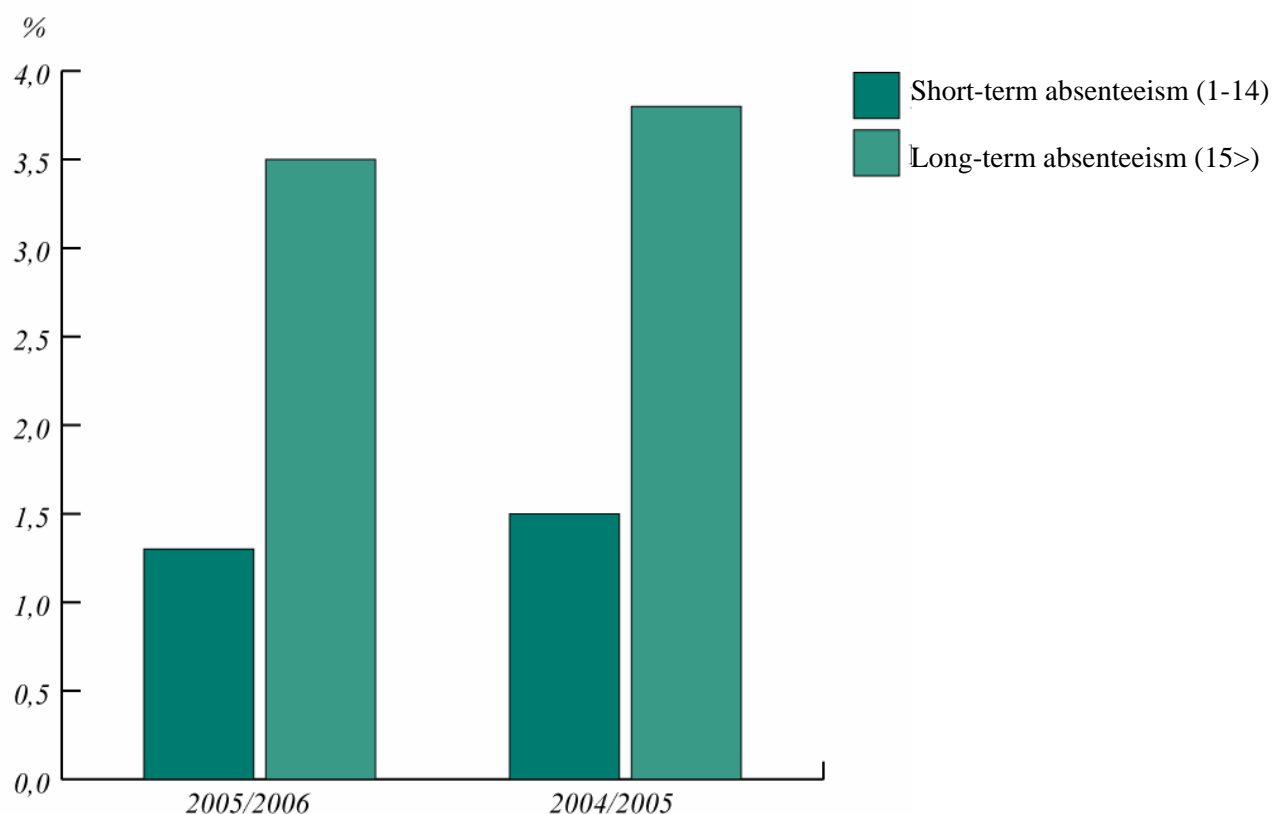
Work on reducing absenteeism due to illness, in particular long-term absenteeism, was intensified in 2006. In 2005/2006, total absenteeism due to illness in the Swedish operations was 4.8%, a figure which has steadily fallen in recent years. In 2004/2005, absenteeism due to illness was 5.3%. One of the group's long-term goals is to achieve an attendance of 97%. In the financial year, the cost of absenteeism due to illness in Sweden was around SEK 6.7 m.

During the year, the focus on the management's responsibility for the working environment and work on the psychosocial environment increased. The subsidiaries, too, are focusing in different ways on reducing absenteeism due to illness.

A few years ago, Lindex Sweden introduced rehabilitation talks. These are held at the third notification of illness after six months, so as to start a dialogue early on and lower the risk of long-term absenteeism.

In Norway, Lindex starts its follow-up on the first day of absence and holds follow-up talks on a regular basis. The company also works actively with the project Inkluderende Arbeidsliv (inclusive working life), which is a project initiated by the Norwegian government to reduce absenteeism in Norway.

### *Absenteeism due to illness\**



\*Figures apply to Lindex Sverige AB and AB Lindex.

### *Management and employee development*

During the year, Lindex has focused on producing a management training course for both store staff and office staff. The subsidiaries have been able to design their own courses based on a common platform, Lindex' approach to management. It involves ideas about what it means to be a manager at Lindex and how a manager should act in his role. Most of the managers in the offices have already been on a 3-day course, directed at such topics as group dynamics, team development, change work and difficult talks. Store managers and assistant store managers from all countries have also attended various types of training courses focusing on conscious management. This is a view of management which means that the managers understand how they and their staff act and react when faced with different situations, making them more confident in their role.

Lindex has been running company-developing courses since 2003 within the framework of Lindex Academy, which is the collective name for various initiatives aimed at the further development of Lindex personnel. These training courses, which were designed mainly for managers and key personnel, aim at generating greater understanding, commitment and knowledge of the various areas important to Lindex' development. During the financial year, Lindex Academy focused on Visual

Merchandising. Around 60 employees who work with Visual Merchandising in the stores, the Marketing department and the Set-up department attended the course.

To increase and utilise its employees' knowledge and experiences and create better understanding of the whole organisation, Lindex first of all applies internal recruitment. To stimulate and encourage internal mobility, all job vacancies are advertised firstly to all employees in the group via the internal communication channels.

In the majority of countries with which Lindex trades, employees on business trips need to exercise greater caution and act differently to what they are maybe used to as a tourist. As a result, Lindex runs training courses every year for employees who regularly go on business trips or who are being seconded abroad.

During the year, all employees attended a new course on Lindex' environmental work and Code of Conduct. The course focused on informing employees what the company is doing regarding these issues and creating commitment and, in turn, getting employees to contribute to the environmental work themselves. During the training, all departments and stores set their own environmental goals which they must work with during the year.

Internal training courses are run regularly, such as fire and safety courses. At present, Lindex doesn't have any statistics on the number of training hours in the group.

### *Health services*

In Finland and Sweden, Lindex has agreements with external partners regarding health and rehabilitation issues, working environment and keeping-fit. Together with external partners, the company works from a preventative perspective with these issues to reinforce Lindex's healthy appearance. The company's medical centre's task is primarily to prevent risks to health and to prevent illness and injury in connection with work. The company's medical centre works, for example, with health check-ups, keep-fit activities, rehabilitation and ergonomics.

Each subsidiary has its own way of encouraging staff to train and stay healthy. Healthcare subscriptions and agreements with sports centres are common throughout the group. Activities also take place at the local level, for example subsidies to the "Våruset" entry fee for all Swedish employees.

### *The company's values*

To build a strong corporate culture, Lindex has produced some company values. Lindex' culture must be characterised by the values of inspiration, simplicity, creating together and for our customers. The values function as a natural part of Lindex and employees must feel that they are living with the values every day. The purpose of the values is to help Lindex to reach its company goals quicker, to strengthen Lindex' brand and to be to the satisfaction of employees and customers.

### *Working with trade unions*

Lindex has a good collaboration with trade unions, for the most part in the Nordic countries. Active interest from the trade unions in the Baltic region is minimal. The company has regular meetings with the trade unions. To facilitate and improve the work with the trade unions, Lindex has put together a professional European committee. At the meetings held every year with employee representatives, Lindex' management reports and discusses the company's finance, development, future ventures and other issues. Union representatives from all the EU countries in which Lindex is active are invited to attend.

One of the problems for Lindex is that trade unions are forbidden by law in some of the countries where the company has purchasing offices. It is therefore impossible to encourage employees to join a union. Lindex therefore tries to find forms of participation in other ways. At all the company's purchasing offices, discussions are held with employees on issues such as terms of employment, benefits, policies, management issues and the company's values.

Lindex's board includes employee representatives, elected by the employees, from the Union of Commercial Employees and the Salaried Employees' Union in Sweden.

During the 2005/2006 financial year, Lindex had no conflicts with the trade unions.

### *Accidents and incidents at the workplace*

All workplace accidents and near-accidents are recorded by the company. There have been no serious incidents during the year.

### *Equality and diversity*

All employees at Lindex must have equal rights, obligations and opportunities regardless of their gender, ethnic affiliation, sexual persuasion or disability.

Lindex follows a diversity and equality plan produced by Lindex' ethical committee, which comprises representatives from the company and trade unions. The plan is reviewed annually against set goals and adopts both short-term and long-term perspectives. A report is sent every year to the Office of the Equal Opportunities Ombudsman and the Office of the Ombudsman against Ethnic Discrimination.

Diversity among the group means that the individuals have a greater overall competence and better opportunities for personal development. Groups comprising people with different experiences and perspectives are more effective, creative and dynamic than homogenous groups. Diversity is therefore seen as a competitive advantage for the company. The job of achieving a good workforce composition is part of the managers' responsibility at Lindex and also a natural part of the long-term provision of competence.

Lindex' workforce is made up of around 95% women and around 5% men. The main reason why there is such an uneven division is because the company's business is aimed at women. In all job positions, on all levels and in all areas of the business, the long-term goal is to achieve a more even division of gender. However, considering Lindex' business, it is difficult to achieve an even division of gender in the purchasing departments and stores.

At Lindex, all employees must be able to access the company's guidelines and values at their workplace and via the company's intranet.

<i>Division of senior positions</i>	Group		Parent company	
	2005/2006	2004/2005	2005/2006	2004/2005
<b>Women</b>				
Board members	8	9	3	4
Other members of the company's management including the CEO	9	8	8	8
<b>Men</b>				
Board members	29	26	5	5
Other members of the company's management including the CEO	7	7	7	7
<b>Total</b>	<b>53</b>	<b>50</b>	<b>23</b>	<b>24</b>

### *Offensive behaviour/sexual harassment*

Lindex does not tolerate any form of offensive behaviour such as defamation, isolation, bullying or sexual harassment. Employees of Lindex must never feel they've been offended, discriminated against or in any other way feel uncomfortable because of their ethnic affiliation, religion, gender, sexual persuasion or disability.

Lindex has produced a policy and an action plan against discrimination and harassment, which is available on the company's intranet and which has been brought to the company's employees' attention. During the year, all employees in Sweden attended a training course on how to combat discrimination.

### *Alcohol and drug policy*

Abuse of alcohol or other drugs is a working environment issue. A drug-free working environment is important for everyone's health, happiness and safety. Lindex does not approve of anyone under the influence of alcohol or other drugs during working hours and approaches the issue according to its alcohol and drug policy.