

# More fit for the future

SUSTAINABILITY REPORT - 2018  
NILORN



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## MICROPLASTIC

The wrong things are entering our food chains. Researchers have made us realise that microplastic, shed from packaging, carpeting, clothing and other plastic-based items risk finding their way into marine and fresh water species. This of course puts a challenge on all businesses using plastic materials, even those that are recycled. Read more about our work with sustainable materials on page 16.

## WATER

Closely linked to the issue of climate change, is the increasingly pressing issue of water scarcity. A lot of water can be saved through improved water management. Read more about our co-operation with Cotton Made in Africa on page 38.

## EVERYONE'S LIFE GOALS

Through the UN, countries around the world have united in formulating goals for a better future. The 17 goals have successfully started to spread on a global scale, being adapted by authorities, businesses, other organisations and individuals. At Nilorn we have mapped both our impacts and opportunities related to the goals and the targets. Read more about how we address the goals on page 8.

## ABOUT THIS REPORT

*This is Nilorn's statutory sustainability report for 2018, prepared in accordance with the requirements in the Swedish Annual Accounts Act. It covers all of the Nilorn operations, unless otherwise stated, in relation to the reporting of specific indicators from our sites. The report has been submitted by the Board of Directors, together with the Annual Report. The Annual Report can be found at our corporate website.*

*We strive to live up to our stakeholders' expectations. Comments, suggestions and critiques on our sustainability practices and reporting are welcome. Please contact us at [csr@nilorn.com](mailto:csr@nilorn.com)*

# Passion for all that we deliver

All work and all achievements at Nilorn are a collective effort, based on our passion for what we do. We work hard to take care of each other and ensure that our workplaces enable people to grow, in their knowledge, skills and as people.

We are equally passionate in our contribution to a more sustainable supply chain for our clients. In the last year we have seen many great examples of where that passion can take us. We have intensified our product development, introducing woven labels in Tencel, and we have also seen an increased use of recycled materials in our products such as recycled polyester. To know what type of materials are the most sustainable is of course a challenge as we learn more things about the life cycle of materials and as new materials are developed and refined. Therefore, in 2018 we joined MinShed, a project aimed at increasing the awareness around textile materials and specifically around the issue of synthetic fibres and microplastics.

We continue to focus on responsible production and supply chain including visits, audits and certifications of our production sites, as environmental and social labels help us build trust. Our newest site in Dhaka has increased its production in 2018 and is now both OEKO-TEX and FSC certified.

2018 was the year where climate change was higher than ever before on our clients and other stakeholders' agendas. To understand and address the impacts along the life cycle of varied materials is, of course, a bit of a puzzle that we need to solve together with our clients and suppliers. Every piece of that puzzle matters. We now have a new distribution centre in Germany, serving the majority of our distribution in Europe, enabling us to work more efficiently with transport. In 2019 we will focus on identifying transport impacts, increase our focus on alternative ways to meet to minimise business travel and we are investing in solar panels to supply our site in Portugal with renewable energy.

What we do, how we behave, matters more than ever.

Claes af Wetterstedt  
CEO Nilörngruppen AB



+7%  
TURNOVER  
729 (680) MSEK



WE ARE GLOBAL  
15 NILORN  
COUNTRIES



STAFF DISTRIBUTION



NEW BUSINESS SYSTEM  
2018  
IMPLEMENTED IN THE  
SWEDISH, DANISH, GERMAN,  
BELGIAN AND BRITISH OPERATIONS

9 OFFICES:  
BELGIUM, CHINA, DENMARK, INDIA, ITALY,  
PAKISTAN, SWEDEN, SWITZERLAND, USA



OFFICES/MANUFACTURING BASES: 6  
BANGLADESH, ENGLAND, GERMANY, HONG KONG, PORTUGAL, TURKEY

482 (444)  
NUMBER OF EMPLOYEES



55%



EMPLOYEES WORK IN  
PRODUCTION AND WAREHOUSE

44%  
56%



114 EMPLOYEES  
PARTICIPATED  
ANNUAL SALES CONFERENCE  
BORÅS, SWEDEN.

> 1.5 BILLION  
LABELS DELIVERED



9 400 USERS  
WEB ORDER SYSTEM



> 1400 CLIENTS



6 EXHIBITED AT  
FAIRS

- FASHION WORLD TOKYO
- GAPEXPO DHAKA
- HONG KONG FASHION WEEK
- MUNICH FABRIC START
- PERFORMANCE DAYS – FUNCTIONAL FABRIC FAIR MUNICH
- PREMIÈRE VISION PARIS

SHARE IS LISTED ON  
NASDAQ SMALL CAP STOCKHOLM

SINCE  
2018



LABELS DELIVERED TO OVER  
65 COUNTRIES



VISION:

# To be the best label and branding company worldwide



## About Nilorn

Nilorn is an international company, established in 1977, which is focused on adding value to its clients' products by presenting branding and design in the form of labels, packaging, trims and accessories. We offer complete, creative and tailor-made concepts in the areas of branding, design, product development and logistic solutions.

Nilorn's head office is located in Borås, Sweden, and our clients are principally from the ready-to-wear fashion sector. We have a production network of both own units and external partners.

### **BUSINESS CONCEPT**

Nilorn's mission is to design, manufacture and sell labels and label programmes in order to assist clients in the fashion and textile industry to strengthen their brand presence in international markets. Nilorn's mission can be summarised as "Adding value to your brand".

## OUR COMMITMENT

# Sustainability at Nilorn

*For the past 30 years, we have been supplying our clients with customised high-quality designed labels and other brand-strengthening products and services. Attention to sustainability aspects is part of our standards and policies, and applies to our products, our production and supply chain and in our interaction with each other and our stakeholders. We acknowledge our clients' challenge to secure a supply chain that both avoids and addresses the potential negative impacts on people and the environment. We want to strengthen our client's image and their products via sustainable solutions in labels, packaging and accessories.*

Sustainability at Nilorn means working towards meeting the needs of people and society without compromising the needs of future generations – acting in the long-term interests of many people - all in line with the UN Sustainable Development Goals. It means adapting to the limitations of the planet and protecting the environment. It means promoting a strong, healthy, inclusive and fair society where people can prosper and fulfil their potential. Nilorn believes in taking a holistic approach - including the entire design, manufacturing and supply chain.

Nilorn's CSR and Sustainability Advisory Team (CSAT) was established in 2018. The aim of the group is to further integrate CSR and sustainability in the daily operations of the organisation, to spread knowledge and share experience. The team consists of staff from different Nilorn offices, representing the design department, product development, production, purchasing, sales and CSR.

The Sustainability Manager is located at our Head Office and in Nilorn East Asia we have our Supply, Sourcing and CSR Manager, which enables us to have a closer relationship to suppliers in that region. Together with local staff in our sourcing countries we coordinate Nilorn's sustainability work.

# Governance

*As a globally operating company we recognise our responsibility to respect international standards and practices. We have developed a number of internal policies to support our vision and values.*

## HUMAN RIGHTS POLICY

We seek to play an active role in the promotion of Human Rights and to work proactively to respect the rights that all people are entitled to basic rights and freedoms, regardless of nationality, gender, religion, race or any other status. Nilorn aims to avoid causing or contributing to adverse human rights impacts in areas which we can directly influence, through our management control and addressing such impacts if they occur. Wherever possible, we also strive to identify, prevent or mitigate adverse indirect human rights impacts that may be linked to our operations, products and services through business relationships.

Nilorn's approach to human rights is based on UN Guiding Principles on Businesses and Human Rights and the "Protect, Respect and Remedy" framework. The Human Rights policy applies to all Nilorn employees. It also applies, as far as reasonably achievable, to our upstream and downstream supply chain through suppliers and business partners.

## CORPORATE RESPONSIBILITY AND SUSTAINABILITY POLICY

Based on our commitment to sustainability this policy aims to set the base for how we work with social, environmental and ethical responsibility and covers all Nilorn employees.

## CODE OF ETHICS AND BUSINESS CONDUCT

This code provides a guide to the values, behaviours and ways of working for all Nilorn employees, it shall guide our daily work and cover areas such as compliance with law, respect in the workplace, protection of company property, professionalism, corruption, job duties, teamwork and communication.

## CODE OF CONDUCT

Our Supplier Code of Conduct serves as a common foundation for us and our suppliers in terms of acting in a responsible manner, including focusing on social responsibility and good working conditions. Companies applying this code are also expected to comply with national and other applicable law and not be involved in any act of corruption, extortion or embezzlement, nor in any form of bribery. Read more about our work to implement the Code of Conduct on page 22.

## ANTI-CORRUPTION POLICY

Our Anti-corruption Policy contains the organisation's mandatory rules and restrictions regarding gifts and other kind of appreciations. It also describes the procedures for employees to raise any ethical questions or to report any breaches or suspected breaches of the company's code of conduct. Read more about our work to implement business ethics on page 30.

## HUMAN RESOURCE POLICY

Our Human Resource Policy regulates what the company expects of its employees and what employees expect of the company. The HR policy mainly regulates: management responsibility for developing its staff, information supplied to all employees, annual performance reviews, payments and IT usage. The overall objective is that work on gender equality should be a natural and integral part of all our activities and it applies to all staff and levels. Read more about our work to implement business ethics on page 30.

## ANIMAL WELFARE POLICY

As a supplier of labels and branding products made from materials sometimes derived from animal origin, we recognise our responsibility to protect animal welfare.

Nilorn works to secure materials from responsible sources and with respect for animal welfare. All suppliers or companies subscribing to this policy must follow national and international legislation regarding animal welfare. Animal-based materials are only obtained as a by-product and not the sole purpose of the slaughter of an animal and never from vulnerable or endangered species.

## GLOBAL COMPACT

Since January 2017, Nilorn is signatory to the UN Global Compact corporate responsibility initiative. As a signatory, we voluntarily agree to align our operations and strategies with UNGC 10 universally accepted principles in the areas of human rights, labour, the environment and anti-corruption, as part of our strategy, culture and day-to-day operations.



# The UN Sustainable Development Goals

*We deliver our products to more than 65 countries around the world and are thus part of far reaching value chains. We feel that such a global presence calls for global responsible actions. Since 2017, Nilorn have been signatories to the UN Global Compact. The Ten Principles of the UN Global Compact defines the foundation on which our business must stand.*

At the initiative of the UN, the international community formulated and adopted 17 global Sustainable Development Goals (SDGs) in 2015, aiming to eradicate poverty and malnutrition and to ensure a truly sustainable development across the social, environmental and economic dimensions. We are committed to minimising the way our business could, in any way, slow the transition towards the future envisioned in those goals. Our updated sustainability strategy aims to support the UN Goals and focus even further on those areas where we can contribute positively.

With the launch of the SDGs, businesses are explicitly called to contribute to the global sustainability agenda. The achievement of the goals depends upon the collaboration of many different actors, including our business. A stronger commitment to

partnership and co-operation is needed to achieve the goals. Nilorn is a small global organisation and in our sustainability work we must co-operate and rely on the effort of many other organisations, including labels and certifications. Example of co-operations are FSC (read more on page 37), Cotton made in Africa and the Swerea Chemical group.

In 2017, we carried out analysis where we looked into the challenges and opportunities the fashion industry is facing in relation to the sustainable development goals and their targets. We have researched how brands have investigated and communicated their most material challenges and opportunities. Based on that and following a mapping of the issues of utmost priority for our own business, we have found that five of the goals and their sub-targets are of particular relevance.





## Clean water and sanitation



ENSURE AVAILABILITY AND SUSTAINABLE MANAGEMENT OF WATER AND SANITATION FOR ALL

One target under this development goal is to improve water quality by reducing pollution, eliminating dumping and minimising release of hazardous chemicals and materials. In our supply chain we can work with water issues directly by being more efficient in the processes that require water and ensuring proper waste water treatment. We also engage indirectly in projects aiming at improving the conditions further upstream, such as through our engagement with MinShed and Cotton made in Africa.



## Decent work and economic growth

PROMOTE SUSTAINED, INCLUSIVE AND SUSTAINABLE ECONOMIC GROWTH, FULL AND PRODUCTIVE EMPLOYMENT AND DECENT WORK FOR ALL

We commit ourselves to implement social standards, such as living wages and decent working conditions in our supply chain. There is a screening of new suppliers and we encourage our suppliers to adopt quality, environmental and occupational health and safety management systems, certifications and include certification schemes used by suppliers in our criteria for choice of suppliers.



## Responsible consumption and production

ENSURE SUSTAINABLE CONSUMPTION AND PRODUCTION PATTERNS

One target for this development goal is to substantially reduce waste generation through prevention, reduction, recycling and re-use. At Nilorn we have adopted policies to choose more environmentally friendly materials, increasing the use of recycled materials and acting for a sound management of chemicals. Nilorn has joined the bluesign® system to put the whole production chain in focus and strive to protect health and the environment across the entire chain of production.



## Climate action

TAKE URGENT ACTION TO COMBAT CLIMATE CHANGE AND ITS IMPACTS

Climate change is one of the most pressing environmental issues of our time and it is a global challenge that does not respect national borders. Here the issues are clearly linked to more circular use of materials and this we see an increased interest in from both clients and the supply chain. We measure the impact of business travel and energy consumption and will increase our use of energy from renewable sources. We must also be aware of the risk of climate change affecting our supply chain located in areas likely to be affected and see how we can be involved in adaptation.



## Partnerships for the goals

STRENGTHEN THE MEANS OF IMPLEMENTATION AND REVITALIZE THE GLOBAL PARTNERSHIP FOR SUSTAINABLE DEVELOPMENT

The achievement of the global SDGs depends upon the collaboration of many different actors, including businesses. As a small but global player Nilorn has to co-operate with others and participate in business initiatives - for example MinShed and The Hong Kong Business-School Partnership Programme (read more on page 40).



## German Design Award

It may only be a small jeans patch, but it has just been honoured with a great award. The product from Nilorn's sustainable denim concept 'Genes' has been awarded with the German Design Award Special Mention 2019 by the German Design Council. The patch is primarily made of recycled PET felt - combined with a small part in grained Jacron – a rather unusual material choice for branding a pair of jeans.

The German Design Awards, launched in 2012, are among the most prestigious design competitions worldwide and have an excellent reputation far beyond specialist circles. The competition sets the highest standards for selecting the prize winners: thanks to the unique nomination process, only those products and communication design projects that demonstrably exemplify outstanding design quality are eligible to participate.

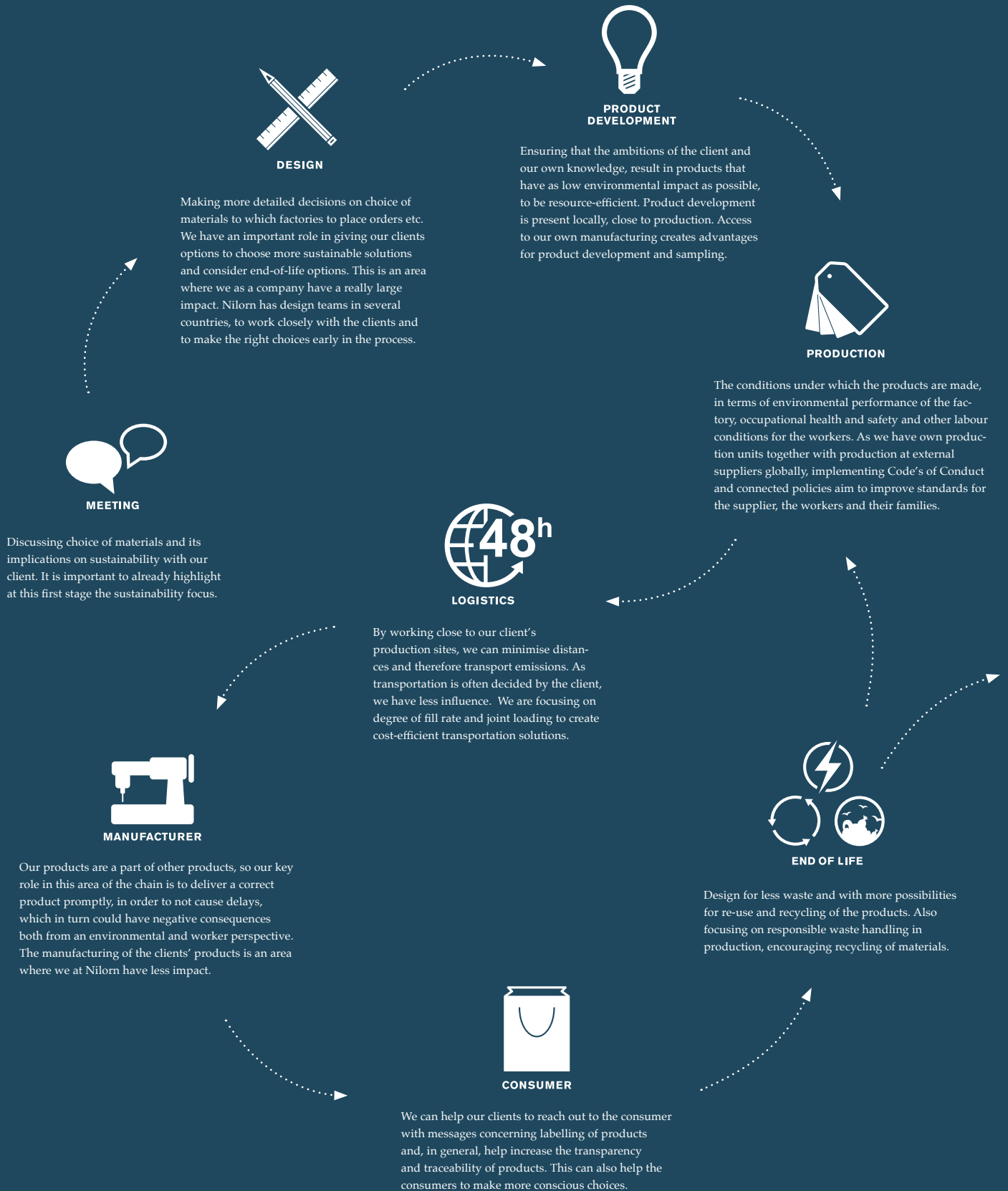
'Special Mention' awards are given to works with designs that feature particularly successful partial aspects or solutions – these prizes acknowledge the commitment of

companies and designers. The Jury stated: 'Not only does the felt and imitation leather both look like the real thing – they also feel astonishingly authentic to the touch.' This prize is a big honour for Nilorn as it recognises the high design quality of Nilorn's concept collections.

CHRISTINA WALTER, DESIGNER NILORN GERMANY

**“I have high hopes for the future. I believe in a circular economy based on the cradle to cradle concept where safe materials – natural or synthetic – are intelligently cycled and manufactured in ways that positively impact people and planet”**

# TOWARDS A SUSTAINABLE VALUE CHAIN



## MEETING

Discussing choice of materials and its implications on sustainability with our client. It is important to already highlight at this first stage the sustainability focus.



## DESIGN

Making more detailed decisions on choice of materials to which factories to place orders etc. We have an important role in giving our clients options to choose more sustainable solutions and consider end-of-life options. This is an area where we as a company have a really large impact. Nilorn has design teams in several countries, to work closely with the clients and to make the right choices early in the process.



## PRODUCT DEVELOPMENT

Ensuring that the ambitions of the client and our own knowledge, result in products that have as low environmental impact as possible, to be resource-efficient. Product development is present locally, close to production. Access to our own manufacturing creates advantages for product development and sampling.



## PRODUCTION

The conditions under which the products are made, in terms of environmental performance of the factory, occupational health and safety and other labour conditions for the workers. As we have own production units together with production at external suppliers globally, implementing Code's of Conduct and connected policies aim to improve standards for the supplier, the workers and their families.



## LOGISTICS

By working close to our client's production sites, we can minimise distances and therefore transport emissions. As transportation is often decided by the client, we have less influence. We are focusing on degree of fill rate and joint loading to create cost-efficient transportation solutions.



## MANUFACTURER

Our products are a part of other products, so our key role in this area of the chain is to deliver a correct product promptly, in order to not cause delays, which in turn could have negative consequences both from an environmental and worker perspective. The manufacturing of the clients' products is an area where we at Nilorn have less impact.



## END OF LIFE

Design for less waste and with more possibilities for re-use and recycling of the products. Also focusing on responsible waste handling in production, encouraging recycling of materials.



## CONSUMER

We can help our clients to reach out to the consumer with messages concerning labelling of products and, in general, help increase the transparency and traceability of products. This can also help the consumers to make more conscious choices.

# Key focus areas

## UPDATED SUSTAINABILITY STRATEGY

### 1

#### CLIENTS

We want to develop sustainable products in close co-operation with our clients and together reduce their environmental impact.

The earlier issues are considered, the better the outcome.

KEY ISSUES HERE ARE:

- *Product development*
- *Encourage and direct clients towards more sustainable materials and products*
- *Communication*

### 2

#### PRODUCTION AND SUPPLY CHAIN

We will take responsibility for manufacturing products, in our own production as well as with external suppliers. We believe in close co-operation with our business partners.

KEY ISSUES HERE ARE:

- *Working environment and human rights*
  - *Chemical management*
    - *Waste*
    - *Energy*
  - *Transportation*
    - *Water*

### 3

#### EMPLOYEES

Our most important asset is our employees and we want to attract, retain and further develop those working within Nilorn.

KEY ISSUES HERE ARE:

- *Working environment*
  - *Competence*
    - *Ethics*
    - *Travel*
- *Community engagement*



# Clients

*The client, and end consumer, should feel secure in the use of Nilorn's whole product range. Through close collaboration and knowledge-sharing we continually improve, both our own and our client's activities. Sustainable products, for us, implies finding better materials and once chosen and used, those materials should be kept in a recycling loop for as long as possible. For us it is important to work to be genuinely better all round, not only from the product perspective.*

To be able to accompany our clients on their journey, we are committed to reducing the environmental impact of everything we do - designing a product, choosing production processes, choosing a supplier, planning the logistics etc. Both materials and mode of transportation are almost always decided by the client. Our role in guiding the client in finding better alternatives is becoming more and more important and we see an increased interest from our clients in using either certified or recycled materials. We need to co-operate to be able to progress making the business more sustainable.

## DESIGNERS CHECKLIST

*This checklist has been prepared by the Nilorn design department. To be used as a tool in new product developments.*

- Does this product serve its purpose? Is it functional?
- Could we use certified materials?
- Is the material suitable for this product?
- Will it last long enough?
- Can it be recycled?
- It is able to have a second use?
- Will it age with beauty?
- Could it be reduced/minimalised/simplified?
- Can the design be optimised to reduce product waste?

# Right track

*Engaging with clients and gathering opinions about our company and our offer gives us valuable information.*

## OTTO GRUP

Our client Otto Group in Hamburg, Germany, performed a survey in 2018 to evaluate the performance of the nominated OTTO label makers in the markets. The assessment covered areas such as quality of products, problem solving, payment terms, collaboration and lead times. We were very proud to find out that, overall, Nilorn showed the best performance, having the best score in five categories. One topic highlighted was the increasing need of short delivery times. These assessments are a very good tool for us in our continuous improvement of our offer of products and services. It also gives us the evidence that our hard work is clearly linked with our business performance.

## VAUDE

In June 2018 German brand Vaude arranged their first global vendor meeting at the Vaude headquarters in Tettang- Obereisenbach. Close partnership was a theme and proves the importance of cooperation in the business to reach the high targets that the company has set. For Nilorn to be invited, it gave us a confirmation that our focus on sustainability is necessary to be part of these brand's supply chains.

## RESPEKT

'Respekt' is a highlight of our work to develop products with lower environmental impact. It shows the ongoing process towards a more sustainable offer, from design to delivery. The RESPEKT concept features, environmental finishings and various materials such as bamboo, vegetable tanned leather and FSC paper, along with recycled materials. All articles comply with REACH regulations or meet higher environmental standards.



# Reduce - Recycle - Rethink

## PRODUCT DEVELOPMENT WITH AN ENVIRONMENTAL PERSPECTIVE

*Today, many people strive for a more circular behaviour to reduce litter and climate footprint - we also see this interest from many of our clients. To a greater extent using "more green" material is high on the agenda.*

Reducing waste and unnecessary use of materials are focus areas that have become more common in 2018. The consumer wants a well-thought-out packaging solution, in sustainable materials that can be re-used. We see many possibilities to integrate better solutions for the environment in the products we deliver, but at the same time these options must be carefully evaluated to make sure we are making sound decisions. The use of alternative materials is becoming increasingly important in terms of customers' focus on sustainable materials and our own work on taking responsibility. In 2018 we saw requests for recycled polyester, buttons made of corozo and vegan leather, to name a few.

We see an increase from clients regarding a products possibility to be recycled. One challenge is that for most brands and retailers, the market is global and there are many different options and recycling alternatives. There are national as well as regional differences - it's obvious that more standardised and effective practices across the EU are needed to make recycling easier.

Recycling reduces the amount of waste that ends up in landfill sites, while cutting down on the amount of material needed from the natural environment. More than 270 million tonnes of waste are recycled across the world each year.

### PLASTICS

Action on Plastics was identified as a priority in the European Circular Economy Action Plan 2015 and in 2018 an European Strategy for Plastics in a Circular Economy

was launched. The strategy presents key commitments for action, including the way plastics and plastic products are designed, produced, used and recycled. By 2030, all plastic packaging placed on the EU market should be re-usable or recyclable. At Nilorn we develop products in both recycled LDPE and also using bio-based raw materials to reduce the use of fossil-based materials.

Today, re-use and recycling of end-of-life plastics is very low, particularly in comparison with other materials such as paper, glass or metals. Plastic packaging is a priority area when it comes to design for recyclability.

### RECYCLING OF GARMENTS

Fashion businesses agree with the need to improve recycling to increase the supply of raw materials. There are several initiatives focusing on recycling of used textiles and garments, one major challenge is that clothing often consists of diverse types of fibres and today requires mostly sorting manually, an expensive and time-consuming process. Testing of automatic sorting is ongoing and many believe that using RFID is a solution to the sorting problem and the handling of textile materials could be more effective as the information could easily be read. An RFID-system can be adapted and allow sorting of textiles based on any given set of parameters. In the future this would also allow to store information about chemical content - information that could be used by a material recycling company. Chemicals in used garments are a big challenge. We do not want to re-use things when we do not know what it contains.



# MICROPLASTICS

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In recent years there has been large focus on the micro-sized particles of plastics - so called microplastics - and the number of negative consequences for humans and the natural environment they have. Protecting the marine environment from the potential impact of microplastics is a critical issue.

Our products are often made of synthetic fibres such as polyester and polypropylene. Synthetic fibres come off during washing and follow the water out of the washing machine. Most water treatment plants are not effectively filtering out these particles and they are passed on into our watercourses. We therefore joined the MinShed project to be able to contribute and learn.

MinShed is a three-year research project. The goal of the project is to create knowledge and guidelines which will help the textile industry to design and create clothes made of synthetic fabrics which do not emit microplastics. The project will also investigate how washing machines are designed and whether or not they can be equipped with a filter that can reduce the emissions of microplastics.

**“MinShed spreads knowledge which helps push the textile industry forward”**



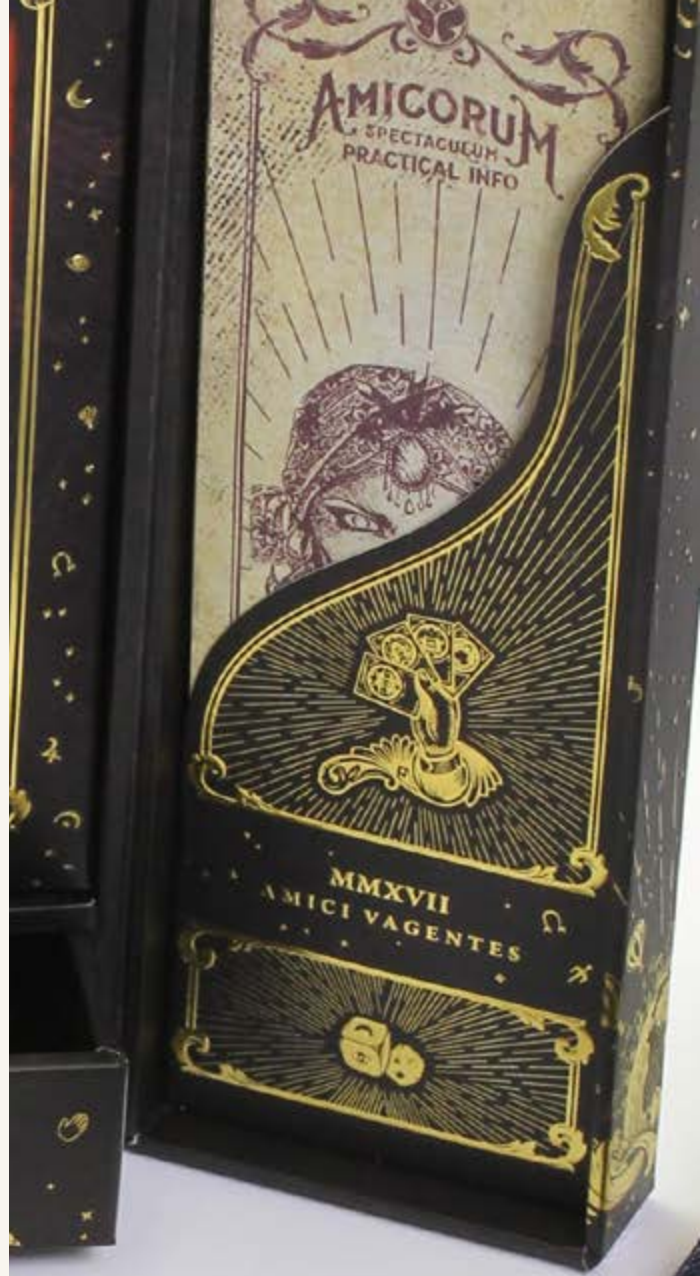
## RFID - what is it?

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RFID is short for Radio Frequency Identification. The technology is based on wireless communication, using electromagnetic fields for the transfer of data that is electronically stored on tags attached to a product. The electronically-stored information can be accessed by a reader when it is operated within the range of the tag. RFID also allows communication between a brand and the end-user by use of an NFC (Near Field Communication) enabled smartphone.

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*In 2018, Stora Enso launched a new RFID tag technology called ECO™. The technology enables the RFID tags to be produced on a 100% fibre-based paper label, unlike traditional plastic tags, resulting in a lower carbon footprint. The ECO tag can be recycled in an environmentally-friendly way, together with paper and board materials.*



# Security and Anti-Counterfeit

## PRODUCT DEVELOPMENT WITH SECURITY PERSPECTIVE

*Brands are proud of their product developments and, naturally, want to protect them. To support them, we produce and deliver a number of successful secure techniques. UV-yarn, UV-printed holographic yarn, holograms, sequential numbering, watermarks, QR-codes, Nilorn secure and radio frequencies are just some examples of methods that can be applied, to protect the clients' products.*

At Nilorn we had already started looking into RFID in 2010. However, it turned out that although there was an interest, the market was not yet ready to embrace the technology. In the last year we have seen a significant increase in client's interest in evaluating the use of this technology. The fact that some global brands have now chosen to adopt RFID, articles on the subject are increasingly appearing in different news feeds and a greater understanding of the potential benefits of RFID, obviously contributes to the increased interest. Not only can it be verified that the goods are brand originals, but RFID can give brands much better control of their flow of goods, which can increase sales as well as cut costs in their

sales channels. RFID inlays and technologies can improve inventory management and product tracking solutions.

We help our clients evaluate the suitability for them to integrate RFID as an alternative or complement to their current tag applications. There are many possibilities, ranging from RFID on hang tags to sewn-in tags combined with a traditional care label. RFID also allows communication between a brand and the end-user by use of an NFC (Near Field Communication) enabled smartphone. We recommend our clients to begin with a small pilot project, followed by a gradual roll-out to full scale.

# Production and Supply Chain

*Nilorn is strategically located in major manufacturing countries around the world, enabling shorter delivery times, lower freight costs and reduced environmental impact. Most of our production is through external suppliers as it allows us to be flexible and adapt to our clients' locations. Our own production is an important complement. With this combined approach, we can ensure timely deliveries and high quality.*

## PRODUCTION

Sourcing in Asia mainly comes from Hong Kong, China and India. Most of our European sourcing is from Turkey and Italy. As a complement to the sourcing activity, Nilorn's own production facilities represented approx. 20% of the group turnover in 2018.

## NILORN HAS ITS OWN PRODUCTION SITES IN:

- Bangladesh
- England
- Germany
- Hong Kong
- Portugal
- Turkey



# Energy

Our scope of commitment has grown, and we are aiming to reduce the overall energy consumption of Nilorn's operations, with a particular focus on the reduced use of energy sourced or derived from fossil fuels. In the European Distribution Center in Germany, our Swedish office and the Nilorn Portugal factory we are now using energy from hydropower. Approximately 30% of our total energy consumption comes from renewable sources, and we continue to investigate options to increase with the goal to reach 100% by 2021.

One way to reduce environmental impact in our own production is to replace standard lighting with LED lighting.

This has been done at several of our Nilorn production units and will continue. LED lighting ensures a similar level of light and a much longer life than standard lighting. Nilorn's operations are located in several different countries and as there are differences in emissions between countries, especially diverse and wide-ranging for electricity consumption and travel, we have used local emission factors where possibly (Defra/DECC).

- Energy consumption 1040 tonne CO<sub>2e</sub>





## Investing in renewable energy

*We work to enhance energy efficiency and increase the use of renewable energy. The factory in Nilorn Portugal is since July 2018 using 100% renewable energy from hydro power and now taking further steps and installing solar panels.*

Logistics warehouses and production units are usually well suited for the installation of solar panels, as they are equipped with large flat roofs upon which solar panels can easily be installed without imposing aesthetic damage to local communities. Nilorn Portugal, the production unit within the Nilorn group that uses the most energy, will install 460 solar panels at the beginning of 2019.

Increasing the use of renewable energy is one of Nilorn's actions to lower its environmental impact and reduce CO2 emissions. Nilorn Portugal has also invested in a new

starching machine, resulting in a considerable reduction of energy consumption. Reducing energy use also helps us to save costs.

ELISABETH SAMPAIO, MANAGING DIRECTOR NILORN PORTUGAL

**“Reduction of our environmental footprint is important to Nilorn Portugal. we want to grow without harming the environment. and the usage of renewable energy is important to us”**

# Responsible supply chain management

*Companies today are getting called upon from stakeholders to take responsible action in various areas, especially in the supply chain. Nilorn is no exception. We conduct a variety of CSR-related activities and, through our supply chain, urge suppliers to do the same, with the goal of a fully compliant supply chain and achieving sustainability in society.*

Monitoring suppliers across a nationwide or global supply chain can be difficult, but we aim to ensure that our suppliers protect human rights and provide safe workplaces. We have a 'Nilorn New Vendor Guideline' that shall be followed when introducing new suppliers.

New suppliers to Nilorn are to be reviewed by the CSR department. The first assessment includes looking at social audits that the factory may have been subjected to previously, as well as other areas such as their production capacity and quality of products. A supplier is preferably visited prior to production. Contractual agreements are made with suppliers including their commitment to abide by Nilorn policies and guidelines, including:

- Supplier Code of Conduct
- Corporate Responsibility and Sustainability policy
- Animal welfare policy
- Environmental requirements for Nilorn suppliers
- Nilorn supplier handbook
- Nilorn agreement to supply according to RSL

## **NILORN SUPPLIER CODE OF CONDUCT**

Nilorn's Supplier Code of Conduct requirements are based on the ETI Base Code. The ETI Base Code is founded on the

conventions of the International Labour Organisation (ILO) and is an internationally recognised code of labour practice.

The ETI Base Code is built around nine Principles.

- Employment is freely chosen
- Freedom of association and the right to collective bargaining are respected
- Working conditions are safe and hygienic
- Child labour shall not be used
- Living wages are paid
- Working hours are not excessive
- No discrimination is practiced
- Regular employment is provided
- No harsh or inhumane treatment is allowed

We do our own inspections in combination with relying on third party audits, through BSCI, SEDEX and other initiatives. ISO 9001, ISO 14001 and OHSAS 18001 are also certification schemes used among suppliers, which we take into consideration when choosing a supplier. Most importantly we focus on having a very close dialogue and frequent meetings with all prioritised suppliers. In 2018 we did not terminate any business relationship suppliers due to non-compliances.

Our strategy is to work closer with selected suppliers – 'reduce to increase' is a focus area. It is important for us to continue reducing our supply chain for greater control, visibility, improved communication and buying power. We seek to continue working with reliable, reputable, environmentally and socially conscious suppliers. Whilst reducing our supply chain we also build on the relationships we hold with suppliers, some of which have been over 20 years. A stronger relationship equals a better partner.

## **MODERN SLAVERY STATEMENT**

Modern slavery is a term that captures a range of human rights issues, including forced labour, bonded labour, human trafficking and child slavery. The complexity of supply chains increases the likelihood of modern slavery in the global industry. Since 2017, Nilorn publishes a statement in line with the UK Modern Slavery Act 2015, detailing the steps we are taking to mitigate the risk of modern slavery occurring in the supply chain and business operations. The statement is published on the Nilorn website. It reflects our zero tolerance approach to modern slavery in any form and the different forms of modern slavery are covered by the focus areas of our supply chain audits.

## SEDEX

Sedex, the Supplier Ethical Data Exchange, is a not-for-profit membership organisation dedicated to driving improvements in responsible and ethical business practices in global supply chains.

Sedex is an online database, used by more than 50,000 members in over 150 countries, which allows companies to store and view data on ethical and responsible business practices. Members also have access to a range of resources and reports, including industry specific questionnaires and market leading risk analysis tools, developed with global risk experts Maplecroft. Sedex does not set any standards or determine the policy of its members. Sedex provides a place to store any and all ethical audit reports, with a summary of non-compliances held in a common format.

Sedex has created the Sedex Members Ethical Trade Audit (SMETA) – a common audit methodology and report format aiming to drive consistency of data from the auditing process. SMETA is the world’s most commonly used ethical audit format. The audit checks specifically against the ETI base code and how it is spread to employees and the supply chain, relevant local laws, environmental performance, subcontractors/home workers, eligibility to work and understanding of the ETI base code.

For Nilorn, Sedex is a support in managing our complex supply chain and allows us to share data with clients. In 2018, we extended our membership to an A/B-member (buyer/supplier), as we previously had memberships through our local production units. We believe that the Sedex participation will reduce the need for numerous audits, both for our own and external production. As all social audits, such as BSCI, SA8000 and ICTI, can be uploaded onto the Sedex platform, this will also reduce administration.



## WHAT HAPPENS DURING A SMETA AUDIT?

The normal process for a SMETA audit would follow these steps:

1. Self-Assessment Questionnaire (SAQ) and Pre-Audit Site Profile
2. Audit preparation and quotation to the site
3. Actual site visit and audit
  - a. Opening meeting with senior management
  - b. Site tour
  - c. Document review
  - d. Worker interviews
  - e. Closing meeting with senior management
4. Issuing of the the SMETA report and CAPR (Corrective Action Plan Report)
5. Loading up the SMETA / CAPR reports to the SEDEX data base
6. Follow up audits if required within 3-6 months time frames

## Logistics and transportation

The development of the fashion industry requires that Nilorn is represented in many parts of the world, through our own companies and a network of strategic partners. The Nilorn Auto Order System provides control and aims to save time for our clients. When a production order is sent to the manufacturer, Nilorn simultaneously receives a request from the client's system in a fully automated process and, depending on location and stock levels, most orders are handled within 48 hours. The Nilorn Web Solution provides a complete overview of orders, warehousing and distribution, allowing both the client and manufacturer to order labels

and check/control the delivery. The web order system is available in several languages and offers a comprehensive set of follow-up and report generating options. We have warehouses in Dhaka, Hilden, Hong Kong, Istanbul, Karachi, Keighley, New Delhi, Recarei and Shanghai.

In 2019, we will map and look how to measure our own transportation of goods. This will help us to identify the impact of transportation. We will also put emphasis on including environmental aspects in the criteria used for choosing transportation partners.

## Waste and water management

Being waste efficient is part of our sustainability strategy. We are working towards the goal of zero waste going to landfill by 2021 – an ambitious goal considering the international environment we operate in and the different waste streams and handling today. In 2018 we achieved a reduction of waste sent to landfill, but still today 50% (80% in 2017) of waste generated by Nilorn operations goes to landfill - this is an important area

for us to improve. We continue to promote waste minimisation, re-use and recycling across our office and production locations.

In 2019 we will focus more on water - we aim to measure water used in production and look at our global water usage. We are also including the water treatment plant at our Dhaka factory in an environmental screening process.





# Responsible use of chemicals

*Nilorn produces a variety of products in many different materials, at our six production sites and through external production. We conduct internal audits which include checking the handling and storage of chemicals used in production. This is also a prioritised issue in the audits conducted at our suppliers' sites.*

Nilorn participates in the Chemicals Group at Swerea IVF. The Chemicals Group exists to disseminate the latest findings related to chemicals and their potential impacts on the environment and human health, to its member companies. The chemical guidance developed by the initiative helps the members to avoid importing products containing unwanted substances. Nilorn RSL is based on the Chemicals Guidance provided by The Textile Importers' Association in Sweden and Swerea IVF. Bureau Veritas Certification Hong Kong is our nominated partner for physical and chemical testing.

Our operations must be compliant with all regulations relevant to our business. All Nilorn partners are required to sign an agreement stating that the REACH regulation and Restricted Substances List are complied with. This is a non-negotiable requirement.

## REGULATIONS

As many of our clients act on a global market, there are several regulations to consider in production. REACH and California Proposition being two of them.

## REACH

REACH is a regulation of the European Union, adopted to improve the protection of human health and the environment from the risks that can be posed by chemicals, while enhancing the competitiveness of the EU chemicals industry. It also promotes alternative methods for the hazard assessment of substances in order to reduce the number of tests on animals.

It is the responsibility of all manufacturers, importers and users of substances within the EU to ensure that the substances they manufacture, import or use don't pose any risk to human health and environment. REACH affects all EU-actors that professionally manufacture, import, sell, buy, distribute or use chemicals as such and in articles. If goods contain restricted chemicals, it is mandatory that the manufacturers and importers are informed.

## CALIFORNIA PROPOSITION 65

California Proposition 65 requires businesses to provide warnings to Californians about significant exposures to chemicals that cause cancer, birth defects or other reproductive harm. These chemicals can be in the products that Californians purchase, in their homes or workplaces, or that are released into the environment.

Businesses are required to provide a 'clear and reasonable' warning before knowingly and intentionally exposing anyone to a listed chemical, unless the business can show that the anticipated exposure level will not pose a significant risk of cancer or is significantly below levels observed to cause birth defects or other reproductive harm. Currently, the California Proposition 65 list of chemicals has grown to more than 900 chemicals and will continue to expand as new chemicals are added.

# Packaging

## INSIGHT: WORKING WITH PRODUCT GROUP PACKAGING

*At Nilorn we see a growth in our packaging product range. In 2017, Isabel Ip joined us as Senior Product Development Executive, with a background in the packaging field. Later, in 2018, Peter Collins joined as the Group Packaging Manager.*

### CHALLENGING PRODUCT GROUP

With a total of 40 years of experience in the packaging industry between them, both in design and production, they bring very valuable knowledge and skills into our business. Peter's journey with us has so far focused both on external dialogue with our clients and on internal dialogue and training for our sales teams. Isabel, based in Nilorn East Asia in Hong Kong, liaises and negotiates with different factories, clients and overseas salespersons to find the best co-operative solution in product development, overcoming and solving any problematic issues - always with the clients' needs in mind.

"It is clear that the clients are interested in more sustainable materials, not the least when it comes to plastics. But, at times, their expectations may come in conflict with what is available at a competitive price in the supply chain. So, looking ahead, Nilorn will focus more on establishing a supplier base that can better meet existing and future demands. We already have good possibilities to meet consumer demands for paper-based material" says Peter.

"There are success stories and there are challenges" says Isabel. "We recently helped a UK brand replace a conventional plastic bag with a more sustainable material with unique features. We worked hard to encourage suppliers to fulfil our requirements, combining a more sustainable material, of high quality but still at a competitive price. With trials and errors behind us, it became a success!" This success story also well describes

the challenges. Packaging takes a longer time to study, case by case. It involves different components for one product, so we need to spend a lot of time discussing with suppliers about the feasibility of construction, finding the most workable and energy efficient way for production. So, people-power, new materials innovation, quality assurance and supplier performance are the challenges at the moment.

"Most importantly, we are not sitting around waiting. We are very pro-active, testing new concepts and offering samples to clients, to at least initiate a dialogue on how we can move together in a more sustainable direction" Peter adds.

### HIGH AMBITIONS

It is clear that Isabel, Peter, product developers and our sales account managers have high ambitions. "We would like to think that our current and future clients would look to us for all their specialist packaging needs. And that they would know that we have taken into account the current and future impacts, the ability for them to be recycled and that it is always the best choice compared to an alternative packaging."

"We only have one planet. It is as simple as that" says Isabel. To make a contribution to the developments of better products, we will continue to explore different suppliers and solutions to reduce use of non-recyclable plastics and facilitate recycling. We will also ensure proper labelling to help consumers dispose of waste in the right way. Continuing to pay attention to new technologies for developing sustainable materials and packaging products will be the key to our success.



PETER COLLINS:

**“Clients are increasingly aware of their usage of packaging materials and the potential damage those may cause once they enter the waste streams. With the advent of greater environmental concerns from clients our challenge will be to offer more sustainable alternatives, reducing footprints, whilst maintaining an aesthetically and commercially pleasing solution”**





## Our employees

*The success of Nilorn is directly linked to the ability to empower and invest in our employees to be ambassadors for our brand.*

Nilorn wants to continue to be an attractive employer in all countries where we have offices and production. We work with work environment, education and safety. We want our employees to enjoy a long career with Nilorn.

Capacity building and training is arranged locally in each country, for example First Aid and Occupational Health and Safety training. Skills development is an area we want to focus more on, as well as training in the CSR and sustainability field.

Our induction program shall ensure that new employees receive a broad understanding of Nilorn and how we operate, it sets the tone for our collaboration. Part of the program is the Code of Ethics and Business Conduct - the practices a Nilorn employee should be guided by daily. In 2019, there will be an updated and more detailed introduction to CSR and sustainability added to the program.

Nilorn continues to grow and employee headcount increased 9% in 2018. This growth is due principally to recruitment in Bangladesh and Hong Kong.

Nilorn aims to be an employer of choice by offering a more sustainable, caring and safe working environments. Diversity

is recognised as a strength and is to be a natural part of the Nilorn organisation. Attracting and retaining highly skilled employees is a strong competitive advantage and to do that we need to offer an excellent work environment.

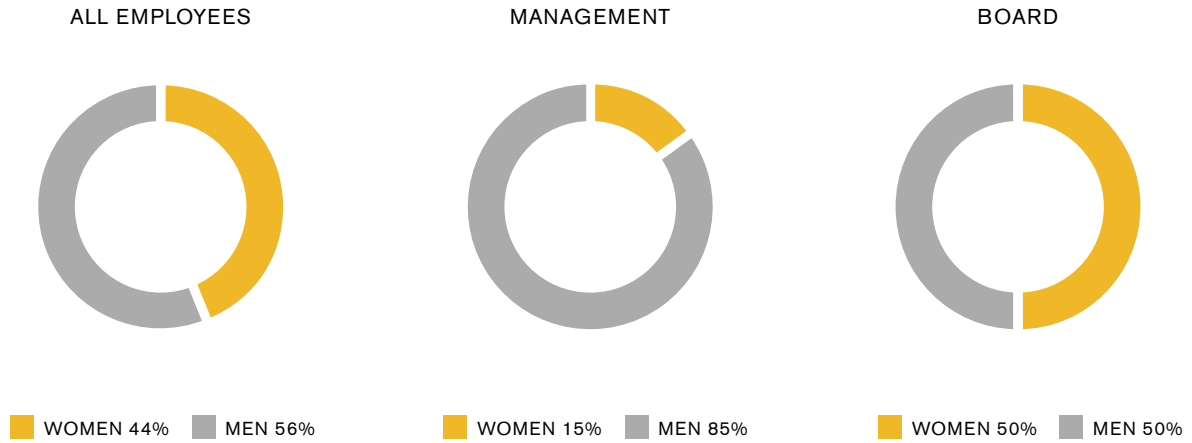
Several initiatives for a better work environment have been taken - some examples are a renewed cooling system in Portugal, energy efficient IT-equipment in Belgium and adjustable sit-stand desks in Sweden. Some actions that were taken in 2018 include Nilorn East Asia providing contribution to local gym membership, the Belgium office introduced an exercise time on Fridays and several offices now provide fresh fruit. We regularly seek employees' opinions, to ensure they are engaged and know that their work matters. All employees are offered annual performance reviews.

EMPLOYEE ATTENDANCE* %		
2016	2017	2018
97.8%	96.3%	96.1%

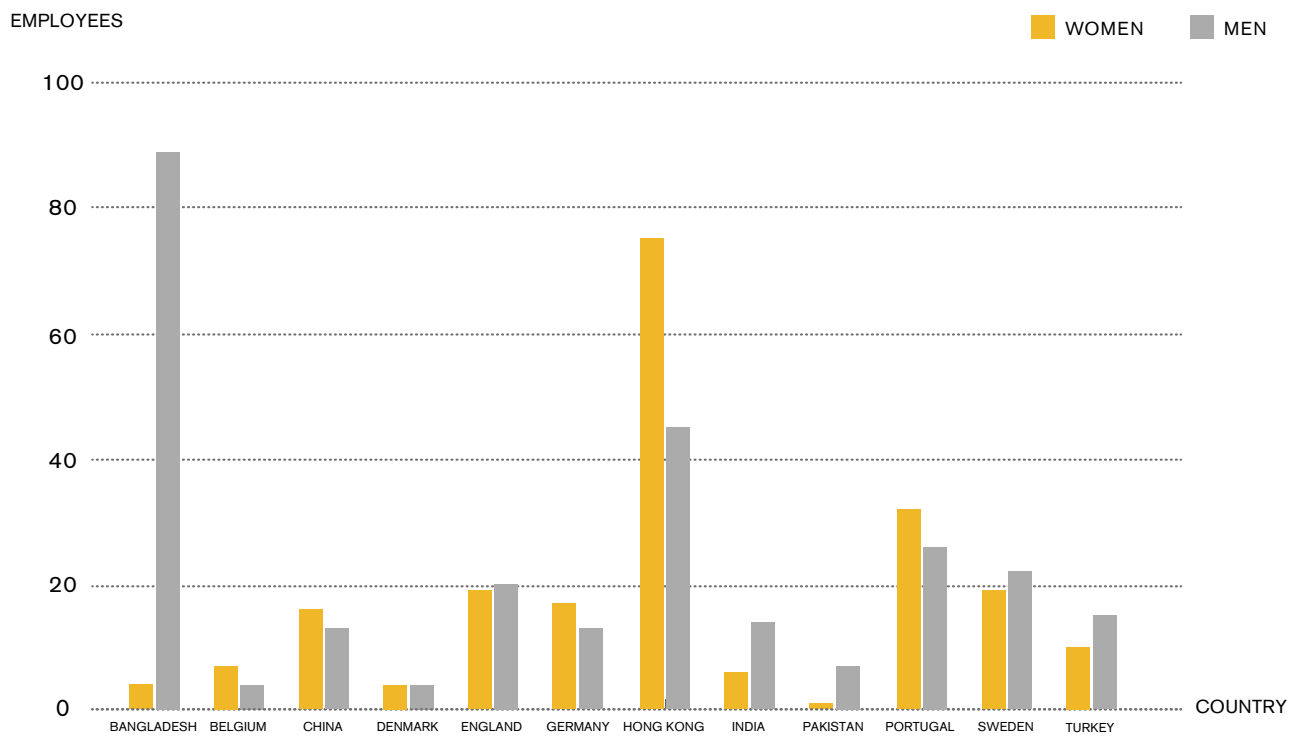
\* Absenteeism is tracked locally in accordance with regulations applicable in the different countries where Nilorn operates. The Company does not have a harmonised system for managing absenteeism throughout its subsidiaries.

GENDER DISTRIBUTION

Number of employees: 482



Employees - per country



## NILORN CORE VALUES

- Passion
- Innovation
- Respect
- Common Sense
- Responsibility
- Execute
- Teamwork



# Business Conduct

*The core values are the practices a Nilorn employee should be guided by daily, in all work situations. They form a common platform and strengthen our teamwork. Together with our Code of Conduct and other ethical guidelines, they guide how we conduct our business and clearly show what we stand for as a company.*

### **BUSINESS ETHICS**

Nilorn's anti-corruption policy includes not accepting gifts or other benefits from our partners. If ever gifts are accepted, it should take place with full transparency and in a manner that follows the organisation's policy. All employees, including new employees in 2018, have signed the anti-corruption policy. During the year, Nilorn had no reported cases of corruption.

### **NILORN CODE OF ETHICS AND BUSINESS CONDUCT**

This code provides a guide to the values, behaviours and ways of working for all Nilorn employees, including areas such as:

- Compliance with laws and regulations
- Respect in the workplace
- Protection of company property
- Professionalism



## Travel

*Nilorn is operating in many parts of the world. Business travel is one of our largest sources of emissions, and air travel generates more emissions per kilometre travelled than any other mode of transport.*

In 2019 we will work more intensively to minimise the impacts of our business travels. In 2018 we decided to compensate for the emissions caused by our yearly sales conference.

We will remind our staff to focus on sustainable travel options and when possible, travel less and make use of our smart IT-solutions with Skype for Business and TEAMS online meetings facilities. New means of travelling also requires changes - one example is the charging stations for electrical cars installed in Nilorn Sweden.

- Staff travelling 495 tonne CO<sub>2</sub>e

TRAVELLED KKM			
	2018	2017	
AIR	1751	1971	-11%
CAR	1092	1151	-5%

## Villa Nilorn

*After 2010 when the main production units was centered to Hilden, Germany. The Belgian office, resulted in less employees and the need for a smaller workplace. Three years ago the team in Nilorn Belgium have found themselves a nice, homely office at 'Villa Nilorn'.*

Until seven years ago, Nilorn Belgium still had a production unit, as well as an office. Under Nilorn Nominette Ruga, the Belgian subsidiary produced woven and printed labels locally and had stock holding facilities. From 2002 to 2010, all production and stock were slowly scaled back, with looms and machines being moved to other Nilorn production units. From 2010 onwards, the main stock location for Europa was Hilden, Germany.

Since then, Nilorn Belgium has evolved from being a purely production-oriented company to a fully fledged service company, offering a wide variety of products and services. This covers design, product development and production, but also the worldwide distribution of all types of branding items such as woven and printed labels, wood, metal, packaging and accessories. That change in focus, and the omission of local production and stock at the Belgian office, resulted in less employees and the need for a smaller workplace. At that time, the office environment was evolving and companies started stepping away from traditional, rather impersonal offices, to warmer and more homely workplaces.

With this in mind, Bart Van Trimpont, who had just been assigned Managing Director of Nilorn Belgium, started his

quest for a new place. Taking into account the design aspect of the company, Bart hoped to find something unique and exciting. Within an hour, he stumbled upon a spacious, red and white villa from the 1930s situated outside the city of Ghent, close to the main road, with good connections to Brussels and Antwerp - exactly what Bart was looking for.

In March 2011, the Belgian team could finally move into the newly renovated 'Villa Nilorn'. With a large garden, homely kitchen and the former living and bedrooms used as offices, it was most definitely not just a standard office. The house warming party in December 2011 proved to be a great success. With each room decorated in accordance with a new collection.

Consisting of 11 employees, two of whom work from home in the Netherlands, Nilorn Belgium makes for a small but diverse and enthusiastic team. Although the company may be divided over two countries, Bart makes sure there are plenty of occasions for collective activities amongst the colleagues. There is the yearly Christmas dinner, the company trip to music festival Tomorrowland and the Nilorn summer party. Fresh fruit in the office and lunch break walks on Fridays are other initiatives.



BART VAN TRIMPONT, MANAGING DIRECTOR NILORN BELGIUM:

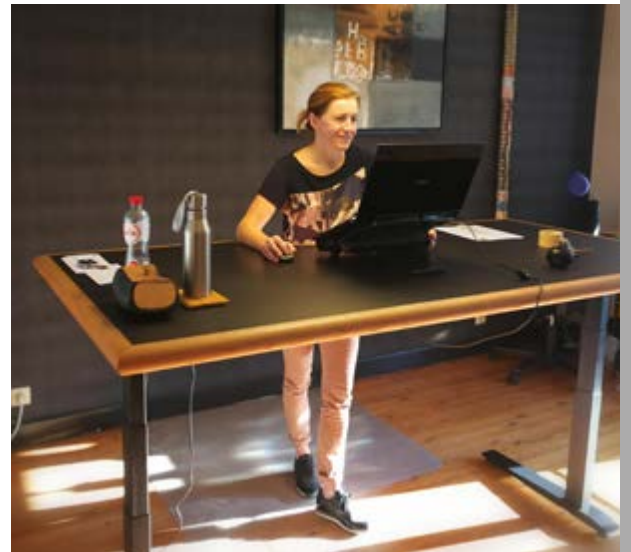
**“Not only do the new desks fit our old villa perfectly, but also we created a better working environment with less environmental impact”**



## Sustainability in practice

### RE-USE IN NILORN BELGIUM

In order to enhance working ergonomics and to encourage staff to be more agile, Nilorn Belgium decided to re-design their office desks. Instead of purchasing new desks, the existing desks were converted into a sit-stand desk just by re-designing them with an electrical frame. An additional advantage is that staff now have more meetings at a standing position instead of sitting - which again improves activity and shortens the meetings at the same time. The leftover table legs from the existing desks will be re-used by a local carpenter and transformed into furniture for the office.



# Traceability for sustainability

*Clients are giving more priority to sustainable practices and we see an increase in the use of different labels where clients want to communicate about their sustainability work. With labels and hang tags we can help our clients strengthen their brands and products. The products can also be an important part in enabling brands and consumers to trace their products back in the supply chain.*

Eco-labels and other certification schemes are a way in which our clients can communicate their focus on responsibility along the production chain, making the consumer more aware about their purchases. Consumers want to support brands that are doing good in the world, with 66 percent willing to pay more for sustainable goods and some 42 percent of millennials say they want to know what goes into products and how they are made before they buy<sup>1</sup>. But according to a study<sup>2</sup> 2 out of 3 Swedes find it difficult to know which eco-labels really guarantee that the clothes are produced in an environmentally sound manner.

It is becoming increasingly common for brands and retailers to have their own labelling to communicate their sustainability work, for example, for a specific collection or on all garments. It is important to be clear with what the labeling means. There are also the established labels, with requirement specifications and control of third parties. At the same time as our labels are communicating a client's message, they can also be a certified product in themselves. At Nilorn we can certify our products, such as labels, buttons, accessories and other product groups, described below. In 2018 we added GOTS to our range of certified products.

## OEKO-TEX® 100 (class 1)



*The STANDARD 100 by OEKO-TEX® is an independent test and certification system for textile raw, intermediate and end products, at all stages of processing. Examples of products that can be certified are yarns, woven and knitted fabrics, accessories (such as buttons and labels) and ready-made articles.*

The OEKO-TEX® tests for harmful substances are fundamentally based on the respective purpose of the textiles and materials and they cover: legally banned and controlled substances, chemicals known to be harmful to health (but not yet legally controlled) and other parameters for health protection. Testing is geared towards how the textile will actually be used, the more closely the product is in contact with the skin, the stricter the requirements. Class 1 is the highest level.

The OEKO-TEX® Association conducts annual control testing of certified products, at a rate of at least 25% of all certificates issued. It tests articles bearing the OEKO-TEX® label that are available in retail shops and also samples of materials from factories. In addition, independent auditors

carry out random checks of companies holding OEKO-TEX® certificates, in the form of unannounced inspections.

Nilorn holds an OEKO-TEX® certificate for textile production and accessories, produced both in our factories and suppliers' factories. We hold certification for product class 1, the highest level. Further to the Nilorn OEKO-TEX® Standard 100 Class 1 in appendix 4, both Nilorn and some suppliers have upgraded to appendix 6 standard for certain products. The difference between the two appendices is limit values and inclusion of chemicals. The appendix 6 catalogue was created for those who are either participating in the Detox campaign or working with clients who have this demand on their products and supply chain. Nilorn is continually working to improve our environmental impact and appendix 6 is one of those ways.

The bluesign® system puts the whole production chain in focus. It has focus both on the product itself in terms of sound materials but also the chain of production - from raw materials to finished products. — The certification covers: resource, productivity, consumer safety, water emissions, air emissions, occupational health and safety.

As of 2013, the Nilorn group is a bluesign® system partner. Our production facility in Portugal has been certified since 2012 and, in 2017, Nilorn East Asia in Hong Kong started the screening process and received the bluesign® certificate for textile accessories and the article range ‘printed care labels’.

ERICA WONG, PRODUCTION MANAGER NILORN EAST ASIA

**“The bluesign® system has increased our knowledge of our environmental impact bringing to light factors we had not considered but are now part of our every day”**

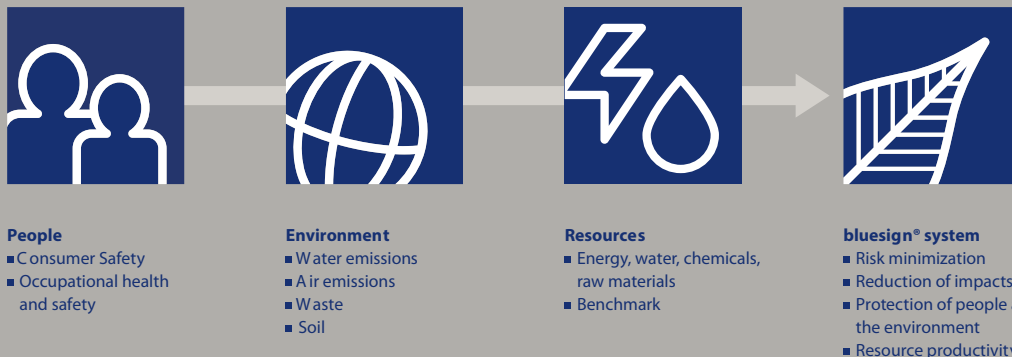
At Nilorn we find the increasing focus on bluesign® to be a very positive trend and we welcome more of our clients to join this initiative and choose bluesign® approved products. The certification of bluesign® has improved our overall environmental impact and procedure in the selection

of materials and processes. The additional steps required by bluesign® are now part of our daily work in selection, handling and wastage.

We continually work with bluesign® to increase our portfolio of bluesign® approved product.

**THE ASSESSMENT OF A FACTORY ENTAILS THE FOLLOWING STEPS:**

- An evaluation of the production site, focusing on the use of chemicals, the working conditions, environmental impact and water and energy consumption.
- Based on the detailed assessment, a report on the findings and an action plan with necessary measures are drawn up.
- Once all necessary measures have been implemented, the products can be approved according to the bluesign® system. These measures could include: eliminating the use of hazardous chemicals, changes in operation, installation of air and water cleaning systems, improvement of personnel safety and an overall improvement in house-keeping.



The bluesign® system focuses on resources, people and the environment. With its holistic approach based on Input Stream Management, the bluesign® system reduces the impact on people and the environment, ensures responsible use of resources and guarantees the highest level of consumer safety. The most stringent criteria and monitoring of on-site implementation encourage companies along the entire textile value chain to improve their sustainability performance. Read more at [www.bluesign.com](http://www.bluesign.com)

# “Adding value to your brand”



## Recycled Claim Standard/Global Recycle Standard

*Products made of partly or fully recycled materials are increasing in the business of trims and accessories. We are investing more resources in searching for new, more sustainable materials for our products and recycled materials are an important part of our more sustainable offerings. Third party certification of claims of recycled content increases credibility in the market.*

Polyester is the most common synthetic fibre in textile manufacturing and the one we use most for Nilorn's products. The disadvantage of polyester is that it is an oil-based material, not from a renewable source. At the same time, the advantage of oil-based materials is that it is relatively easy to recycle them and today there is an increased focus on recycled materials to reduce both landfill and littering of oceans. Polyester can also be recycled many times. Most recycled polyester comes from PET bottles - a clean, easy product to recycle. Using recycled materials can be a part of a product's liability, but it is of course not only the choice of materials that affect it. Design, production, waste and transport are all important aspects to consider. Providing recycled materials requires traceability and origin.

At Nilorn we have decided to have recycled materials third party certified, in accordance with the Textile Exchange Recycled Claim Standard (RCS) or Global Recycle Standard (GRS) - standards for tracking and verifying the content of recycled materials in a final product. The RCS verifies the presence and amount of recycled material in a final product through input and chain-of-custody verification from a third party and the GRS is used to verify the recycled content of products and also includes responsible social, environmental and chemical practices in the production.

We see an increasing interest from our clients to use such materials and this is an important part in our aim to work with transparency. Examples of recycled content in Nilorn products are polyester, paper and plastics.



# GOTS

*The Global Organic Textile Standard (GOTS) is a processing standard for textiles made from organic fibres. It defines high-level environmental criteria along the entire organic textiles supply chain and requires compliance with social criteria as well.*

GOTS is the stringent voluntary global standard for the entire post-harvest processing (including spinning, knitting, weaving, dyeing and manufacturing) of apparel and home textiles made with certified organic fibre and includes both environmental and social criteria. Key provisions include a ban on the use of genetically modified organisms, highly hazardous chemicals, and child labour, while requiring strong social compliance management systems and strict waste water treatment practices. We are able to deliver GOTS certified printed cotton ribbons and labels.

# FSC

*FSC stands for 'Forest Stewardship Council', an international non-profit organisation dedicated to promoting responsible forestry.*

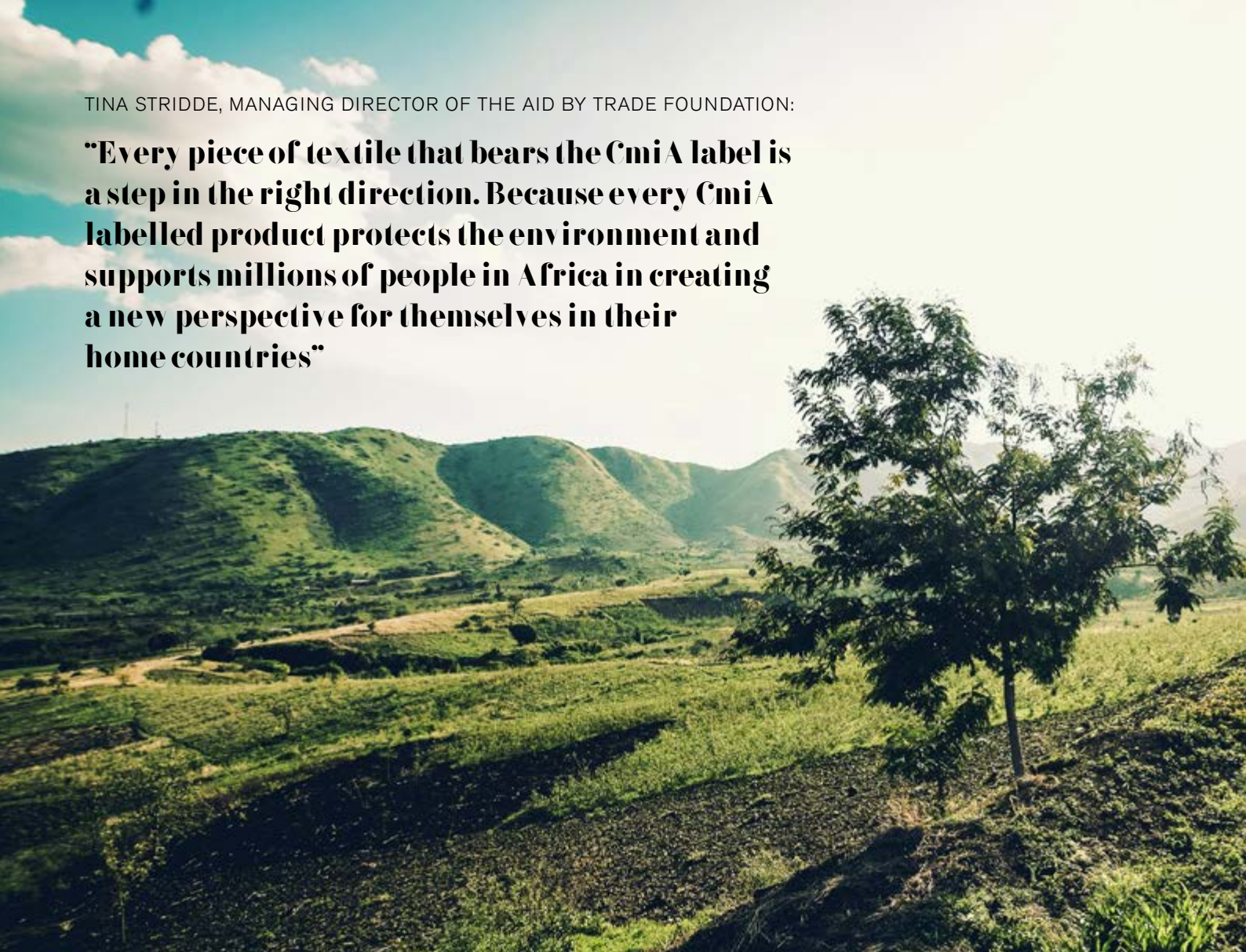
FSC certifies forests all over the world to ensure they meet the highest environmental and social standards. Products carrying the FSC label are independently certified to assure consumers that they come from forests that are managed to meet social, economic and ecological needs. Our FSC chain of custody certification provides a framework to promote responsible forest management.

We see an increased interest from clients in using FSC certified paper. With our FSC certificate for Nilorn East Asia and Nilorn Shanghai we report the delivered quantities to the FSC Secretariat. There was a 30% increase in the amount of FSC labelled products sold in 2018 and FSC certified paper's share of the paper product groups was 13%. We see the same trend in the production of FSC labelled products produced at external production units, but this statistic we are not able to follow with our current business system.



TINA STRIDDE, MANAGING DIRECTOR OF THE AID BY TRADE FOUNDATION:

**“Every piece of textile that bears the CmiA label is a step in the right direction. Because every CmiA labelled product protects the environment and supports millions of people in Africa in creating a new perspective for themselves in their home countries”**



CmiA FACTS 2018

CmiA smallholder farmers	999,425
thereof CmiA female farmers	16%
CmiA ginnery workers	12,362
thereof permanent workers	18%
CmiA production countries	9
CmiA acreage overall (in hectare)	1,780,000
Average hectareage per farmer (in hectar)	1,75
CmiA lint cotton production overall (in mt)	580,000
Eco-Footprint of CmiA	1 liter of water for CmiA in comparison to 2,120 liters of water to the global average. Up to 40% less greenhouse gas emissions <sup>1</sup>
CmiA retail partner and brands	46
CmiA labelled textiles (in million)	103

<sup>1</sup> Data refer to one kilogram of cotton. Water usage: in comparison to the global average; greenhouse gas emissions: in comparison to conventional cotton (Source: PE INTERNATIONAL)

# Social Engagement

## COTTON MADE IN AFRICA – HELPING PEOPLE HELP THEMSELVES THROUGH TRADE

*Cotton made in Africa (CmiA) is an Aid by Trade Foundation initiative and an internationally recognised standard for sustainable cotton from Africa. Since its creation by Dr. Michael Otto in 2005, CmiA has set itself the goal to protect the environment and help Sub-Saharan African smallholder cotton farmers and ginnery workers, to improve their living and working conditions. To put this aim into practice, an alliance of international textile companies and brands built up by CmiA, purchase the CmiA certified sustainable cotton, integrate it into their respective textile value chains and pay a license fee to the foundation to use the seal.*

Today there are more than 40 brands and retailers participating in CmiA. About one million smallholder farmers and some 12,000 factory workers in the so-called cotton ginneries are currently part of the CmiA program. In 2018, about 580,000 tons of certified CmiA cotton was produced pursuant to the CmiA sustainability criteria. CmiA is active in Cameroon, Burkina Faso, Ethiopia, Ghana, Ivory Coast, Mozambique, Zambia, Tanzania and Uganda.

CmiA has developed a standard based on social, environmental and economic criteria and targets. The initiative has developed a set of criteria defining sustainable cotton production at both farming and cotton gin level. The CmiA standard includes exclusion criteria (e.g. felling of primary forests, use of genetically modified seeds, child labour or the use of dangerous pesticides) as well as development criteria (e.g. proportion of women among farmers trained). Cotton made in Africa supports the participating smallholder farmers in continually improving their know-how when it comes to cultivating sustainable cotton. The organisation achieves this through organising training courses in which the farmers learn efficient and environmentally sustainable cultivation techniques. In the so-called farmer business schools', participants learn a great deal about efficient and sustainable farming methods. Through this diverse training program, farmers can increase yields and thereby income. The CmiA-training not only conveys knowledge about how to manage a cotton farm more economically and more environmentally friendly, but also raises awareness among the rural population for topics such as child labour or gender equality. The participating smallholder farmers gain an understanding about why their children should go

to school instead of doing demanding work on the farm that is harmful for them. They learn that good schooling helps the entire family in the long run. Additionally, female cotton farmers are promoted through special programs which enable them to realise their own business ideas, earn money in a group and invest their group income for social welfare – e.g. to support elderly people or orphan children.

In October 2018 Cotton made in Africa organised a visit to the Turkish textile industry. On invitation of CmiA, a delegation of African cotton producers travelled to Turkey to learn more about the processing of their raw material. The aim of the trip was to promote the exchange between the different stages of textile value creation, which usually have very little or no contact with each other. The visit contributed to a better understanding of the needs of the textile industry on the one hand and the challenges of cotton producers on the other. Nilorn is a partner of CmiA, providing all standard CmiA hangtags and woven labels, and we participated in the Regional Cotton Producer & Partner Meeting that took place during the visit, together with producers and retailers.

← .....  
The red CmiA label on the product shows the consumer that with his purchase he has done something particularly good for the people in the producing countries and the environment. In 2018 about 103 million CmiA labelled textiles were put on the market, an increase of 14% compared with 2017.





## Hong Kong Business-School Partnership Programme

The Business-School Partnership Programme (BSPP) was first launched in 2005. The aim of BSPP is to promote better co-operation and closer alliances between the business sector and schools. It leads students out of the classroom to gain a wider perspective of the world so that they can get prepared for life in society. With the arrangement by Hong Kong General Chamber Council, Nilorn East Asia participated in the “Business School Partnership Programme” 2018 and partnered with 12 students from Heep Yunn Secondary School. The programme included 3 days of meetings and gave the students an idea of what it was like working in the dynamic and competitive business of Nilorn. The students got the opportunity to test several departments and task assignments such as quality control, packaging and warehouse. As a final project, the students presented new and innovative product development ideas focusing on recycled materials.

One student, Yung was fascinated to learn about the Corporate Social Responsibility (CSR) programme at Nilorn. “I had learnt about CSR from textbooks, but it was not until I listened to the staff that I really understood what it means. Noting that CSR is a key part of Nilorns operating philosophy, I hope to work at a company which values CSR when I graduate”.

APPLE CHAN, MARKETING MANAGER NILORN EAST ASIA:

**“We were impressed by the work by the students and the ideas they presented. We look forward to be involved in this project again”**

## SwedCham Hong Kong

The Swedish Chamber of Commerce in Hong Kong was established in 1986. The objectives for the Chamber are: to promote, study, extend, advance and protect business relations, investments and interests of Swedish and other organisations in Hong Kong. SwedCham participates actively in IBC, the International Business Committee, which provides a sounding board and forum for lobbying and discussion for international business representatives with the Government on matters of interest for Chamber members. Nilorn East Asia has been a member since 2017.

## The Australian Fashion Council

The AFC is a not-for-profit membership organisation and exists to promote the growth of the textile & fashion industry in Australia. Nilorn became a member in 2018.

## The Swedish Textile Importers Association

The Swedish Textile Importers Association provides importers of textiles and related businesses with industry-specific service, helping us to keep track of important regulations and information, such as customs duties, rules of origin, free trade agreements and CSR. Nilorn has been a member since 2004 and our Sustainability Manager has been a board member since 2017.



# Teko

TEKO is the Swedish trade and employers' association for companies working in the textile and fashion industry, approximately 200 member companies. They represent the sector, both nationally and internationally, in all questions of common interest and inform clients, suppliers, media, the public and the government about the Swedish textile and clothing industry, its companies and its products. An important task is to supply information and service to the member companies. TEKO is also the national member for Sweden to GINETEX – the international association for care labelling. Sustainability is one of TEKO's focus areas and is high on the agenda. The work has been conducted in TEKO's Environmental and Energy Group since the early 1970s, the group includes member companies but also authorities, and Nilorn participates in this group.

# UK Fashion and Textile Association

UK Fashion and Textile Association (UKFT) is a British network for fashion and textile companies, bringing together designers, manufacturers, agents and retailers to promote business and industry in the UK and throughout the world. UKFT has a unique position, representing businesses from spinning, weaving and knitting, right through to catwalk and aftercare. UKFT is the UK representative of GINETEX, the international association for textile care labelling. Over 2,500 companies hold a membership and by being a member we at Nilorn get access to industry-specific business information, export advice and networking.

## Stakeholders

*We take part in many stakeholder groups in a variety of settings across the Nilorn organisation. Commitment to ongoing stakeholder engagement is a core component in our sustainability strategy. We aim to have an open communication, to listen and to learn from others and it is necessary to allow all groups to co-operate for a more sustainable industry. We want to provide stakeholders with relevant and comprehensive sustainability reports.*

STAKEHOLDER GROUP	MEANS TO COMMUNICATE ABOUT SUSTAINABILITY	PRIORITISED AREAS
CLIENTS	Dialogue, meetings, e-mails, magazine	IT-solutions, Code of Conduct and audits, sustainable materials
EMPLOYEES	Meetings, trainings, Intranet	Product materials, training, health
INVESTORS	Reporting, meetings	Business ethics, implementation of policies, risk management
SUPPLIERS	Meetings, e-mails, fairs and events	Business relationship, sustainable materials
NGOS	Initiatives, conferences	Raw material, labour, wages
INDUSTRY	Memberships, working groups	Chemicals, trade, recycling

GOAL:

**To exceed our  
clients' expectations  
in all aspects of our  
global operations**



# Sustainability risks

*Nilorn's risk management approach follows our decentralised structure and the same applies to our sustainability risks. All managers at Nilorn with operational responsibilities are expected to ensure that risks associated with their operations are appropriately identified, evaluated and managed.*

RISK CATEGORY	RISK DESCRIPTION	RISK CONSEQUENCES	RISK MITIGATION
COMPLIANCE	Risks that legal and regulatory requirements are not met Risk of corruption, especially in high-risk countries.	Negative reputational and/or financial impact.	Nilorn has a group governance framework and compliance include anti-bribery and corruption policy. Establish appropriate procedures, monitoring and reporting to prevent violation of laws, corruption or handling of personal data. 3rd party social audit at own production units. Training of staff.
HEALTH & SAFETY	Injuries or workrelated sickness at Nilorn own production sites or at supplier sites.	Fatal accidents, serious injuries or long-term absenteeism at production sites. Risk of legal and financial consequences if OHS has been managed poorly. Risk that employees find the work environment unsatisfactory, resulting in difficulties to retain and recruit. Reputational risk if poor safety conditions exist in the company, resulting in damage to our brand.	3rd party social audit at own production units. Continue to build a common H&S culture and effective management systems.
ENVIRONMENT	Managing increased demand of more environmentally conscious products by our clients. Increased demand to understand climate change effect on both internal and external operations. Use of chemicals in production process.	Risk of losing clients. Not being able to meet clients' expectations on our operations and/or products with regards to environmental performance and new materials. Risk of problems with supply due to climate related incidents. Risk of soil and water contamination.	Focus on improved efficiency to minimize environmental impact in our own operations and in supply chain, bluesign certification being one method. Keep high awareness of new regulations and market demands. Apply framework for handling chemicals adapted to EU legislation Reach and apply Nilorn Restricted Substance list.
SUPPLY CHAIN	Risk of suppliers not complying with the Supplier Code of Conduct and not following national laws and regulations.	Negative reputation and risk that we do not live up to the requirements of our clients. Delays in delivery and increased costs.	Continue to build strong supplier relationships. Increase awareness of Code of Conduct, environmental requirements and other policies. Own and 3rd party audits of suppliers. Consolidate and focus on preferred suppliers.

## OUR WAY FORWARD

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“During 2018, the range and the importance of the sustainability issues at Nilorn became clear to me. Not the least how connected these issues are to our current and future success. It is exciting to be involved in everything from searching for new materials to discussions about end-of-life alternatives, from performing supply chain audits to collecting environmental data from our sites. But it is, of course, also challenging. We have to make daily choices to act with responsibility and we have to support our clients’ in their journey as well. The focus is to strengthen my colleagues in making sustainability an integral part of everything that we do, today and going forward.”

*Anna-Karin Wårfors, Sustainability Manager.*

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“Working in Nilorn East Asia and based in Hong Kong enables me to establish a close relationship with suppliers as the majority of the supply base is in Asia. In 2018 we did over 70 visits to production units, and our focus for 2019 is to undergo SMETA audit in all Nilorn own production facilities and at the same time benefit from the advantage of being a SEDEX A/B-member.”

*Cheryl Hall, Supply, Sourcing and CSR Manager*

⋮ **FOCUS IN 2019:**

- *Transportation – mapping and measuring transportation*
  - *Enlarged product offer in recycled materials*
  - *Skills development of employees, training in CSR and Sustainability*
  - *Further integrate Sedex in the supply chain*
- ▼



RESPEKT!



RESPEKT  
CLOTHING CO.

STRAIGHT LEG  
LOW WAIST

2

RE  
CLO

# Data Summary

	2018	2017
<b>CLIENTS</b>		
Number of clients	>1400	
Users of web order system	9400	
FSC certified paper share of paper product groups in Nilorn East Asia and Nilorn Shanghai*	13%	11%
<b>PRODUCTION AND SUPPLY CHAIN</b>		
Number of suppliers	180	220
Number of delisted suppliers due to non-compliances	0	0
Internal inspections	>70	–
Purchase volume % from external suppliers with 3rd party social audit	72	–
<b>NILORN OFFICES AND PRODUCTION UNITS:</b>		
Energy Kwh/m2	131	127
Renewable electricity/m2	30	3
Energy consumption tonne CO2e	1040	1220
Waste (tonnes)	91	100
Waste sent to reuse or recycling	50%	22%
Water consumption Nilorn production units m3	5354	–
<b>EMPLOYEES</b>		
Total number of employees	482	444
- whereof women	210	208
- whereof men	272	236
New employees	101	–
Employee attendance %	96,1	96,3
Employees signed anti-corruption policy	100%	–
Cases of suspected or confirmed breaches of anti-corruption polic	0	0
Number of work related injuries (no fatalities)	4	5
Training hours/employee	9	–
Air travel inter-continental km/employee	2739	3522
Air travel continental km/employee	894	918
Staff travelling tonne CO2e	495	540

\* With our FSC certificate for Nilorn East Asia and Nilorn Shanghai we report the delivered quantities to the FSC Secretariat. We see the same trend in the production of FSC labelled products produced at external production units, but this statistic we are not able to follow with our current business system.

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BRANDING · DESIGN · PRODUCT DEVELOPMENT · LOGISTICS