

More fit for the future



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ABOUT THIS REPORT

This is Nilorn's statutory sustainability report for 2019, prepared in accordance with the requirements of 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 criticism regarding our sustainability practices and reporting are welcome. Please contact us at csr@nilorn.com

We will not print our sustainability report this year, a brief summary of the report will be available, and the full report is available at: www.nilorn.com

CEO Statement

What is a truly sustainable business? That is a question that we need to ask ourselves, though it does not have a simple answer. But it is a question that gives us, at Nilorn, the energy to innovate, both our products and how we work.

As I write, this question has suddenly been given a whole new meaning. We now find ourselves in the midst of a global health crisis, caused by the Covid-19 virus. We need to act quickly and at the same time with care. Care for all those people affected by this situation.

Before this happened, it was the risks related to climate change that were on everyone's minds. It was obvious that we needed to set out on a new path. Right now, it is difficult to anticipate what the path will look like - but we surely want to be on it.

At Nilorn we have already started to take our steps on this path. We have continued to focus diligently on ensuring good conditions in our supply chain, protecting people and the environment. Through our own and third-party audits, certifications of our production sites and meeting requirements for environmental and social labels of our products, we continue to build trust in relation to our clients.

Within this report we also wish to share with you some of our most recent steps, taken in 2019. Aiming at operating more sustainably by transitioning to more sustainable energy use and transportation, we have made progress. In this report you can read about our investment in solar panels, our new purpose-built facility in the UK and about our undertakings to reduce our emissions associated with our employee travel.

With the Ten Principles of the United Nations Global Compact and the UN Global Goals guiding us, we will continue our journey. In 2019, we put a lot of effort into equipping our employees with new competence through sustainability training. We held training in-person on corporate sustainability, but also made use of new IT-platforms to hold online education that would reach our employees wherever they are based.

What are our next steps? Well, that question can only be answered with some help from you, our stakeholders. So, in 2019 we carried out a stakeholder dialogue to help us prioritise our sustainability efforts. The results of an employee survey, interviews with investors, clients and suppliers, as well as our own analysis, was used to define our most material sustainability topics.

Our focus ahead is finding more sustainable materials to use at scale. Our strengths here lie with the very dedicated designers working at Nilorn and that we continue to build long-term relationships with our suppliers.

In 2019 we continued to increase the use of recycled and bio-based raw materials and continued to help our clients make sustainable choices. We understand that bringing new materials into our production also requires us to endow ourselves with new knowledge and participating in 'Biolyftet 2019' was one way of learning more in this matter.

Finally, we would also like you to see this report as an invitation. Our sustainability successes often come as a result of co-operation and collaboration and I strongly believe that together with you, our clients, our employees and our investors, we can go from small steps to giant leaps.

Now, in the time of crisis, I think it is by co-operating and re-thinking how we do things that will take us all forward.



Krister Magnusson
Acting CEO & CFO
Nilörngruppen AB



> 1500  CLIENTS

WE ARE GLOBAL
15 NILORN COUNTRIES



STAFF DISTRIBUTION

43% EUROPE
57% ASIA

NEW BUSINESS SYSTEM

2019
IMPLEMENTED IN THE
PORTUGUESE AND CHINESE OPERATIONS


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



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

 500 (482)
NUMBER OF EMPLOYEES

51% 
 EMPLOYEES WORK IN
PRODUCTION AND WAREHOUSE

 44%
 56%

 16 DESIGN
COLLECTIONS

> 1.5 BILLION
LABELS DELIVERED




9 400 USERS
WEB ORDER SYSTEM

TURNOVER
715 (712) MSEK



EXHIBITED AT
5 FAIRS 

- FASHION WORLD TOKYO
- HONG KONG INTERNATIONAL PRINTING AND PACKAGING FAIR
- MUNICH FABRIC START
- PERFORMANCE DAYS – FUNCTIONAL FABRIC FAIR MUNICH
- PREMIÈRE VISION PARIS

SHARE IS LISTED ON
NASDAQ SMALL CAP
STOCKHOLM



LABELS DELIVERED TO OVER
65 COUNTRIES 

2019 FACTS AND FIGURES

About Nilorn

Nilorn is an international company, established in 1977, 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 via sustainable solutions in labels, packaging and accessories. Nilorn's mission can be summarised as "Adding value to your brand".

STRATEGY

Nilorn's strategy is based on achieving growth through innovative design, products and services that add value and attract consumers to the clients' brands and products. We aim to be a leader in sustainability in our industry.

NILORN CORE VALUES

The core values are the practices a Nilorn employee should be guided by on a daily basis, and in all work situations. They form a common platform and strengthen our teamwork.

- **Passion** – Encourage those around you
- **Innovation** – Offer innovative and superior solutions
- **Respect** – Respect and trust each other
- **Common Sense** – Learn from experience
- **Responsibility** – Take ownership
- **Execute** – Lead by example
- **Teamwork** – Learn from each other

THE NILORN OFFER

Nilorn takes pride in being a development hub for both brand owners and manufacturers alike. We aim to add value through offering innovative design, products and services.



DESIGN

Unique design skills create tailor-made concepts for various customer sectors. An experienced and multi-skilled team deliver creative, intelligent and original solutions.



PRODUCT DEVELOPMENT

Based on design and high quality technical solutions, we develop products using the latest materials and techniques in all areas of branding, as labelling and packaging.



PRODUCTION

Own manufacturing combined with a network of partners in strategic markets throughout the world ensures the best quality, flexibility and timely delivery.



SUSTAINABILITY KNOWLEDGE

Knowledge and competence are integrated into Nilorn operations, in product development, production and logistics. We are signatories of UN Global Compact and participate in various local and international initiatives.



GLOBAL LOGISTIC SOLUTIONS

We are global but act locally, close to the main markets as well as being strategically close to where the production of the labels are applied to the garment.

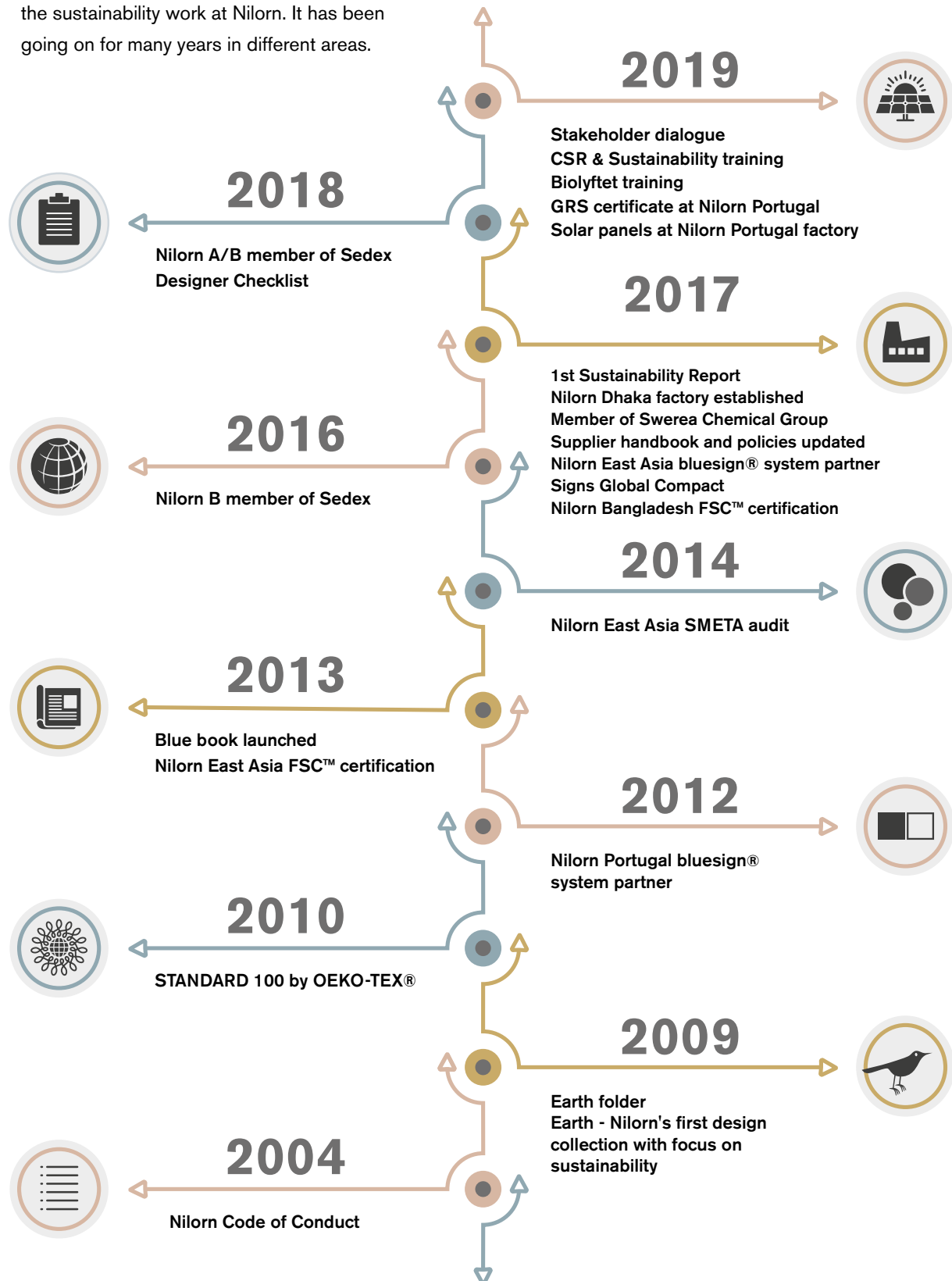
Key highlights - Achievements 2019

In 2019 we focused on deepening our dialogue with key stakeholders with the purpose of sharpening our sustainability work. We also conducted several trainings to our employees, mainly on CSR & sustainability and Biolyftet. 2019 also brought exciting changes in our Portuguese office. Nilorn Portugal got GRS certified and the local factory now benefits from solar panels that will provide energy for the local production.



'Earth' Nilorn's first design collection with focus on sustainability, 2009.

Since our foundation, a lot has happened with the sustainability work at Nilorn. It has been going on for many years in different areas.



2017-2019 several Nilorn products selected for the Hightex Award, an innovation prize by the Munich Fabric Start.

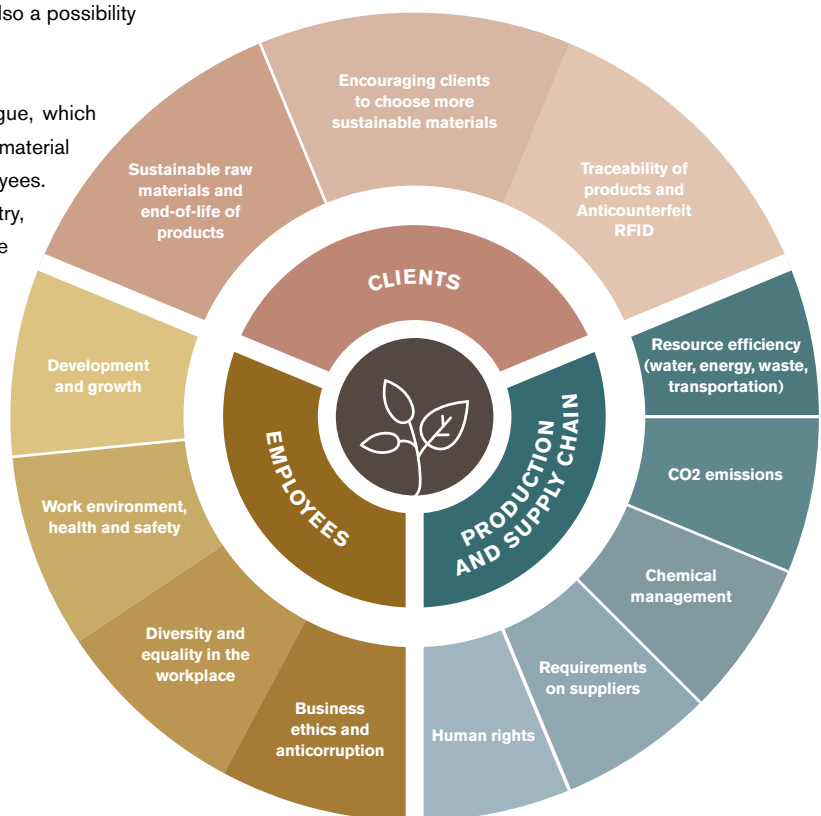
Our approach to sustainability

We deliver our products to more than 65 countries around the world and are thus part of far-reaching supply chains. We feel that such a global presence calls for globally responsible actions. We aim to be leaders in sustainability in our business and, by signing the Global Compact, commit ourselves to continually improve our practices. To lay the foundation, we have built our sustainability strategy around three pillars: clients, production and supply chains, and employees.

The dialogue with stakeholders is an opportunity for us to benchmark the industry and get feedback on whether or not we are on the right track. It gives us different perspectives on our work so far and how it is perceived and at the same time it gives us the chance not only to collect opinions but also a possibility to create awareness.

In 2019, we deepened our stakeholder dialogue, which provided us with further insights on the most material topics for our core business partners and employees. Together with a context analysis of the industry, we have defined sustainability ambitions to be reached by 2025 and aligned them with our most material issues. The chart on this page, presents these insights.

Read more about each issue in the section of our three focus areas – clients, production & supply chain and employees.



FOCUS AREA	TARGET 2025	STATUS 2019
Clients	100% certified claim paper, of which 80% is FSC™	We see a continued increase in the sales of FSC™ certified paper products. In 2019, the share of FSC was 20% of the paper product group in Nilorn East Asia and Shanghai. Due to our different business systems, we don't currently have the total figure for the group. However, as we move to a common business system (to be finalised in 2021) statistics will be available.
	100% recycled polyester	100% recycled polyester was initially difficult to source for both weft and warp, however today it is no longer a challenge. We aim to move to only using recycled polyester in our Bangladesh factory in 2020 (instead of virgin material) and then continue to increase the usage of recycled polyester across our production sites.
	100% of Nilorn internal design concepts in sustainable materials	These are the design collections developed by Nilorn to present our offer. Today approximately 65% of the collections represent a more sustainable product.
	Map our supply chain back to raw material level enabling full supply chain traceability	This is to be implemented.
Production and Supply chain	Nilorn own operations:	
	100% Sedex audited	Nilorn Bangladesh, Hong Kong and Turkey are SMETA audited. Nilorn Shanghai, Portugal and UK will go through the audit program in 2020.
	100% landfill-free	62% of our waste is currently sent to recycling. We will focus on finding more alternatives to increase our options for recycling.
	100% renewable energy	69% of our used electricity in 2019 came from renewable sources. We face a challenge as renewable energy is limited in countries such as Bangladesh and Hong Kong, but we'll monitor development and hope to find alternatives.
	100% of waste water from our operations returned to the environment safely	Our Bangladesh factory is the only Nilorn production unit which requires an ETP. During 2020 we'll evaluate waste water handling in our remaining Nilorn production units.
	In 2020 we will develop the goals we hope to reach by 2025 with our external suppliers.	
Employees	90% retention rate of our employees	In 2019 we achieved 89% retention rate.
	Reduce CO2 from business travel by 20% (base year 2018)	The initial calculation of emissions from travelling in 2019 (compared to 2018) shows a reduction of 18%, however we need to evaluate the calculation method and set our standard for measuring. This will be done in 2020.
	100% units offering a program for employee engagement	This is to be implemented.
	40-60 % gender balance in our units.	We currently have a 44% female and 56% male gender split - however we need to reach a better balance at all levels of the organisation.

STAKEHOLDER GROUP	MEANS TO COMMUNICATE ABOUT SUSTAINABILITY	PRIORITISED AREAS
Clients	Meetings, magazine, fairs and events	Anticorruption and Code of Conduct, resource efficiency and CO2 emissions, end of life of products, sustainable materials, supply chain management.
Employees	Meetings, training, Intranet, workshops, performance appraisal	Product materials, environmental aspects, work environment and employee development.
Investors	Reporting, meetings, surveys	Business ethics and governance, anticorruption, strategy, environmental issues.
Suppliers	Meetings, fairs and events	Anticorruption, code of conduct and business ethics, sustainable materials and resource efficiency, employee's work environment.
NGOs	Initiatives, conferences	Raw material, labour, wages.
Industry	Memberships, working groups	Chemicals, trade, recycling and waste handling.

Participating at fairs such as German Munich Fabric Start, Performance Days and French Premiere Vision, is one way to interact and meet with different stakeholders.



THE PROCESS

In 2019 we conducted an extensive dialogue with stakeholders, using both surveys and interviews, focusing on finding out which are the most material topics for each group.

1. Extensive list of material issues.
2. Online survey for employees allowed for anonymity, sent to 320 email addresses. 158 replies.
3. Interviews conducted by external consultancy with:
 - 2 investors, one Nordic and one North American
 - 2 suppliers, one European and one Asian
 - 2 employees, both European
 - 2 clients, both European
4. Desk-top review of investors and clients.
5. Summary of each stakeholder group's result.

WE SUPPORT



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.

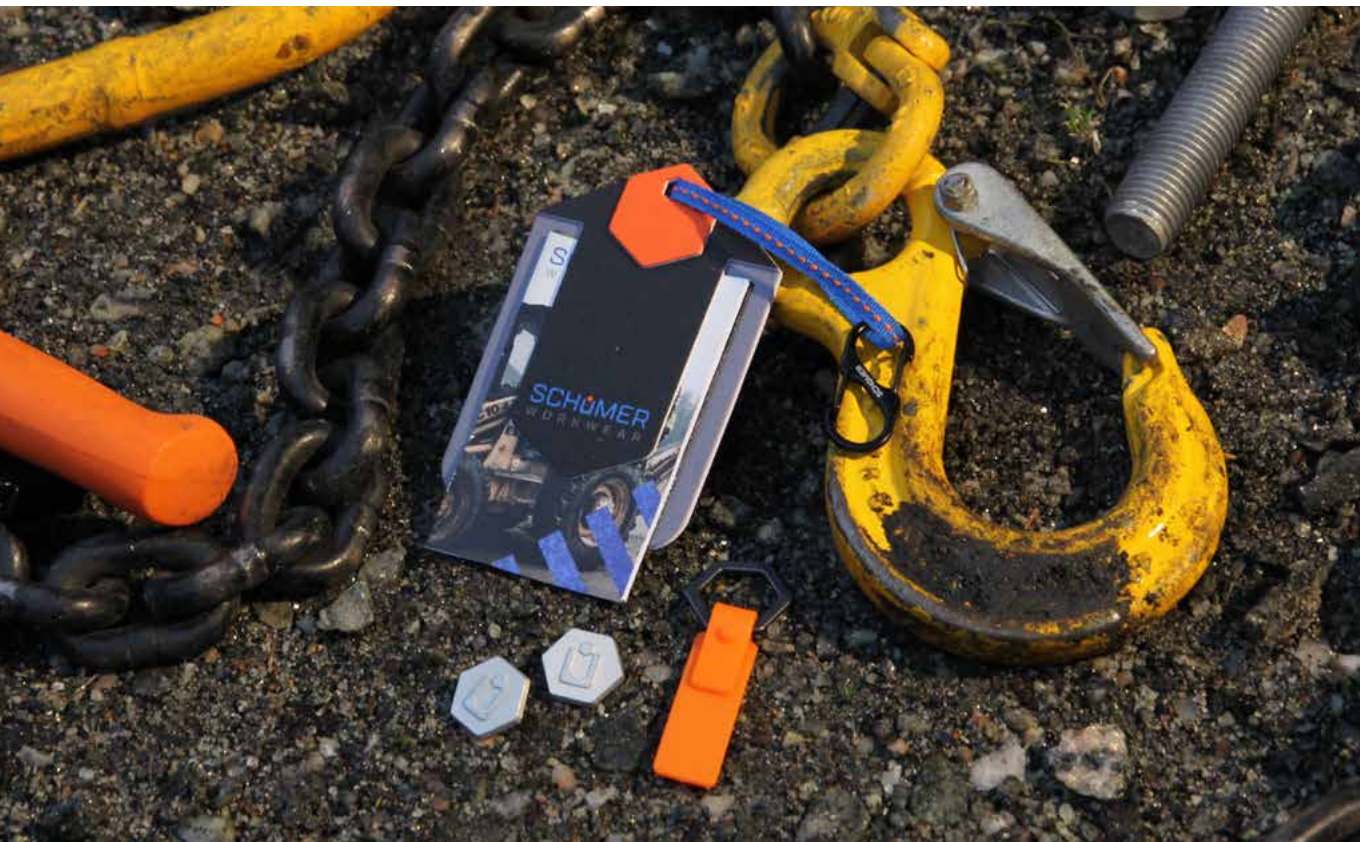


The most relevant SDGs for Nilorn

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. To meet these goals, businesses are explicitly called to contribute to the global sustainability agenda.

We are committed to minimising the way our business could, in any way, slow the transition towards the future envisioned by those goals.

Based on previous 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 found that five global goals and targets are of particular relevance for Nilorn. In 2019, our stakeholder dialogue inspired us to focus on a sixth area - Gender Equality.



Gender Equality

ACHIEVE GENDER EQUALITY AND EMPOWER ALL WOMEN AND GIRLS

Gender inequalities are still deeply rooted in society. Empowering women to overcome them is essential. Women suffer from lack of access to decent work and face occupational segregation and gender wage gaps. We have a responsibility to address these challenges and to promote women at all levels of decision-making. Gender equality is particularly a critical issue for global supply chains, as there is a big opportunity to have an impact on gender equality. Women hold 60 to 90 percent of global supply chain jobs, particularly in the apparel and agricultural sectors. Even if our share of the apparel sector is employing mostly men, we also realise they are often part of a family with women and children, which makes it important to focus on these questions.



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 reuse. At Nilorn we have adopted policies to choose more environmentally friendly materials, increasing the use of recycled materials and acting for 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.

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.



Climate action

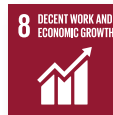
TAKE URGENT ACTION TO COMBAT CLIMATE CHANGE AND ITS IMPACTS

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 a more circular use of materials and resources, and 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.

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 to include certification schemes used by suppliers in our criteria for choice of suppliers.



Partnerships for the goals

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

The achievement of the SDGs depends on 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, MinShed and bluesign®.

TOWARDS A SUSTAINABLE VALUE CHAIN



How we work

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. It is a tool for getting the goals rooted throughout the organisation. 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 with suppliers in that region. We co-ordinate Nilorn's sustainability work together with local staff in our sourcing countries. We also have regular meetings with the management group of Nilorn.

The requirements for sustainability from owners and investors have increased sharply. Companies can also miss out on both business opportunities and talents, and future competitiveness.



Nilorn's sustainability pillars

As a globally operating company we recognise our responsibility to respect international standards and practices. Attention to sustainability aspects is part of our standards and policies. We have also made sure to integrate a sustainability perspective into our products, our production and supply chain and in our interaction with each other and our stakeholders.

We have developed a number of internal policies to support our vision and values:

CORPORATE RESPONSIBILITY AND SUSTAINABILITY POLICY

Based on our commitment to sustainability this policy aims to set the base for how we at Nilorn work with social, environmental and ethical responsibility. It is our internal guideline 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 covers areas such as compliance with law, respect in the workplace, protection of company property, professionalism, corruption, job duties, teamwork and communication.

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 the 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.



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 implementing the Code of Conduct on page 44.

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 46.

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 the policy on page 48.









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.

Traceability for sustainability

Both our clients and our company are increasingly focusing and working to include a sustainability perspective into our practices and business relationships. Along with this shift in business practices, we see a proliferation in the use of different standards and labels. These are not goals in themselves, but rather a tool to ensure third-party verification of sustainable business practices and a transparent way to communicate with

our partners which standards we stand by. Yet, the development of multiple quality and sustainability marks makes it a system that is sometimes difficult to navigate. Many standards overlap in areas such as social compliance, but there are also those that are more specific and target a certain topic. That is why we include below a list with the standards most commonly used by Nilorn and their focus area:.

<div> <div>REQUIREMENTS</div> <div>STANDARDS</div> </div>	SOCIAL			ENVIRONMENTAL				MANAGEMENT		ETHICS	
	Human rights	Work conditions	Employment	Bio-diversity	Chemicals	Waste	Water	Social management system	Supply chain responsibility	Anti-corruption and bribery	Compliance to legislation
	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓
	✓	✓	✓					✓	✓	✓	✓
	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓
					✓			✓	✓		✓
	✓	✓	✓		✓	✓	✓	✓			✓
	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	✓	✓	✓	✓				✓	✓	✓	✓

SMETA – 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. The SMETA 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. Read more about how we participate in SEDEX on page 45.

BSCI – Business Social Compliance Initiative, an initiative of Amfori, is a common and standardised approach for monitoring social standards, in all supplier countries for all consumer goods. It tries to involve all stakeholders in Europe and supplier countries so there are no issues of competition between countries, suppliers and retailers. BSCI is not a certification system; rather it provides a specific process with uniform management instruments for members, suppliers, auditors and qualifiers. Read more about how BSCI audit program is part of our supply chain on page 45.

ETI base code – The ETI Base Code is negotiated and agreed by the founding trade union, NGO, and corporate members of ETI, and contains nine clauses which reflect the most relevant conventions of the International Labour Organisation with respect to labour practices. Read more about how we implement the code in our supply chain on page 44.

bluesign® –The bluesign® system puts the whole production chain in focus. It looks at both the product itself, in terms of sound materials, as well as the chain of production, from raw materials to finished products. The certification covers: resource productivity, consumer safety, water emissions, air emissions and occupational health and safety. Read more about Nilorn bluesign® system partner on page 30.

OEKO-TEX – Introduced in 1992 the STANDARD 100 by OEKO-TEX® is a worldwide consistent independent testing and certification system for textile raw, intermediate and end products at all stages of processing. The standard is a comprehensive and strict catalogue of measures taking into account legal regulations, REACH, CPSIA and numerous harmful chemicals not yet regulated. Read more about OEKO-TEX® on page 30.

GRS – The Global Recycled Standard is an international, voluntary, full product standard that sets requirements for third-party certification of recycled content, chain of custody, social and environmental practices and chemical restrictions. Read more about Nilorn and GRS on page 30.

GOTS – The Global Organic Textile Standard is a voluntary global standard for the entire postharvest processing (including spinning, knitting, weaving, dyeing and manufacturing) of apparel and home textiles made with certified organic fibre (such as organic cotton and organic wool), and includes both environmental and social criteria. Key provisions include a ban on the use of genetically modified organisms (GMOs), highly hazardous chemicals (such as azo dyes and formaldehyde), and child labour, while requiring strong social compliance management systems and strict waste-water treatment practices. Read more about GOTS on page 31.

FSC™ – Forest Stewardship Council, is 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. Read more about our ambition with using FSC™ paper on page 30.

Sustainability risk analysis

Our commitment to the UN Global Compact asks of us to communicate how we align our work and contribute to the ten principles. Additionally, this platform gives us guidance in identifying risk areas while serving as the foundation for our policies and follow-up.

Nilorn's risk management approach follows our decentralised structure, which also applies to our sustainability risks. The Board is overall accountable to Nilorn's owners, while the work concerning risks at the operational level is controlled by each Nilorn country CEO, its management team and other employees. All managers at Nilorn with operational responsibilities are expected to ensure that risks associated with their operations are appropriately identified, evaluated and managed.

At a global level, trade conflicts received increased attention in 2019 and it is at the top of the list of cited risks to global economic growth over the next year in McKinsey's Apparel CPO report 2019. Social unrest received more focus, but still ranks below trade conflicts, geopolitical risks and trade policy changes, which have been the top concerns throughout 2019. Additionally, global environmental risks dominate today's global concerns as they are perceived to be both most likely to happen within the next ten years, and potentially having the most devastating impacts. We take into considerations these analyses and include them when relevant into our own risk assessment.



RISK CATEGORY	RISK DESCRIPTION	RISK CONSEQUENCES	RISK MITIGATION
Anticorruption and Compliance	<p>Risks that legal and regulatory requirements are not met.</p> <p>Risk of corruption, especially in high risk countries.</p>	Negative reputational and/or financial impact.	<p>Establish appropriate procedures, monitoring and reporting to prevent violation of laws, corruption or handling of personal data. Nilorn has a group governance framework and compliance including anti-bribery and corruption policy. The policy clearly identifies what conduct is prohibited and how to report suspected violations.</p> <p>Third party social audit at own production units. Training of staff to ensure internal compliance with the policy.</p>
Environment	<p>Risk of our operations' impact to climate change through GHG emissions. Also, choice of materials and natural resources, and waste management, energy use and potential pollution.</p> <p>Managing increased demand of more environmentally conscious products by our clients.</p> <p>Increased demand to understand climate change effect on both internal and external operations.</p>	<p>Soil and water contamination and air pollution. Not being able to meet clients' expectations on our operations and/or products with regards to environmental performance and new materials. Risk of losing clients. Problems with supply due to climate related incidents.</p>	<p>Focus on improved efficiency to minimise environmental impact in our own operations and in supply chain, bluesign certification being one method.</p> <p>Keep high awareness of new regulations and market demands. Measuring emissions.</p> <p>Apply framework for handling chemicals adapted to EU legislation REACH and apply Nilorn Restricted Substance list.</p>
Health & Safety	<p>Work-related injuries and sicknesses.</p>	<p>Risk of legal and financial consequences and risk that employees find the work environment unsatisfactory, resulting in difficulties to retain and recruit. Reputational risk if poor human rights and safety conditions exist in the company and value chain. Fatal accidents, serious injuries or long-term absenteeism.</p>	<p>Continue to build a common H&S culture and effective management systems.</p> <p>Code of conduct.</p> <p>Third party social audit at own production units and external suppliers.</p> <p>Screening of potential suppliers.</p>
Human rights	<p>Risk of poor working conditions and discrimination in the workplace.</p>	<p>Non-compliance with labour standards such as: health and safety, working hours, wages, forced and/or child labour and freedom of association.</p>	<p>Code of conduct. Third party social audit at own production units and external suppliers.</p> <p>Continue to build a common H&S culture and effective management systems.</p> <p>Screening of potential suppliers.</p> <p>Modern Slavery Statement.</p>
Supply chain	<p>Risk of suppliers not complying with the Supplier Code of Conduct and not following national laws and regulations.</p> <p>Lack of established supply chain of sustainable materials.</p>	<p>Negative reputation and risk that we do not live up to the requirements of our clients. Delays in delivery and increased costs.</p> <p>Not being able to introduce and offer new materials with less environmental impact.</p>	<p>Continue to build strong supplier relationships. Increase awareness of Code of Conduct, environmental requirements and other policies. Own and third party audits of suppliers.</p> <p>Consolidate and focus on preferred suppliers.</p> <p>Collaborate with supply chain for development using new materials.</p>
Strategic	<p>Risk of not focussing sustainability work appropriately, incorrect questions and challenges are raised and/or questions are not handled properly.</p>	<p>Risk of missing key areas. Risk of not meeting investors and clients' expectations.</p>	<p>Stakeholder dialogue</p> <p>Communication of sustainability strategy internally and externally.</p>

Focus area 1.

Clients

Our mission of adding value to our clients' brands means, to us, ensuring that we collaborate and share knowledge with our business partners. This includes developing sustainable products in close co-operation with our clients and together reduce their environmental impact.

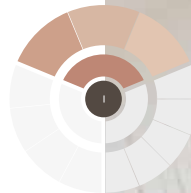
Today, sustainable materials are at the core of many of our clients' product design and sustainability strategy. Some of them even strive for a more circular business model, which will naturally lead to sourcing and producing with more sustainable materials that are easier to repurpose, reuse and recycle. Considering the end-of-life of these products becomes a cornerstone as well to ensure that the circularity loop is closed. At Nilorn we understand these challenges and we embrace them as a source of sustainable growth for our business.

We also see our role in the industry as a proactive one. Not only do we hope to support clients that have already welcomed sustainability into their business; we wish as well to encourage and guide clients that are rather new to these issues. As a result, we present the latter clients with sustainable alternatives, we inform them on the advantages of these solutions, and we accompany them in this transition.

Among the benefits of modern technologies, the traceability of products is one that we welcomed. Using technologies such as RFID, we provide transparency and help our clients to prevent counterfeiting of their products. These smart solutions not only add value to our clients' brand, but they also support them and their end consumers to have access to reliable information and the certainty that the products they receive abide by high environmental, social and anti-corruption standards.

KEY ISSUES

- Sustainable raw materials and end-of-life of products
- Encouraging clients to choose more sustainable materials
- Traceability of products and anti-counterfeit, RFID



Sustainable product development

reduce – recycle – rethink

The use of alternative materials is becoming increasingly important both for our customers and for our own work on taking responsibility. We see many possibilities to integrate better solutions that have a lower environmental impact in the products we deliver. Yet, these options must be carefully evaluated to make sure that we are making sound decisions.

We see an increased interest from clients regarding a product's 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 both national and regional differences in the recycling and waste systems, it is obvious that more standardised and effective practices across the EU are needed to make product recycling easier.

CIRCULARITY

In 2019 Nilorn launched 'Comeback' – a branding concept helping to bring circularity to the small parts of a garment – the garment trims.

Labels, trims and packaging are only small parts of a garment, but nevertheless they have high relevance. Providing the right trims on a product is key to ensuring its cyclability. Labels encourage durability by providing instructions on how to wash, dry and repair to minimise damage. Furthermore, clear instructions that remain visible on a label until a garment's end of use help ensure recyclability. Nilorn's Comeback concept is the first step on the long journey to circularity. It respects the two material cycles and is inspired by Cradle-to-Cradle® design principles:

1) keep products and materials in use by choosing recycled and/or recyclable materials and finishes 2) design out waste and pollution by keeping control of hazardous chemicals 3) regenerate natural systems by choosing natural, decomposable materials derived from renewable resources.

In France, a circular economy law is expected to come into force as early as 2021; it will prohibit clothing companies from destroying overstock.
(McKinsey Apparel CPO Survey, 2019)

Comeback is made to re-think fashion and features garment trims with the lowest possible environmental impact at present, such as an easily detachable screw button in stainless steel, a fully woven biodegradable label in Cradle-to-Cradle® certified quality with a QR-Code on there to provide relevant material information or a hangtag designed for reselling the garment in a second hand store. Single-use items like hangtags are made from grass or sugar cane paper and printed with Cradle-to-Cradle certified ink, whilst plastic packaging is designed in recycled material with the option for a second use. A repair kit adds an extra value and reflects the spirit of Comeback: Recycle, re-use and love your clothes!

More than 90 leading brands, representing 12 percent of the global fashion market, have signed the 2020 Circular Fashion Commitment, setting their own individual targets for 2020 within at least one or more of the four action points:

1) Designing for circularity, 2) increasing the volume of used garments collected, 3) increasing the volume of used garments resold, and finally, 4) increasing the share of garments made from recycled post-consumer textile fibres.

DESIGNER'S CHECKLIST

The checklist below has been prepared by the Nilorn design department. It is 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?
- Is it 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?

Spotlight on sustainable raw materials

AN INNOVATIVE APPROACH TO MATERIALS

Our clients are looking for new alternatives, both for labels and packaging, and many of them have clear targets to increase the use of more sustainable materials. Our role is to support and guide our clients as we see an increasing demand for materials that are renewable, recyclable and fossil-free.

Moving away from petroleum-based raw materials will certainly be a major step. The share of our clients' products in sustainable material is still low, however during 2019 we saw an increase in interest. This is also presented in the McKinsey Apparel CPO Survey 2019. The top-ranked topic by far was sustainable materials and the survey shows that availability, cost and quality of materials are seen as the biggest bottlenecks for the scale-up of sustainable materials

Today, both organic cotton and products made from recycled materials are being used more widely. Using recycled material leads to new questions regarding how the raw material has been collected and its chemical content. While the requirements on hazardous substances for recycled materials are the same as for the virgin materials, new materials may require new knowledge about, for example, recycling possibility. This is obvious

for some of the bio-based materials used for plastic packaging. Additionally, sourcing materials that are organic or recycled may also, in some cases, demand shifting from our traditional supply chains to sourcing from new ones.

For us, getting the opportunity to let four employees from our Swedish head office participate in "Biolyftet 2019" was one way of learning more. Biolyftet is a Swedish education initiative aimed at small and medium-sized companies to increase knowledge and thus promote the future use of bio-based and recycled material in plastic and textile products. It is initiated by BioInnovation, a strategic innovation programme financed by VINNOVA, The Swedish Energy Agency, The Swedish Research Council Formas, and by the participating organisations TEKNO, IKEM and The Swedish Forest Industries. This education program is part of their vision of Sweden having a bio-based economy by 2050.

We realise that plastic is a key concern for our clients, end consumers and the planet. As a result, it is important to understand the existing sustainable alternatives and their pros and cons. With the information below, we hope to help our stakeholders to make more informed decisions that match their needs.

55 percent of companies aim to source at least half of their products with sustainable materials by 2025 (McKinsey, 2019)

PLASTIC

At Nilorn we use plastic in both textile labels (Polyester) and accessories such as buttons and badges. Plastics are not a single material. They are a whole group of varied materials, with varying properties and applications. The word plastic derives from the Greek πλαστικός (plastikos) meaning "capable of being shaped or moulded". Decades ago, plastic materials were perceived as cheap, lightweight, durable and with a lot of applications. Now, with the threat to the environment, the view is changing and the plastic waste has become a global concern.

When a material has a value, there are natural incentives for recycling. If we look at what is ending up in the wrong place or is thrown into nature, it is often products that lack a secondary value, and today single-use plastic items are a major source of plastic leakage into the environment.

The European Strategy for Plastics in a Circular Economy was launched in 2018. 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.

RECYCLED PLASTICS

Plastic recycling is controversial. While most materials can be recycled, many still are not because the process is expensive, complicated and sometimes due to a poor result of the recycled material. There is a problem with contamination and a high variety in plastic waste streams in different countries.

The price of plastic is low and the lack of financial incentives is also keeping recycling at a lower level than what is possible. Chemical recycling, using a different process, is often communicated as a solution. Polyester and polystyrene can, for example, be broken down into their raw materials for conversion back into new polymer.

We believe that by using recycled plastic in our products, we are involved in and drive demand for recycled material, which in turn can lead to better waste management and increased recycling rates for plastics. We have noted great interest from brands for the recycled LDPE that can be used in garment polybags.

In 2019 the European Parliament approved the Single-Use Plastics Directive, the aim being to reduce the impact of certain plastic products on the environment and to twackle litter. The SUP Directive imposes on EU broad market restriction measures (bans) on the single-use plastics products for which suitable alternatives are readily available, such as:

- Cotton bud sticks (Q-tips)
- Cutlery (forks, knives, spoons and chopsticks)
- Beverage stirrers
- Straws
- Plates (including paper plates with plastic lining)
- Sticks for balloons
- Expanded polystyrene food containers, beverage containers and cups
- Oxo-degradable plastics

Member States will have to ban these products from the market by mid-2021.

Plastic ready to be recycled,
from our supply chain



BIO-BASED PLASTIC

Bio-based means that the material or product is (completely or partly) derived from a renewable source i.e. biomass (plants) or carbon dioxide. Biomass used for bioplastics stems from e.g. corn, sugarcane or cellulose.

Bioplastics are bio-based, biodegradable, or both. In other words, 100 percent bio-based plastics may be non-biodegradable, and 100 percent fossil-based plastics can biodegrade. An example is Braskem's "I'm green™ Polyethylene" produced from sugar cane, it can be recycled within the same chain of recycling traditional polyethylene. Biobased raw materials help us to reduce the use of fossil-based materials.

USING WASTE FROM THE GERMAN 'YELLOW BIN'

Using recycled materials is one crucial step in reducing our use of virgin fossil-based plastics. One option often used is the pre-consumer waste coming from the production of polybags. However, we are also involved in a German project looking at using waste from the 'yellow bin'¹

As there often is, when working with materials based on waste, there have been issues with unpleasant smell and in finding the right quality. However, working closely together with the producer and client we are now moving towards a desired product that will be able to be used as polybag for transporting garments.

(A wide variety of packaging products are to go to the yellow bin, such as aluminium, plastic, polystyrene, tin cans and milk packaging. Although cartons should be empty to avoid leaking all over, traces of food are allowed in this bin. The best materials are then picked out for recycling and the rest is burned to produce energy. So, the more that is able to be used for recycling the better)*

BIODEGRADABLE PLASTIC

Biodegradation is a chemical process during which micro-organisms that are available in the environment convert materials into natural substances such as water, carbon dioxide and compost (artificial additives are not needed). The process of biodegradation depends on the surrounding environmental conditions (e.g. humidity and temperature), on the material and on the application. The property of biodegradation does not depend on the resource basis of a material but is rather linked to its chemical structure.

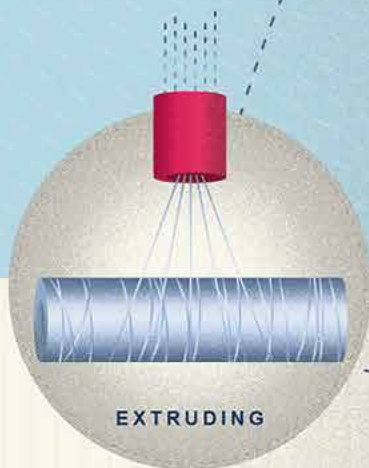
COMPOSTABLE PLASTIC

In order to be recovered by means of organic recycling (composting), a material or product needs to be biodegradable. Compostability is a characteristic of a product, packaging or associated component that allows it to biodegrade under specific conditions (e.g. a certain temperature, timeframe, etc). These specific conditions are described in standards, such as the European standard on industrial composting EN 13432 (for packaging) or EN 14995 (for plastic materials in general). Materials and products complying with this standard can be certified and labelled accordingly.

In a circular economy, the value of plastic must be retained, and new plastic products made from recycled plastic. It requires knowledge of which substances are part of the plastic, a knowledge that must accompany the plastic at all stages from manufacturer to seller, then to the consumer and finally to recyclers. It also requires recycled plastic demanded by the manufacturers and by our consumers. (The Swedish Society for Nature Conservation).

Reduce Reuse and Recycle.
We shall not use more than
we need.





article

Recycling plastic for the fashion world

WHAT IS POLYESTER?

Polyester is the generic term used to describe plastic materials. Plastics are used in a wide variety of products and can take many forms from foam-based material to rigid packaging to textile yarn.

MOST COMMON USED PLASTICS BY NILORN?

LDPE (Low Density Polyethylene) typically used in garment bags and PET (Polyethylene Terephthalate) primarily used in textile labels and some rigid packaging. Both LDPE and PET are available in recycled and virgin options.

WHAT WASTE MATERIAL IS COLLECTED?

• Pre-consumer

Material which has been diverted from the waste stream of production and/or material used in delivery which does not reach the end consumer.

• Post-consumer

Material which has completed its intended life cycle and has been diverted from landfill.

HOW IS POLYESTER RECYCLED?

Materials are sorted to separate the different polyesters and transferred to recycling facilities. Materials are then cleaned, chipped and recycled to produce a new raw material. Raw material can take different forms such as yarn or pellets.

HOW DO RECYCLED AND VIRGIN MATERIAL DIFFER?

The finished product can have some difference in appearance, for example, a transparent garment bag will appear more clouded compared with virgin material. A textile label (which is typically dyed) however will show very little or no aesthetic difference. Recycled material quality is comparable to virgin material in production.

WHY IS RECYCLED POLYESTER MORE EXPENSIVE?

Recycled material, in general, is priced higher than virgin material. Some factors which affect the price include:

- Virgin material is still produced in very large volume
- Demand for recycled material is lower
- Recycling the material involves more processors

As demand grows and the supply chain of recycling becomes more efficient and widely available, it is expected that price will decrease over time.

CAN YOU CERTIFY THE MATERIAL?

Yes. GRS (Global Recycled Standard) and RCS (Recycled Claim Standard) are both internationally recognised standards which support a chain-of-custody system providing traceability.

PAPER

Paper is based on wood fibre, which is a renewable and sustainable natural resource. Responsibly produced and used, it has many advantages over other non-renewable materials.

FSC™ CERTIFICATION

With our FSC™ certificate for Nilorn East Asia and Nilorn Shanghai we report the delivered quantities to the FSC Secretariat. There was a 35 percent increase in the amount of FSC-labelled products sold in 2019 and FSC-certified paper's share of the paper product groups was 20 percent. 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. Nilorn UK and Portugal will go through the FSC™ certification process in 2020.

WASTE STREAM FOR RECYCLING AVAILABLE

Recycled paper is any type of paper that is collected and recycled. It can be newspapers and printed matter, books, office paper, cardboard and corrugated cardboard. For pulp and paper industry, recycled paper is an important raw material. Looking at the entire world, recovered fibre constitutes about half of the raw material used in papermaking. The rest is fresh wood fibre from the forest.

The pulp mill cleans the recycled paper, removing dirt and printing ink. The paper is then dissolved into a recycled pulp and that pulp becomes raw material for new paper and cardboard. Usually the recycled fibre is mixed with a virgin fibre to give the paper the desired quality. Paper fibre can often be recycled 6-7 times before the fibre is consumed, but paper cannot be recycled forever because the fibres it consists of become too short and worn out, and can ultimately not be used to create new paper.

Trees absorb carbon dioxide from the atmosphere as they grow. As paper is a product based on wood fibres, it also continues to store carbon throughout its lifetime.

Paper is a product that is easy to recycle, and diverse types of recycled paper are available, depending on market and also a country's waste streams and recycling industry. A recycled paper could be certified i.e. an FSC™ recycled certification, but it could also be a product outside a certification/validation scheme.

Europe is a world leader when it comes to recycled paper. 72 percent of used paper is now recycled (Two Sides, 2019)

TEXTILE

The majority of our products are various kinds of textile labels. Polyester is traditionally the most commonly used fibre in our production due to its properties and an option often used today is recycled polyester, that has less environmental impact compared to the virgin material.

We are also looking at other alternatives. Tests have been carried out with a mix of Tencel® and cotton, the challenge has been to reach the desired level of stability and shrinkage. Bio-based textiles such as hemp and wool are also receiving more interest from our clients.

The STANDARD 100 by OEKO-TEX® has been the base for our textile product offer for many years. We already had our first certification in 2010. Today we are able to offer woven and printed labels certified according to STANDARD 100 by OEKO-TEX® for our Nilorn group certificate, and in addition also some metal and plastic accessories and heat transfer.

Several of our clients in the outdoor segment of the industry are committed to the bluesign® system. This system provides a chemical management tool for its participants. It is not about testing finished products, but rather ensuring that the process is done right, all the way from its first stage. Everything from raw material and component suppliers, to textile manufacturers and retailers, should meet the same criteria. Nilorn Portugal has been a bluesign® system partner since 2012 and Nilorn East Asia became a bluesign® system partner in 2017.

Global Recycling Standard (GRS) is intended to meet the needs of companies looking to verify the recycled content of their products (both finished and intermediate) and to verify responsible social, environmental and chemical practices in their produc-

tion. 2019 was the year when it was widely implemented in the supply chain of labels and trims. The objectives of the GRS are to define requirements to ensure accurate content claims and good working conditions, and that harmful environmental and chemical impacts are minimised. Nilorn Portugal has a GRS certificate for woven labels in post-consumer recycled material.

The Global Organic Textile Standard (GOTS) is a standard for natural fibres, such as cotton. In order for a product to become certified and labelled with the GOTS symbol, it is required that it is made from organic cultivated cotton and that it is managed, throughout the entire production chain, by factories that are certified according to GOTS by an independent party. We can provide GOTS-certified cotton labels produced in India.

OTHER MATERIAL DEVELOPMENTS

These are just a few new materials that we are evaluating and testing for our product ranges:

DuraSense™ by Stora Enso is a wood-fibre bio-composite offering the mouldability of plastics and the strength and sustainability of wood. It is possible to combine fibres with recycled or bio-based polymers to further enhance environmental values.

Grass paper is made with pellets of grass fibre GRASPAP® which has been developed and patented by a German company called CREAPAPER. It is a renewable resource suitable for paper production. It is mixed either with wood pulp or recycled paper pulp. Today, grass paper contains around 50 percent grass fibre. Tests are in progress to increase the amount of grass fibre up to 100 percent in the future. The raw material is extracted from local meadows (ecological compensation areas) which can be harvested several times a year.

Paptic® Tringa is made of wood fibres from controlled and sustainably managed forests. The fibres of PAPTIC® Tringa biodegrade in nature. The material is completely biodegradable under industrial composting conditions according to EN 13432. It is recyclable with carton board.

What does sustainability mean to you?

That was the question asked at the Sustainability Exposition for the staff at client N Brown Group in Manchester, UK. It was a day arranged to raise awareness in the organisation. There were upcycling tips, an eco-range presentation, live debate and some selected suppliers. We, at Nilorn, had the fantastic opportunity to participate and speak about the products we deliver, such as care labels in recycled polyester.



Supporting clients to make more sustainable choices

SNEAK PEEK INTO THE WORK OF OUR SALES DEPARTMENT

We see sales as the key crossroads between our work and our customers' needs. This is why sustainability is a key element of our sales strategy and of our colleague's work supporting the sales department. Ginny has been part of the Nilorn family for the past eight years and she is now Business Development Manager in the UK. Alexander has worked with us for nine years and supports our work as Sales Executive at the Borås headquarters.

OFFERING SUSTAINABLE MATERIALS TO CUSTOMERS

Both Alexander and Ginny concur: Sustainability issues are increasingly a part of the daily work of our sales team. Being in charge of building relationships with clients and developing a close collaboration with them, Alexander knows our client base very well. He points out that "sustainability is now sometimes even a must, the rule more than the exception, given that more and more clients request more sustainable products." Ginny sees the same trends on the other side of the North Sea as all of her customers, today, pay attention to the sustainability of the products, they buy from Nilorn. "I've always been horrified of what we do to the planet and I've committed to behave as ethically as possible in my personal life. Now that sustainability has become more mainstream at work, I am thrilled! I feel that my personal interest in the topic helps me to further support clients to make sustainable decisions."

A key role of the sales team is to provide consultation and guidance to clients regarding what product options they have, including which sustainable alternatives exist. "Our goal is to create value for our clients by finding together the best alternatives and solutions that are available. When products are presented to customers, it is important to communicate which alternatives exist, what the best solutions available are for the client and why these are the best ones. Being able to provide clients with fact-based solutions so that they can make informed decisions is key", affirms Alexander.

Ginny agrees that Nilorn needs to be proactive about offering sustainable solutions to clients, even when they don't explicitly

request them. "It is key for us to have the knowledge and understanding of the sustainable materials available and new product developments that may suit the clients. Only with these tools can we guide customers to find the right suit for them and provide them with sustainable solutions that can develop the clients' products." There are also clients who are increasingly



informed about the sustainable innovations happening and we have to be equipped to meet their needs and support them on their sustainability journey.

This is an opportunity to collaborate both with clients and suppliers. According to Alexander, it goes beyond making sustainable materials available. "It is about long-term collaboration and developing effective production processes together, as well as having a common vision and storytelling." As clients become more interested in how Nilorn internally works sustainably, we have to keep communicating our sustainability strategy and internal efforts so that clients understand that we share their sustainability vision. Ginny sees the sales team having a key role in this by explaining to customers that the company is walking the talk: "We're not preaching to you something that we're not doing ourselves", she says.

HOW WE OVERCOME THE CHALLENGES OF THIS JOURNEY

As any company following a more sustainable path, we encounter some challenges along the way. While price differences between traditional and sustainable products are no longer as high, this may still be an issue for some clients. Additionally, there is still a scarcity of suppliers of bio-based and recycled materials, pushing us to select a certain range of sustainable products that are available. In such cases, the sales team has to explain to clients how sustainability can create value to them and their brand, while ensuring availability of sustainable alternatives across borders, when possible.

Furthermore, some clients are concerned about the quality and the look of recycled products, which may vary from traditional ones. "The sales team then has to guide the client through the alternatives available to meet, as well as possible, the client's needs, while explaining why Nilorn has chosen a certain range of sustainable alternatives over others. Creating this tolerance and providing this knowledge is key in supporting customers to change their behaviour towards a more sustainable one", affirms Alexander. Ginny adds that Nilorn works with clients to build a higher level of acceptance of products that don't look exactly the same: "we have to give our clients the facts up-front and show them the benefits of using sustainable materials, even when they look slightly different. The key is to let them understand that the sustainable alternative will meet its purpose. No challenge is unsurmountable."



THE WAY FORWARD

Looking forward, we will keep our eyes open, to continue testing and innovating for more sustainable alternatives. We also need to deepen the relationships with our business partners to find common goals and to ensure that we are all doing things right. Collaborating with suppliers and clients is fundamental to succeed in our mission and make sure that all the actors in the value chain act responsibly and transparently.

Our sales team, including Ginny and Alexander, are excited about the work to come. "We should be building on today's momentum. Sustainable business is not only critical to the planet, it will also remain a key building block of the global agenda. We have to become creative and listen attentively to what customers are saying, what they're needing and what they want. This then has to be fed back to ensure that our business keeps growing in the right direction". As sustainability becomes an increasingly important factor for our sales, we look forward to continue training our co-workers within the sales team, in order to equip them with the sustainability tools that are necessary to allow our clients to make more sustainable decisions.

RFID – WHAT IS IT?

RFID is short for Radio Frequency Identification. Radio waves are used to identify and count tags attached to products/garments with RFID-handhelds or fixed RFID-readers. Each RFID-tag has a unique identity 'EPC' (Electronic Product Code) which, for retail and apparel, is encoded according to the global standard SGTIN-96.

As the name implies, the GTIN (Global Trade Item Number) – think EAN/UPC-barcode – is part of this unique code so the RFID-tags can be used both by the brand itself in stores, warehouses etc. but also by any partnership businesses that also may be using RFID in their logistics chain.



Traceability, security and anti-counterfeit

OUR OFFER

We help our clients review their current labelling and how RFID could best be integrated. The most common method is to replace the price tag/barcode label with an RFID version, either in the form of a hangtag or an adhesive label. There are other alternatives and materials for application of RFID, for instance sewing the label in together with the existing care label.

We recommend our clients to begin with a small pilot project, followed by gradually rolling out to full scale. For example, select a couple of suppliers to label products with RFID rather than the usual price label. Another alternative is to begin with a selected product group.

Nilorn has flexible solutions to make the change at a pace that suits the brand. The ordering routine remains as simple for RFID labels as it is for the usual price labels. For the garment manufacturer there need be no change at all. They attach the price label to the garment as usual and the only visual difference is a small RFID logo printed on the label.

PRODUCT DEVELOPMENT WITH SECURITY PERSPECTIVE

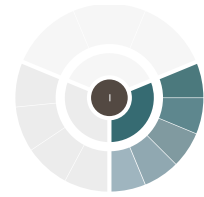
Brands are proud of their product developments and, naturally, want to protect them. To support them, we produce and deliver a number of successful secure techniques. UV-yarn, UV-printed holographic yarn, holograms, sequential numbering, watermarks, QR-codes, Nilorn secure and RFID are just some examples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



A successful implementation of RFID will increase inventory accuracy and reduce shrinkage and out-of-stocks. This allows reduced over-production and waste, with less transportation to follow.

In 2018, Stora Enso launched a new RFID tag technology called ECO™. This 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 together with paper and board materials.

Focus area 2. Production and supply chain



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

We cannot add value to our clients' brands if we do not ensure that we and our suppliers are doing things right. We have production sites both in Europe and Asia. It is an advantage to have multiple locations that enable shorter delivery times, lower freight costs and reduced environmental impact. Yet, we also recognise the challenges associated with being a global company. We strive to hold the highest labour standards for our co-workers around the world. We also systematically monitor our production environmental impact, while working to ensure an efficient use of resources and favouring renewable energy.

Nilorn combines its own production with external suppliers that manufacture and deliver key components of our offer. As a result, we can be more flexible and adapt to various locations,

which represents a strong value-added for our clients. But this also comes with the responsibility to closely collaborate with our partners in order to ensure responsible business practices, including adequate labour conditions and respect for human rights. We take these business relationships very seriously and we constantly work to carefully select partners that have working ethics similar to ours.

KEY ISSUES:

- Resource efficiency (water, energy, waste, transportation)
- CO2 emissions
- Chemical management
- Requirements on suppliers
- Human rights



Resource efficiency

The environmental work is focused on reducing the climate impact and resource increasing the efficiency in energy, waste handling and transportation. Initiatives and goals described below are important steps in finding ways for us to operate more efficiently and improve resource efficiency.

HIGG IMPLEMENTATION

SAC – Sustainable Apparel Coalition, is an initiative by Walmart and Patagonia, and back in 2010 the first Higg Index was launched. The idea was that there should be industry standards on how to measure, evaluate and improve the impact on production facilities.

The Higg Index is a suite of tools that enables brands, retailers, and facilities of all sizes – at every stage in their sustainability journey – to accurately measure and score a company's or product's sustainability performance. Manufacturers use the Higg Facility Tools to measure the social and environmental performance of their facilities.

In 2020, we will implement the Higg index in our journey to become a more sustainable company, starting with our production units in Bangladesh and Hong Kong.

ENERGY

Our scope of commitment has grown and we are aiming to reduce the overall energy consumption of Nilorn's operations, with particular focus on the reduced use of energy sourced or derived from fossil fuels. In 2019 our new office and production building in UK also switched to renewable electricity. In total this now means that our operations in Belgium, Germany, Portugal, Sweden and UK are all using renewable energy.

More than 65 percent of our total energy consumption comes from renewable sources, and we continue to investigate options to increase that number with the goal of achieving 100 percent by 2025.

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, installed 460 solar panels in 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 reduce costs.

article

Sustainable products & sustainable mindset

Each year our designers from across the Nilorn Group embark on inspiration trips, travelling to different locations across the globe to get inspired for the Nilorn concept collections, seek out new ideas and to ensure we stay up-to-date with the latest trends. Here at Nilorn, we have been working to reduce the impact we have on the environment, not only by our offering in sustainable products and materials, but also in all aspects of what we do.

In 2019, our designers made a conscious decision to only visit places that they could travel to by train. Rail transport is the most environmentally friendly way to travel, aside from walking or cycling, as the greenhouse effect of gas emissions per kilometre are 80 percent lower than travelling by car. In some countries, less than 3 percent of all transport gas emissions come from trains.



TRAVEL BY EMPLOYEES

Nilorn operates 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.

We will remind our staff to focus on sustainable travel options and when possible, travel less and make use of our smart IT-solutions such as Skype for Business and TEAMS online meeting facilities.

In 2019, we clarified the car policy for car-eligible employees, focusing on electric and hybrid cars with lower emissions. New means of travelling also requires changes. One example is the charging stations for electric cars installed at Nilorn Sweden and Nilorn UK.

TRAVELLED KKM

	2019	2018	2017	2019 compared with 2017
AIR	1294	1751	1971	-34%
CAR	893	1092	1151	-22%



Jasper Van Den Ham and Charlotte Johanson from Nilorn's design team visiting Fashion for Good Experience in Amsterdam, an interactive museum bringing together fashion, innovation and sustainability.

LOGISTICS AND TRANSPORTATION

LOGISTICS

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 their 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, Cononley, New Delhi, Recarei and Shanghai.

TRANSPORTATION

Efficient transport ensuring the distribution of goods is essential for our business, and there is a complex distribution network in Nilorn Worldwide, with speed and accuracy being high priority. We have started to map the network with the European central warehouse and the remaining parts will follow in 2020.

SEA TRANSPORT

The forwarder used for sea freight is part of the Getting to Zero Coalition, a global alliance of approximately 80 companies with the aim of developing zero-emission vessels and making them commercially available by 2030. The strategy is to reduce greenhouse gas emissions from shipping by at least 50 percent by 2050 (compared to 2008 shipping emissions). At this stage the forwarder is providing Less-than-container-load (LCL) shipments that are carbon dioxide (CO₂) neutral from 2020 onward through a "Net Zero Carbon program" that leverages three fields of action: detection, reduction, and compensation.

Sea transport accounted for approximately 14 percent of the transported parcels to and from the European central warehouse in 2019, which represents less than 1 percent of emissions.

RAIL TRANSPORT

For Nilorn it is relevant to see how we can move more transportation to less carbon intensive alternatives. Rail transport being one of these alternatives, and there is a growing interest for using rail transport from Asia to Europe. The land route through Central Asia is relatively short. A container ship too large for the Suez Canal has to make a 24,000 km journey to reach Europe. Trains travel approximately 10,000 km to reach the same destination.

We have completed our first trials and, compared to sea freight, we saved 10 days, and it also implied reduced logistics costs and a reduction of the environmental footprint with >90 percent reduction of CO₂ emissions compared to air freight. In 2020 we will continue, and plan to increase, the use of rail as our mode of transportation between Asia and Europe.

AIR TRANSPORT

When mapping our transportation for the European central warehouse, air transportation accounted for approximately 34 percent of the transported parcels, but accounted for as much as 96.5 percent of emissions. Our goal is to reduce air transportation by 50 percent by 2025 (base year 2019).

Air transportation is often required to meet clients' deadlines, but we believe that through a better dialogue and planning, together with clients, we can reduce the share of air transport and use it only when there are special needs regarding time requirements.

WASTE AND WATER

Being waste efficient is part of our sustainability strategy. We are working towards the goal of zero waste going to landfill by 2025 – an ambitious goal considering the international environment we operate in and the different waste streams and handling today. In 2019 we continued to increase the amount of waste that was sent to recycling, but still 40 percent is not being recycled (50 percent in 2018). This is a critical area for us to improve. We continue to promote waste minimisation, re-use and recycling across our office and production locations.

Our direct impact on water is relatively small, as we don't have any dyeing facilities at our own production units. In our supply chain, however, there are dyeing processes, and it will be necessary for us to learn more about them and to include them in our supplier assessments in 2020.

CO2 Emissions

Measuring and reducing climate impact is an area that must be prioritised.

We measure our business's own direct (scope 1) and indirect (scope 2) climate impact, and also parts of scope 3. We have a complex organisational structure. We know what operations need to be included, but we still have difficulty in quantifying and measuring our total emissions. In 2020 we will collect data to get a complete picture.

CLIMATE COMPENSATION

We climate-compensated for air and car travel to the annual sales conference in 2019 (the same as we did in 2018). One reason for choosing to do so is to make our employees aware of the impact of travel. Compensation is not a solution, but it is a tool at the stage where we are currently at. Making our employees more aware of the impact of travel is one step in understanding the climate footprint from our operations.



MINSHED A RESEARCH PROJECT ON MICROPLASTICS

In recent years there has been major focus on the micro-sized particles of plastics called microplastics and the number of negative consequences for humans and the natural environment they have. We joined MinShed in 2018 as part of our strategy to learn more about materials and microplastics in our part of the textile industry.

MinShed is a research project running between 2018-2020. 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 Swedish School of Textiles at University of Borås is involved in the project and several other companies related to the textile industry.

In 2019 we tested polyester labels and the release of particles through our participation in MinShed. Today, there is no international standard testing method for microplastics, but the screening method used is developed by RISE. Both woven and printed polyester labels were included, in both virgin and recycled materials. The result showed no significant difference between the two versions of the material, and this was important for us to understand as the share of recycled material in our products is increasing.

Chemical management

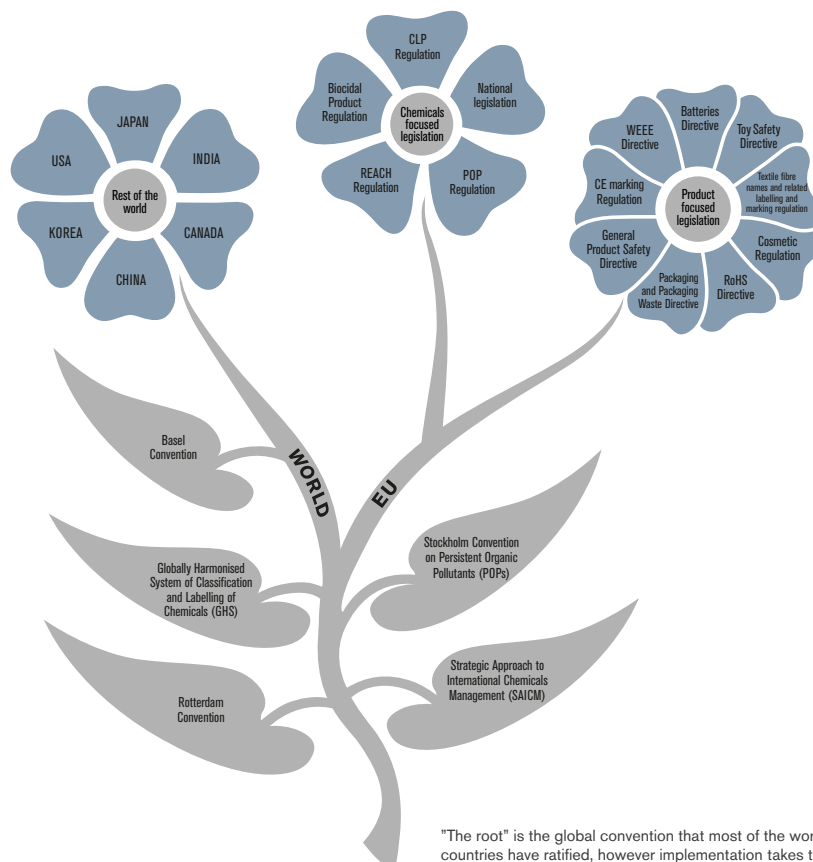
Nilorn produces a range of products in many varied materials at our six production sites and through external production. The manufacture of products requires the use of chemicals, especially in dyeing and printing processes. We conduct internal audits which include checking the handling and storage 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 for textile companies at RISE Research Institutes of Sweden.. The Chemicals Group exists to disseminate the latest findings related to chemicals and their potential impact 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 Restricted Substance

List (RSL) is based on the Chemicals Guidance provided by The Textile Importers' Association in Sweden and RISE.

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.

LEGAL OVERVIEW



"The root" is the global convention that most of the world's countries have ratified, however implementation takes time.

REGULATIONS

As many of our clients act on a global market, there are several regulations to consider in production, REACH and California Proposition 65 being two of them.

REACH

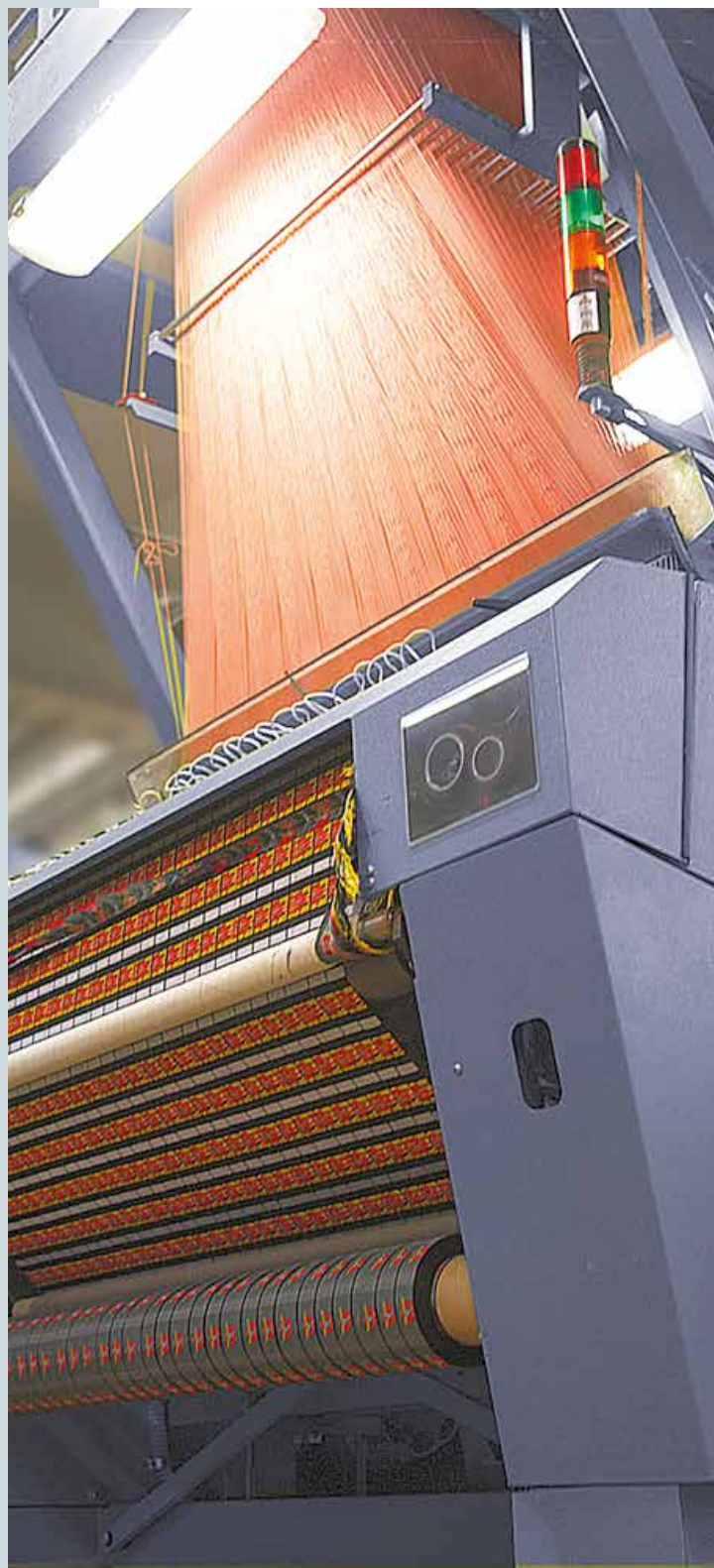
REACH is a regulation by the European Union, adopted to improve the protection of human health and the environment from the risks that can be posed by chemicals, while enhancing the competitiveness of the EU chemicals industry. It also promotes alternative methods for the hazard assessment of substances 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 do not pose any risk to human health and the 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.

Currently, the California Proposition 65 list of chemicals has grown to more than 1000 chemicals and will continue to expand as new chemicals are added. The official name of Proposition 65 is the Safe Drinking Water and Toxic Enforcement Act of 1986.



Requirements on suppliers

Companies today are getting called upon by 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.

It is very important to us that our suppliers work actively with all aspects of a sustainable business, in everything from sourcing materials to offering a safe working environment for all workers. They are expected to keep accurate information regarding their activities, structure and performance, and should disclose these in accordance with applicable regulations and industry benchmark practices. Business partners should neither participate in falsifying such information, nor in any act of misrepresentation in the supply chain. 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.

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

- 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 to be paid
- Working hours are not excessive
- No discrimination is practiced
- Regular employment is provided
- No harsh or inhumane treatment is allowed

We carry out our own inspections in combination with relying on third party audits, through BSCI, SEDEX and other initiatives. ISO 9001, ISO 14001 and ISO 45001 are also certification schemes used among suppliers, which we take into consideration when choosing suppliers. Most importantly, we focus on having a very close dialogue and frequent meetings with all prioritised suppliers. In 2019 we did not terminate any business relationships with suppliers due to non-compliances.

We continue our program "reduce to increase". 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 with us for over 20 years. A stronger relationship equals a better partnership.

SEDEX

Sedex, the Supplier Ethical Data Exchange, is a not-for-profit membership organisation with over 15 years of expertise in responsible sourcing.

Sedex is an online database, used by more than 60,000 members in over 180 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 - we are an A/B-member (buyer/supplier). We believe that the Sedex participation will reduce the need for numerous audits, both for our own and external production. Since all social audits, such as BSCI, SA8000 and ICTI, can be uploaded to the Sedex platform, this will also reduce administration.

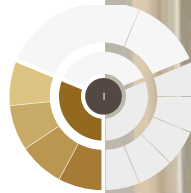
Nilorn's own production in Bangladesh, Hong Kong and Turkey are audited according to SMETA. The plan was to audit our factories in Portugal and United Kingdom in 2019. However, due to the move to a new building in the UK and also the implementation of Navision, we decided to postpone the SMETA audit until 2020.

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.

Focus area 3. Employees



For Nilorn, being a multi-national company operating globally, diversity is substantial. Our most important asset is our employees and we want to attract, retain and further develop those already working within Nilorn.

In 2019, as a part of our materiality analysis, we surveyed our co-workers aiming to understanding their perspectives and concerns regarding our sustainability work. We were happy to see so many employees participate and generously share ideas and constructive feedback to improve our commitment to sustainability. Part of the results point out that employee development and growth is considered, by our co-workers, to be the most important sustainability issue. We look forward to further deepen our efforts to support our employees' learning and continue making their jobs fulfilling ones.

At Nilorn, we also recognise that our employees cannot thrive without an encouraging work environment, free of corruption and discrimination, which gives equal opportunities to all. This is why we take our responsibilities as an employer with earnest. This includes staying true to our values and providing employees with the policies and tools to fight any type of corruption and prevent occupational illness and incidents. We also focus on upholding our business ethics, guiding co-workers to behave accordingly, and nurturing diversity at our offices, from the very beginning of recruitment processes, to our employees' growth and promotion.

KEY ISSUES:

- Business ethics and anti-corruption
- Diversity and equality in the workplace
- Work environment, health and safety
- Development and growth





BUSINESS ETHICS AND ANTI-CORRUPTION

Our Code of Ethics, company core values, practices and policies guide the actions and behaviour of our employees, to act in an ethical manner that goes beyond compliance. It also means fostering an environment where our employees can speak up if they have questions or encounter violations.

NILORN CODE OF ETHICS AND BUSINESS CONDUCT

Our Code of Ethics emphasises our company values and guides employee conduct. It includes areas such as:

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

Nilorn's anti-corruption policy includes not accepting gifts or other benefits from our partners. If gifts are ever accepted, it should take place with full transparency and in a manner that follows the organisation's policy. All employees, including new employees in 2019, have signed the anti-corruption policy. During the year, Nilorn had no reported cases of corruption.

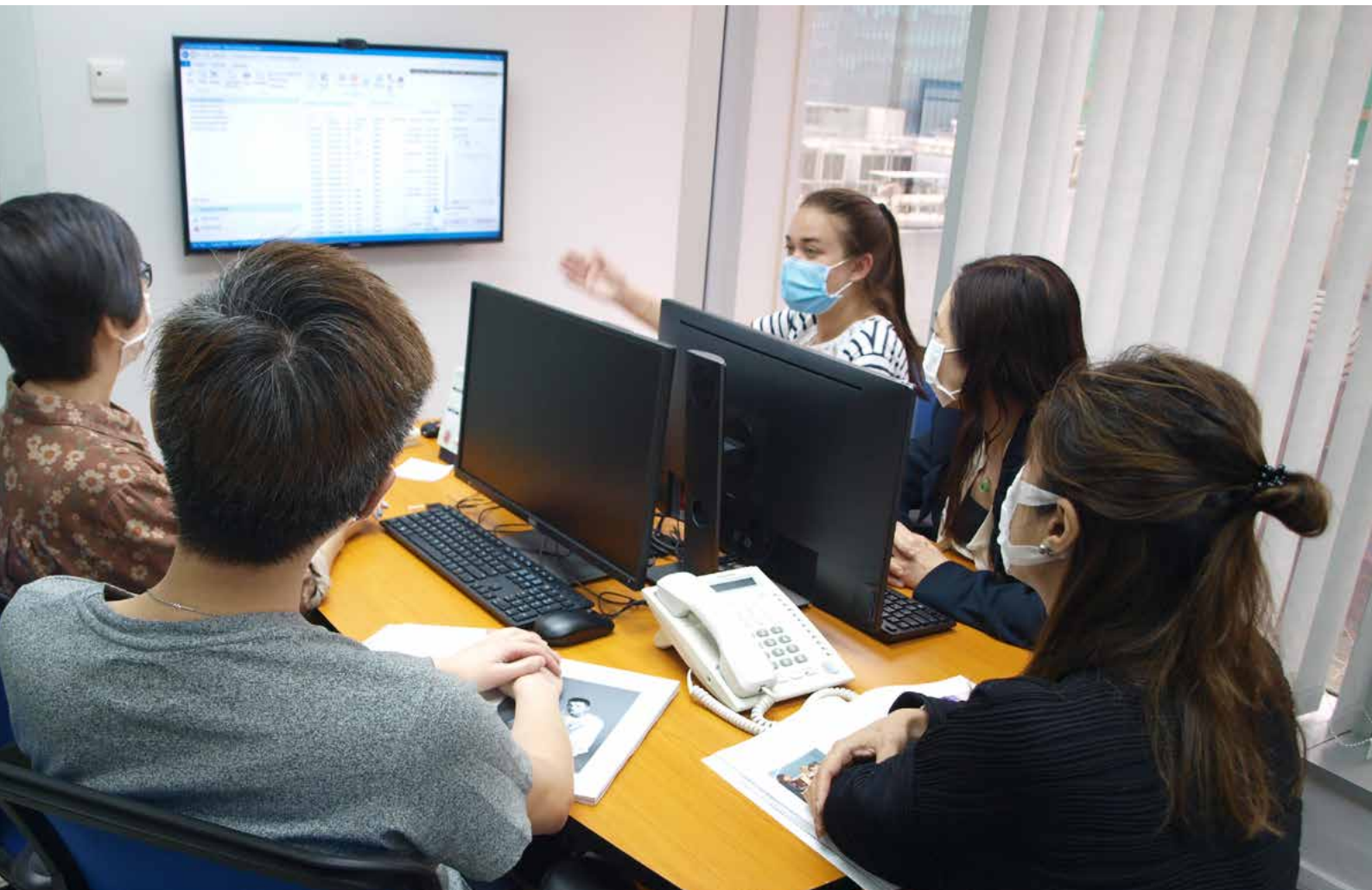
Diversity and equality at Nilorn

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, and we want our employees to enjoy a lengthy career with Nilorn.

Nilorn continues to grow, and employee headcount increased by 4 percent in 2019. This growth is due principally to recruitment in Bangladesh.

The gender distribution in the entire Group is 44 percent women and 56 percent men. 15 percent of managers are women, unchanged compared to the year before. The target is that neither men nor women will account for less than 40 percent. The focus for the coming years is to increase the balance of ages and improved diversity in all individual categories.

Team meeting Nilorn East Asia



GENDER DISTRIBUTION

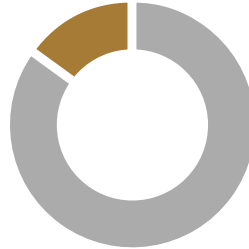
Number of employees: 500

ALL EMPLOYEES



WOMEN 44% MEN 56%

MANAGEMENT



WOMEN 15% MEN 85%

BOARD

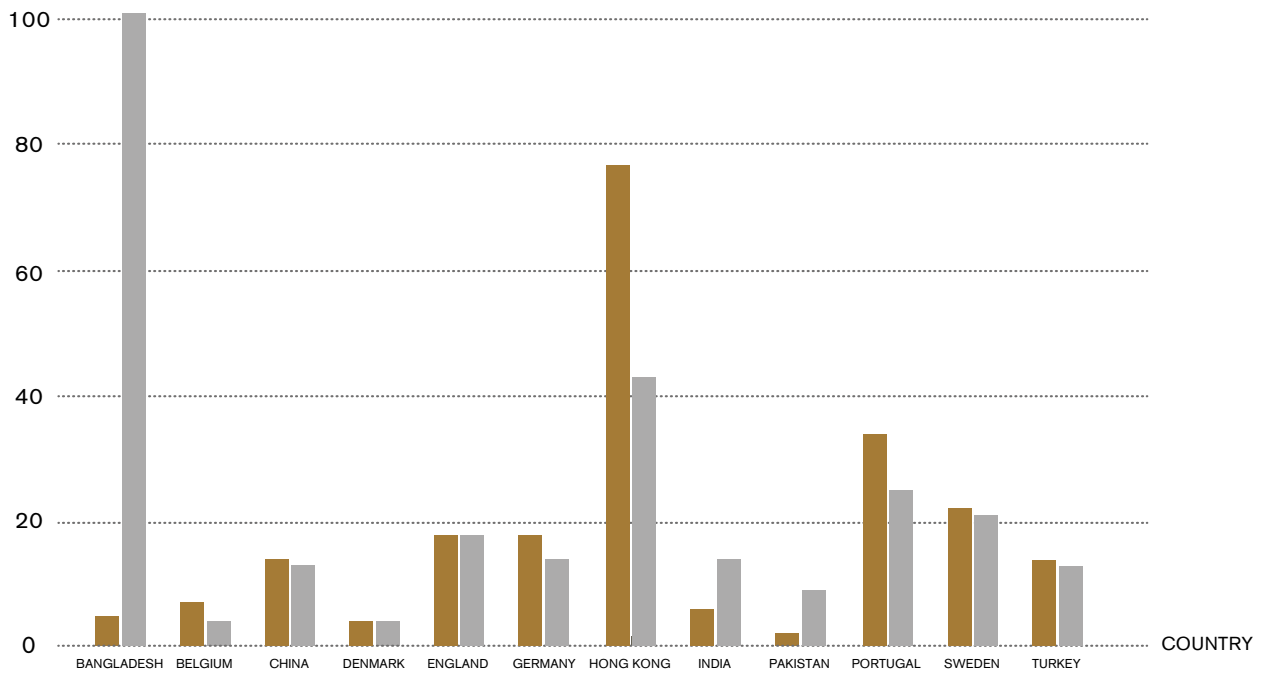


WOMEN 25% MEN 75%

Employees - per country

EMPLOYEES

WOMEN MEN



Work environment, health and safety

Nilorn aims to be an employer of choice by offering more sustainable, caring and safe working environment. 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 breast-feeding room in Nilorn East Asia, a smoking cessation program in Nilorn Sweden and our Belgian office is providing e-bikes to employees.

We promote a safe, healthy and secure environment, both in our own offices and production as well as in our external suppliers' activities. The focus of our occupational safety in Nilorn is on preventive actions and raising awareness, i.e. risks and hazards are to be eliminated in advance where possible. Risk assessments are carried out, and training programs are handled by each production unit. Key training is fire prevention, first aid and equipment instructions.

Reporting of incidents is one way of finding risks and to work to make improvements. In 2019, 3 incidents were reported.

EMPLOYEE ATTENDANCE (%)

2019	2018	2017
97.8%	96.1%	96.3%

* 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.



article

Nilorn UK moves to a new building



and flexible office space upstairs. Together with the modern equipped coffee bar and kitchen area, a more communal space is created, encouraging collaboration and teamwork.

Careful planning was taken with the production and despatch teams, to analyse the step-by-step process from printing through to packing and distribution of products. This ensures that the layout helps to minimise the time it takes for the team to process each stage and improve overall efficiency.

Situated at the foot of the Yorkshire Dales, the contemporary Swedish-inspired office sits within a mixed-use development that includes a mill renovation and housing complex. The distinctive cedar wood cladding is designed to age and, combined with the Yorkshire stone brickwork, it gives a Scandinavian feel to the exterior. The coursing of the stone was even specifically matched to the original mill giving a nod to the heritage of the site's surroundings. Backing onto the railway line, it has great transport links and is just a short journey away from the bustling city of Leeds.

Employee fulfilment and increased efficiency is the theme that runs throughout the building, which is evident in the open plan

Sustainability was a key factor in driving some of the design and functionality choices throughout the development. All lighting within the building is LED – an energy efficient alternative and inexpensive to operate. It is controlled by motion sensors, meaning that lights go off automatically when not required. The building itself is incredibly airtight, so air leaks are kept to a minimum and a clever climate-control system is used for both heating in the winter and cooling in the summer. It is actually as cheap to keep the building cool as it is to heat it, meaning costs are more controlled throughout all four seasons. The energy supply is 100 percent electricity from renewable sources, having taken the decision very early on to have no natural gas supply.

Development and growth of employees

Capacity building and training is arranged locally in each country - for example, First Aid and Occupational Health and Safety training at our own production sites. Skills development is an area we want to focus on more, 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, the program was updated with more detailed introduction in relation to CSR and sustainability. All employees are offered annual performance reviews.

CONTINUOUS LEARNING

A training tour to Nilorn sales offices was arranged in 2019. It was combined training covering RIS, RFID, sales tools and CSR/Sustainability, delivered in UK, Denmark, Germany, Portugal and Sweden, with participation by more than 60 employees. There was also a shorter online-training version for approximately a further 60 employees.





“At the beginning we were wondering if “biological pesticides” really work. But now, we are very happy. With the help of bio-pesticides we were able to protect our cotton better.”



The red CmiA label on the product shows the consumer that, with their purchase, something particularly good has been done for the people in the producing countries and the environment. In 2019, 63 retailers and brands produced around 125 million textiles as CmiA – an increase of about 21 percent compared to 2018.



Social engagement

Nilorn participated in two initiatives by the German Aid by Trade Foundation – Cotton made in Africa and The Good Cashmere Standard®

COTTON MADE IN AFRICA

Cotton made in Africa (CmiA) is an internationally recognised standard for sustainable cotton from Africa. Since its creation in 2005, CmiA has set for itself the goal to protect the environment and help Sub-Saharan African smallholder cotton farmers and ginnery workers improve their living and working conditions. Instead of collecting donations, the initiative follows the principle of helping people help themselves through trade. Nilorn has been a partner of the initiative for 7 years.

To put this aim into practice, an alliance of international textile companies and brands, built up by CmiA, purchase CmiA certified cotton, integrate it into their textile value chains and pay a license fee to use the seal. Income from licensing fees is reinvested by CmiA to achieve its mission – enabling smallholder farmers to grow cotton in accordance with CmiA values, improving their living conditions and those of their families, and securing the preservation of natural resources.

A major challenge facing smallholder cotton farmers is a lack of knowledge on how to handle pesticides. Pesticides are often used, stored, and disposed of improperly, creating a dangerous situation for both people and the environment.

For this reason, Cotton made in Africa strictly regulates pesticide use. Additionally, CmiA promotes organic pesticides and natural fertilisers which are examples of environmentally friendly and cost-efficient measures contributing to sustainable agriculture. The organic pesticides and fertilisers used provide an environmentally friendly alternative that is easy to produce: The necessary ingredients can be found all around the villages and cotton fields, free of charge, and can be processed by local smallholder farmers themselves using simple machines and household utensils. Expenditure on chemical pesticides and synthetic fertilisers can also be reduced. This benefits both people and nature.

PLASTIC WASTE INITIATIVE 2019

In close co-operation with its local Partner, the Cotton Company JFS in Mozambique, Cotton made in Africa introduced a new project in April 2019 to address the plastic waste issue. Over 200 collection points for empty plastic pesticide containers have been established. People can drop off their used containers and a local recycling company then takes care of the waste. The resulting sales revenue benefit the village residents, who receive a small amount of money for every container they turn in. Any additional profit flows back into the project, ensuring its continuation in the long term. As a collection system for waste did not exist before, this is a great environmental initiative - benefiting both nature and people.

THE GOOD CASHMERE STANDARD®

The Good Cashmere Standard® is a new independent standard for sustainable cashmere developed in 2019. In view of the current discussion about the welfare of the cashmere goats and the increasing demand for transparency and corporate responsibility, the foundation aims to improve the welfare of cashmere goats, the working conditions of farmers and farm workers, and the environment in which they live.

By buying a product with the label of The Good Cashmere Standard®, consumers can be assured that the cashmere wool in this product has been produced sustainably. By doing this, each individual can make a personal commitment to the welfare of cashmere goats, the protection of nature and better working conditions on the farms.

We are proud to be a nominated producer of all standard labels.

Nilorn participates in initiatives

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 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.

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. Nilorn has been a member since 2017.

AUSTRALIAN FASHION COUNCIL

The AFC is a not-for-profit membership organisation and exists to promote the growth of the textile and fashion industries in Australia. Nilorn has been a member since 2018.

TEKO

TEKO is the Swedish trade and employers' association for companies working in the textile and fashion industry with over 300 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. TEKÖ is also the national member for Sweden to GINETEX – the international association for care labelling. Sustainability is one of TEKÖ's focus areas and is high on the agenda. The work has been conducted in TEKÖ's Environmental and Energy Group since the early 1970s, the group includes member companies but also authorities, and Nilorn participates in this group.

FEDUSTRIA VZW

Fedustria vzw is the merger federation of the former non-profit organisations Febeltex and Febelhout, and represents companies from the Belgian textile, wood and furniture industry. Fedustria's mission is to assist companies in their successful development by safeguarding and strengthening their competitiveness. Nilorn Belgium has been a member for many years and through the membership we get access to information, support and training in areas such as communication, sales, environment and sustainability.



NILORN PARTICIPATES AT SWEDISH SCHOOL OF TEXTILES, UNIVERSITY OF BORÅS.

The course Sustainable Business and Product Development includes a project where the students are to create an environmentally, socially and economically sustainable textile product concept. A group of students took the challenge to develop an innovative packaging that also would have a second life. A box made out of cellulosic fabric, a material that is also used for dishcloths, was presented to Nilorn.



THE WAY FORWARD

To become a leader in sustainability, it is clear that when moving forward, our focus must be on involving the complete organisation and support our employees in driving change. It is clear that it is up to us if we want to change!

OUR PRINCIPAL FOCUS AREAS:

- Renewable energy
- Implementing HIGG
- Strengthening supplier relationships
- Full mapping of transportation and reducing use of air transportation

Data summary

	2019	2018	2017
CLIENTS			
Number of clients	>1500	>1400	–
Users of web order system	9400	9400	–
FSC certified paper share of paper product groups in Nilorn East Asia and Nilorn Shanghai*	20%	13%	11%
PRODUCTION AND SUPPLY CHAIN			
Number of suppliers	197	176	215
Number of delisted suppliers due to non-compliances	0	0	0
Internal inspections **	35	>70	–
Purchase volume % from external suppliers with 3rd party social audit	73	72	–
NILORN OFFICES AND PRODUCTION UNITS:			
Energy Kwh/m2	108	131	127
Renewable electricity Kwh/m2	44	30	3
Energy consumption tonne CO2e	870	1040	1220
Waste (tonnes)	152	91	100
Waste sent to re-use or recycling	62%	50%	22%
Water consumption Nilorn production units m3	6183	5,354	–
EMPLOYEES			
Total number of employees	500	482	444
- whereof women	221	210	208
- whereof men	279	272	236
New employees	73	101	–
Employee attendance %	97,8	96,1	96,3
Employees signed anti-corruption policy	100%	100%	–
Cases of suspected or confirmed breaches of anti-corruption policy	0	0	0
Number of work related injuries (no fatalities)	3	4	5
Training hours/employee	7.6	9	–
Air travel inter-continental km/employee	1721	2739	3522
Air travel continental km/employee	866	894	918
Staff travelling tonne CO2e	378	474	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.

** Less visits due to restrictions of travelling in 2019.

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