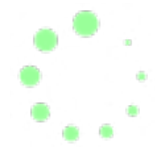


Progress Report 2022

Craft Circle





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LETTER FROM OUR CEO AND
SUSTAINABILITY MANAGER

Sustainability is a work in progress.

When we launched our sustainability initiative Craft Circle, we knew that our work would be ongoing. We also realized that the most worthwhile journeys are the ones without end.

In our circular progress report for 2022, our aim is to document how far we've come in our focus areas over the past year. To help us achieve our overall objectives, we've established measurable and adaptable targets for our production process and operations. Our yearly evaluation of them allows us to easily determine whether we're ahead, behind or on track when it comes to moving our entire business in a more sustainable direction.

Equally important, this report also lets us take a transparent look at the challenges we face going forward. New legislations and requirements emerge at an accelerated pace, and will most likely have a big impact on our sustainability efforts in the near future. Consequently, we must find a balance between concentrating our efforts where we see the most room for improvement and adjusting our priorities to meet new and more stringent standards in specific areas.

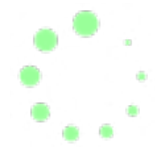
However, this responsibility is shared by the textile industry as a whole. We are convinced that many of the solutions will arise from enhanced collaboration and partnerships within the industry. Legislation has a way of inspiring innovation, and we believe that working together with stakeholders throughout the entire production chain is key when it comes to developing tomorrow's materials, technologies and production methods.

Ultimately, our ambition extends beyond mere compliance with the law. We aim to push ourselves and our industry towards the only possible future: one that is cleaner and more sustainable.

Erica Persson
Sustainability Manager

Stefan Persson
CEO





SUSTAINABILITY COMMUNICATION

Let’s walk the talk.

Our sustainability initiative is based on a genuine concern for the impact we have on our shared arena, and a desire to help our industry move towards more sustainable methods and business models. So when it comes to how we communicate, our philosophy is to be transparent regarding the challenges we face and the progress we make.

This means that we strive to present a truthful picture of our activities and operations at all times. For this reason, most of our sustainability goals can be measured and evaluated, and we will continue to share them within our organization and with the world. Going forward, our plan is to increase transparency and comparability, making it easier to track and evaluate our progress over time.

Making the climate cost clear

Having a transparent approach also means taking care to avoid greenwashing. In other words, resisting the temptation to present a small step forward as a giant leap due to marketing purposes. As with lots of other sustainability issues, however, this is something of a balancing act. Helping consumers make conscious choices is a good thing, as it will most likely have a positive effect on the demand for products with a lower climate footprint. On the other hand, branding something as “green”, “sustainable” or “climate positive” could create the impression that a certain product has zero impact on the environment. And as we know, no product is truly sustainable in that sense. Therefore, we feel it’s our responsibility to communicate in such a way that the climate cost for any product is easily understandable to everyone. In other words, our main focus going forward is setting up a structure that enables full transparency for all products.

Towards greater transparency

It goes without saying that our ambition to present an accurate view of our environmental impact extends to the products we make. The next step towards greater transparency is to implement or adapt the systems used in our design, manufacturing and delivery process, to let consumers see a detailed picture of the climate cost of any given product. Going forward, we aim to work diligently to create the necessary infrastructure for meeting our internal goals and future legislation such as The Ecodesign for Sustainable Products Regulation (ESPR), aiming to make sustainable products the norm in order to achieve the EU:s goal of becoming carbon neutral by 2050.





HIGHLIGHTS 2022

The year in sustainability.

Key facts and figures from our sustainability initiative in 2022.

Scope 3 Emission calculations

As a member of STICA, the Swedish Textile Initiative for Climate Action, we are actively working together with other textile companies to limit global warming to 1.5°C. In 2022, we did the first calculation of the Scope 3 emissions to set our base year of 2021 for our reduction path.

New Sustainability Manager

Erica Persson took on the role as Sustainability Manager, leading Craft’s sustainability initiative and taking a seat in the management team.

48%

48% of all products made from more preferred materials

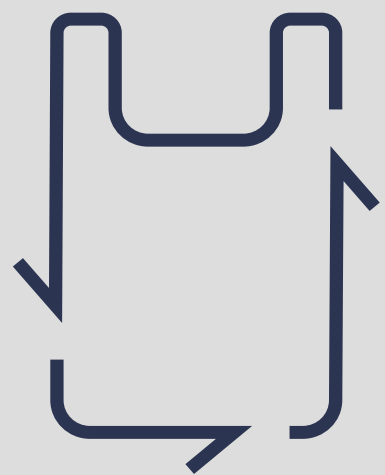
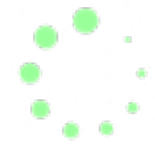
During 2022, the number of garments and footwear made from more preferred materials increased from 31% the year before. Our stated goal for 2027 is that all products will be fully made from more preferred materials.



CIRCULAR DESIGN PRINCIPLES, A TOOL FOR HIGHLIGHTING SUSTAINABILITY IN THE DESIGN PROCESS, WAS LAUNCHED.

CRAFT SIGNED PFAS MOVEMENT, PROHIBITING THE USE OF THOUSANDS OF TOXIC CHEMICALS.





Sustainability a strategic priority

In 2022, Craft worked to set the new business plan for 2023-2027 where sustainability is one of the top focus areas for the future growth of the company.

Future award for #RemakeHammarby

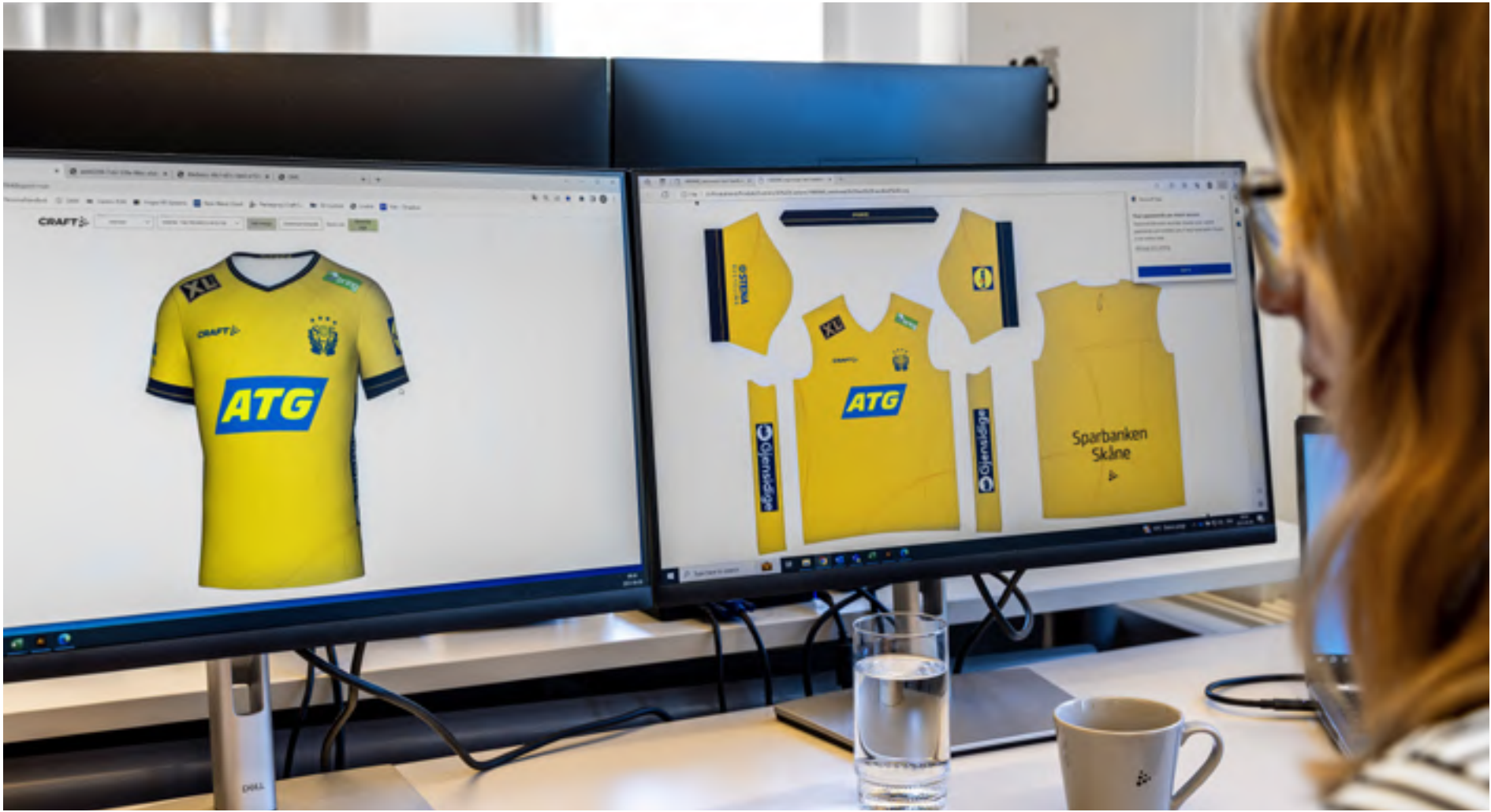
Our collaboration with the Nordic Textile Academy to repurpose club jerseys for Hammarby won Plaza Interior’s award in the Future category.



Photo: Nordic Textile Academy

45%

of all polybags made from more preferred materials

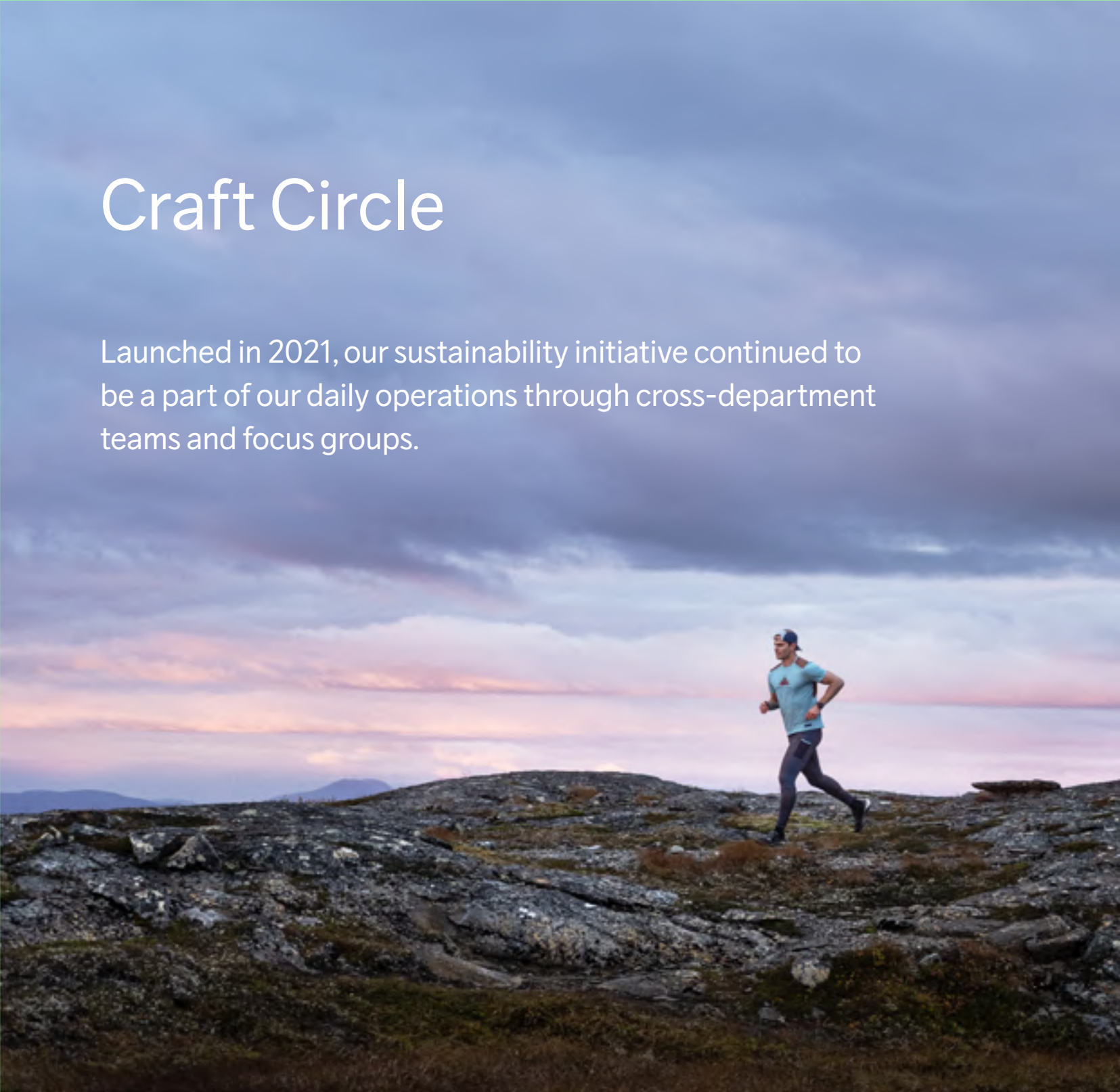


Minimizing samples

During the year, we began testing and evaluation of 3D samples in an effort to reduce the need for physical samples in the production process.

Craft Circle

Launched in 2021, our sustainability initiative continued to be a part of our daily operations through cross-department teams and focus groups.



TIMELINE

Our route to the future.

2013

Craft and New Wave Group joins amfori BSCI, an initiative for improving social performance in global supply chains

2014

Transition to PFOA-free waterproof and water repellent materials

2016

Targets for change from virgin to recycled materials with a focus on polyester. First target year 2020 stipulates that 25% of polyester used should be recycled

2020

Craft joins STICA, the Swedish Textile Initiative for Climate Action committed to the 1.5°C global warming goal in line with the Paris Agreement

2021

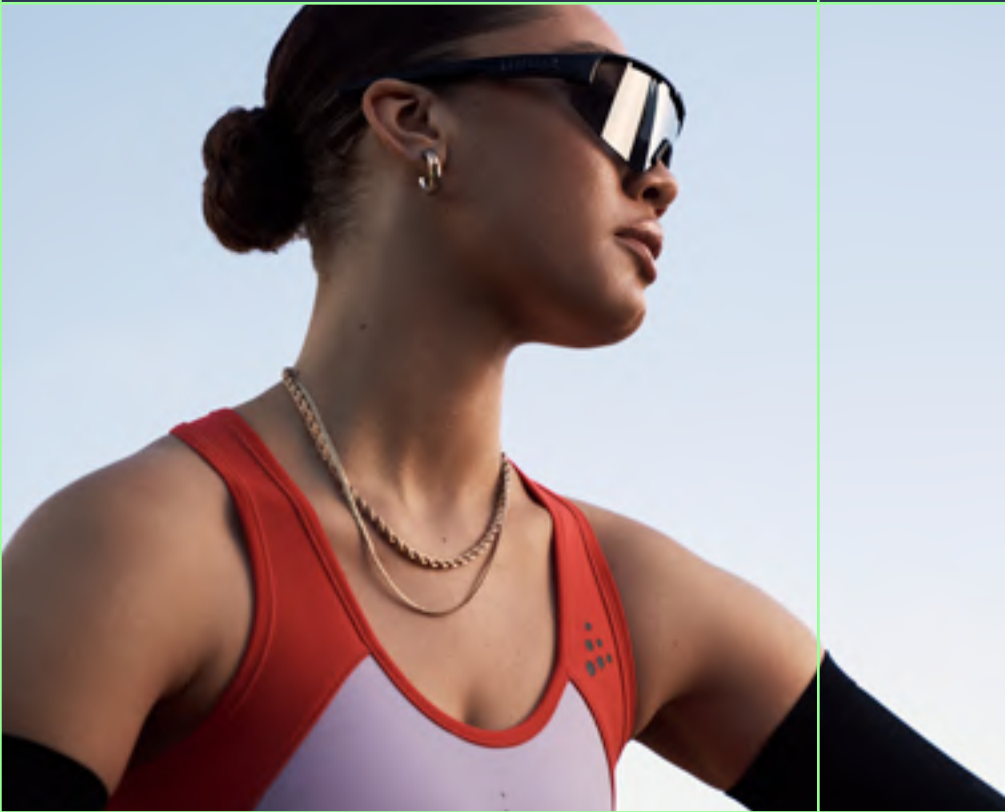
Base year for greenhouse gas emission reporting

2022

50% of all styles made from at least 50% recycled materials

2023

Climate action roadmap with top 10 suppliers



2025

Launch a circular business model

2027

100% of all products made with 100% more preferred materials or more sustainable production methods

2030

Reduction of our carbon emissions by 50%

OVERALL GOALS

STRATEGIC GOALS



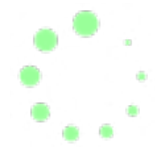
OVERALL GOALS

Sustainability is a team sport.

Our sustainability initiative is connected to four of the Global Goals in UN's Agenda 2030, chosen for their relevance to our business and our chance to make a contribution towards them. They guide how we design, produce and distribute our garments, how we extend their lifecycle through circular options for renting, selling and buying and how we collaborate with partners and organizations for a more sustainable tomorrow.

As a company, they have inspired us to set our own ambitious goals for the future. By 2030, our goal is to reduce our total carbon emissions by 50% compared to the base year 2021. By the same year, our goal is that 20% of our products will be offered through circular programs. To help us reach our goals, a dedicated sustainability manager will oversee processes and report on our progress from 2022 onwards.





OVERALL GOALS

Sustainability objectives for 2030



Climate Action

Moving forward means taking action. By 2030, our goal is to reduce carbon emissions from our total operations by 50% from the base year of 2021. To reach it, we are focusing on decreasing emissions emanating from the production and transportation phase, as well as our own operations. In order to measure our progress towards this goal, we are actively working with STICA, The Swedish Textile Initiative for Climate Action, for the purpose of tracking our carbon footprint today and per year.

Responsible production and consumption

We strive to make better use of the Earth’s resources to minimize our overall impact on the environment. To us, that means creating products that last and keep their functionality longer, made by sustainable production methods under socially responsible conditions, with significantly lower environmental impact at the start of the product’s lifecycle.

Circular business models

Our products are made to last, and the more we can prolong the functional life of each garment, the less its impact on the environment will be. To do so, we will introduce circular offers that align with future consumer needs, such as letting athletes pass on old apparel when they elevate their game, or introducing options for renting garments for certain occasions. Our overall objective for 2030 is to have 20% of all garments rented, reused or resold within our ecosystem.

Good health and well-being

Making people move is at the core of what we do. We exist to inspire athletes on every level, at every age, to take active part in their personal health and well-being. Adding on to this, we think that empowering our employees at all levels is foundational to who we are and to make an impact in our world.

Partnership for the goals

We realize that true change comes from collaboration. To make a difference now and in the long run, we are active partners with a number of local and global sustainability initiatives, such as STICA, amfori BSCI, FLA, International Accord on Fire & Building Safety, Textile Exchange, Swedish Chemicals Group by RISE, PFAS Movement and Clean Shipping Index.





CLIMATE ACTION

Taking steps to preserve our shared arena.

Moving towards a more sustainable future means taking action. By 2030, our goal is to reduce carbon emissions from our total operations by 50% from the base year of 2021.

To reach our goal, we are taking active measures to decrease emissions emanating from the production and transportation phase, as well as our own operations. Climate action and the reduction of greenhouse gas emissions is one of the top six prioritized areas in our strategy plan for 2027. The strategy plan defines overall goals and subgoals, to ensure that we are able to work systematically to create change. As the problem is interwoven with our process, all parts of our organization need to act together to correctly identify and make the best long and short term decisions for minimizing our impact on the environment. Everything we do in our operations has an impact on our climate, and our focus is to make active choices to reach our reduction targets. This is why our work with climate impact is integrated in each "dot" of our sustainability initiative Craft Circle, connecting our production process to concerns like water and resource use, biodiversity and circularity.

STICA partnership
Taking action against greenhouse gas emissions is also the reason why we joined STICA, the Swedish Textile Initiative for Climate Action, in 2020. As a member, we are actively working together with the companies involved to track our carbon footprint today and per year for the purpose of creating a joint road map for reducing emissions. Having begun mapping emissions from Scope 1 and 2 when joining STICA, from 2022 and onwards we will also track the total emissions generated by our supply chain as stipulated in Scope 3. Our STICA objectives for 2023 is to capture primary data from 20% of our suppliers, representing 70% of our buying volume, and that 20% of our suppliers should set their own reduction targets.



Direct
SCOPE 1
Direct GHG emissions from sources operated by the company.

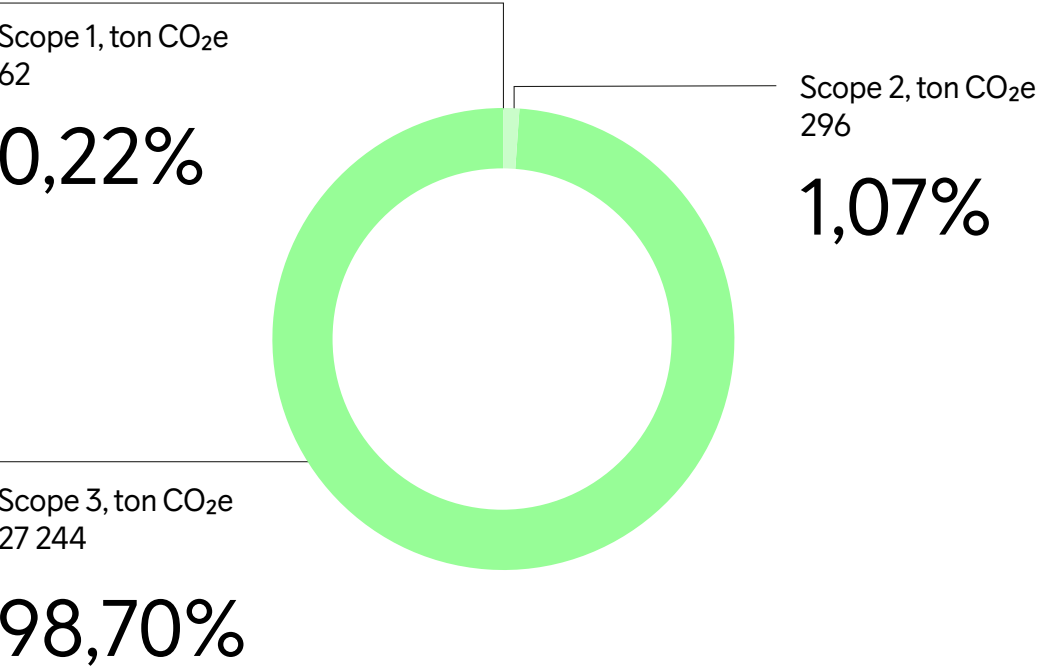
Indirect
SCOPE 2
GHG emissions from the generation of purchased energy by the company.

Supply chain
SCOPE 3
Indirect GHG emissions that occur in the supply chain.

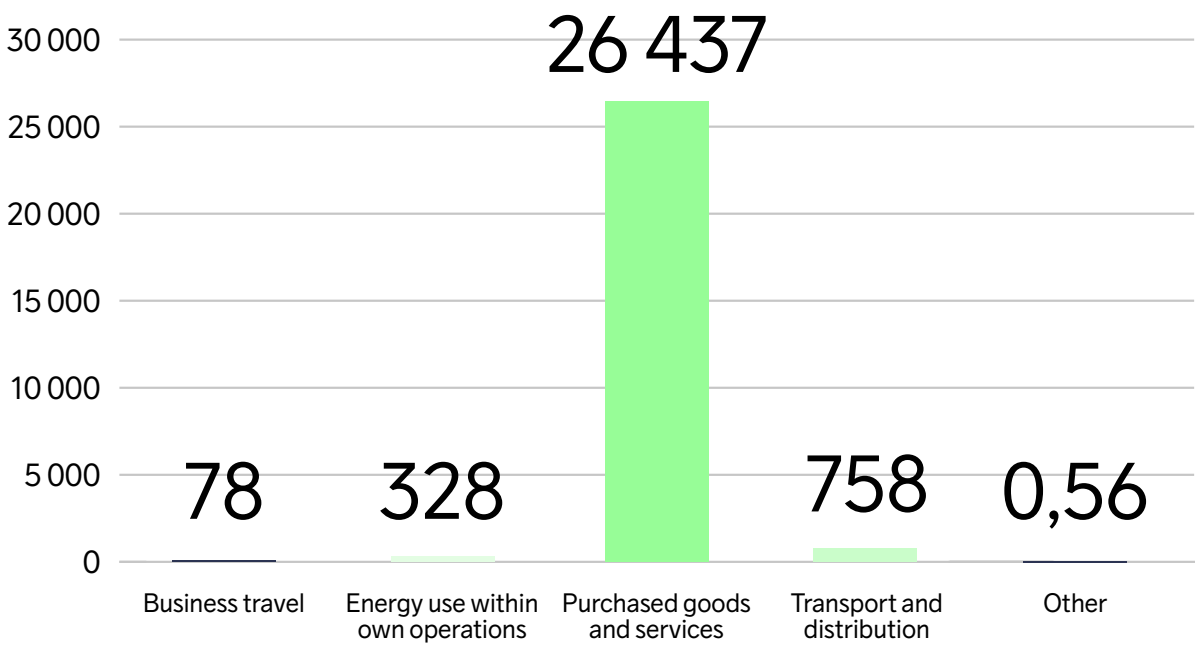
GHG: Greenhouse gas



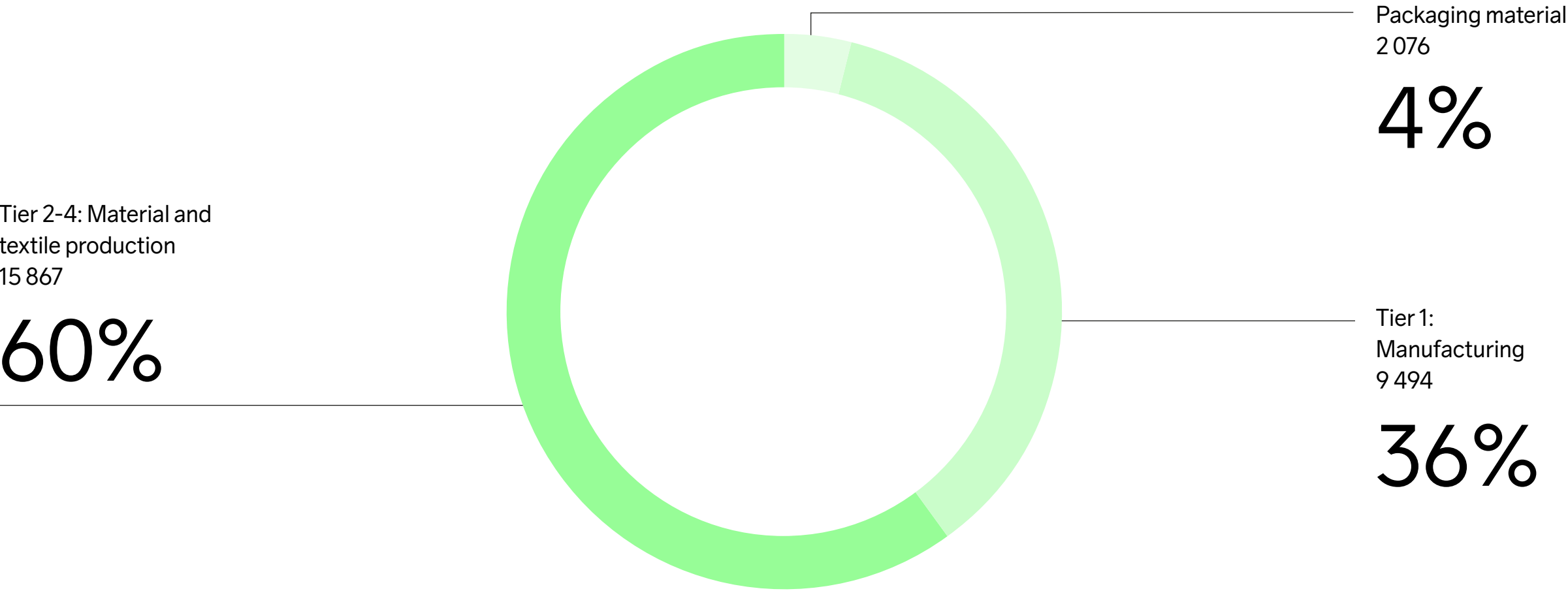
Emissions per scope, ton CO₂e



Emissions per category, ton CO₂e



Emissions per category for purchased goods and services, ton CO₂e



Data from base year 2021

Ongoing collaboration with STICA.

The Swedish Textile Initiative for Climate Action was founded to bring fashion and textile brands together as a collaborative effort to reduce global warming. As a member, Craft collaborates with the organization and its members to set science-based targets and plans for greenhouse gas reductions in line to limit global warming to 1.5°C, as outlined in the Paris Agreement.

STICA objectives

In 2022, we did our first Scope 3 calculations based on the production made during our base year 2021. Going forward, our goal is to improve the quality of our calculations and the raw data to give us more accurate numbers for assessing our climate footprint every year. Our other STICA objectives for the near future are:

- Capture primary data from 20% of our suppliers representing 70% of our buying volume
- 20% of suppliers to set own reduction targets
- Shift to renewable energy in our own operations
- Reduce the dependency on air freight



The Swedish Textile Initiative for Climate Action

PRODUCTION PROCESS



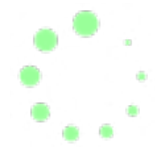
Connecting the dots from design to delivery.

Our products are meant to inspire athletes to keep going, no matter the season. So to us, a more sustainable garment is one that is tirelessly functional day after day, year after year. But no matter how long a Craft product stays in use, the start of its lifecycle still represents an unwanted environmental impact. Here's how we all pull together to actively reduce it.



A group of runners is captured in motion on a track, with the focus on a woman in the foreground wearing an orange long-sleeved shirt and shorts. The background shows other runners and a blurred track surface. On the left side of the image, there are several decorative circular patterns: a green textured circle at the top, a white concentric line circle below it, and three halftone dot circles in white, light blue, and dark blue arranged vertically. The text '01 Purpose' is written in a bright green, sans-serif font, positioned to the right of the top green circle.

01 Purpose



MAKING THE WORLD MOVE.

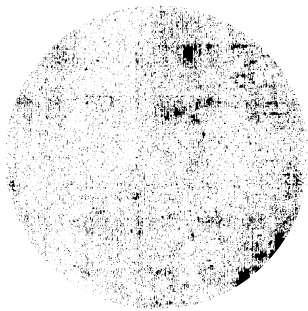
Making people move is at the core of what we do. We exist to inspire athletes on every level, at every age, to maximize their potential and reach their personal goals. Regardless of if they include going on a weekly run or setting a new world record.

Even if our purpose is rooted in passion, there is also a logical reason behind it. We know that physical activity plays an important part when it comes to overall life quality, and that a more active world is a healthier and more sustainable one. However according to the WHO, one in four adults and 81% of adolescents do not meet the minimum requirements for physical activity. This is why we've included the United Nations Global Goal #3 regarding good health and well-being among our overall goals in our sustainability initiative. To fulfill that goal, we believe that promoting equal opportunities in sports is fundamental. Every athlete should have the same right to lead an active and healthy lifestyle, no matter their gender, ethnicity or nationality.

Change starts at home
Naturally, the same goes for everyone at Craft. If you want to make an impact in the world, there's no better place to start than home. To empower our employees and help us embody our core values active, entrepreneurial, inclusive and humble, we actively promote health and wellness initiatives in our workplace. An example is our corporate Run Club, where employees on all levels lace up weekly for a social run during work hours. Perspiring together is one way towards a positive and collaborative work environment that lets us grow as individuals, teams and as an organization. To measure our progress in this area, we regularly check our internal temperature through Winningtemp, a platform designed to give all co-workers a voice and invite feedback on anything from culture and values to workload and operational issues.

LONG-TERM OBJECTIVE:

To inspire physical activity for the health and well-being of everyone.





WINNINGTEMP

Measuring our internal temperature.

Victoria Dahlström, personnel administrator at Craft, on how we work to create and maintain an inclusive work environment.

How do you measure employee engagement?

- We began using Winningtemp during the pandemic to help us keep the finger on the company’s cultural pulse. Every week, all employees are invited to answer questions about engagement, leadership, job satisfaction and other work-related issues. The questions differ, but the categories are always the same.

How do you follow up on the input?

- The answers are anonymized and analyzed by each department, who can decide on a deep dive to investigate sudden changes and collaborate across the company to act on potential problems. The platform is a valuable tool for us as a company, as it brings regular feedback on everything from company policy to daily operations and ensures that every voice in the organization is heard.

So what’s the score for 2022?

- Our overall response rate was 91,5%, which indicates that people value the chance to have their say. Employee satisfaction for our entire organisation was 8.1 on a scale of 1-10, which surpassed the industry’s index of 7.7. Our goal for next year is to keep an upwards trajectory to continue to be an attractive employer.

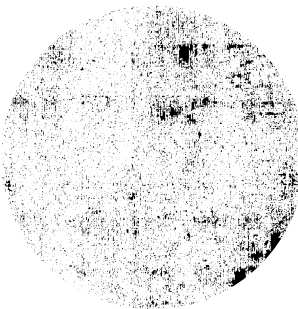


PURPOSE GOALS:

In 2023 we will increase our initiatives to inspire young athletes to lead active lifestyles

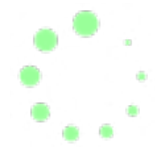
Continue to add value to our core product groups to inspire movement

Increase employee engagement for wellbeing and activity





02 Design



DESIGNED FOR THE LONG RUN.

Longevity is an integral part of our design process. To make sure that our products are in it for the long run, we avoid taking shortcuts at the beginning of their lifecycles.

During 2022, our designers and product development stakeholders embarked on a cross-departmental mission to turn our way of thinking into action. The result is the Craft Design Principles, a set of guidelines that define how and why we launch a new product on the market. The principles help us see beyond the functionality of the garment itself, evaluating it from a circular perspective long before we put pen to paper, or scissors to fabric. Though the seasons, surfaces and conditions we design for may differ, a truly circular product will always have a few things in common. It must be designed for a clear purpose, fulfilling a specific and clearly stated need for the athlete. It must be sourced from durable materials that will go the distance, carefully evaluated for their ecological impact. It must be manufactured to a standard that ensures that the product keeps its functionality during its natural lifespan. And last but not least, it must be possible to reuse, repurpose or recycle it when it reaches the end of the road.

Extending the lifespan

Merging functionality and sustainability can be a balancing act, as some materials may score high when it comes to durability but at a greater environmental cost. To help us make the right choice, the next step is to oversee our material categorization system to favor materials with a lower environmental impact, according to third party and LCA assessments, over other fabrics with the same level of functionality. But there's also another factor to consider in the design process. Time. Every product we design is made for a purpose and the longer it fulfills it, the lower its climate footprint will be. Therefore, our philosophy is that products with a long intended lifespan must be made from higher-grade fabrics that will stand the test of time, helping them keep going for many miles, washes and workouts. We also strive to use timeless colors and patterns that won't fade in popularity anytime soon, and take extra care to make them easy to repair. For garments where the expected life span is shorter, such as functional t-shirts, we avoid unnecessary details and fabric blends, favoring monomaterial designs that facilitate that 100% of the garment can be recycled at the end of its lifecycle.

LONG-TERM OBJECTIVE:

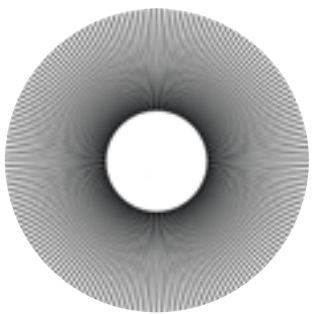
Design for longevity, reparability, reuse and recyclability for all products.

Less samples

In 2022, we also made a conscious effort to reduce the quantity of samples used in the design phase. Although small in numbers when compared to the finished collection, samples still carry an unnecessary impact due to their disposable nature and one-off production and shipping. For next year, we will decrease the number of items presented for each collection, reducing the need for samples in the marketing process. Going forward, we are also investigating the possibility of using 3D samples, eliminating the need for physical samples altogether.

A longer perspective

Numbers aside, there's one important aspect of our design process that can't be quantified. Our aim is that every product that bears our name should be seen as an long-term investment, thinking of the athlete as a caretaker rather than a customer. This is one reason for why all our baselayers come with a lifetime guarantee from 2022 onwards.





INTERVIEW

From physical to virtual samples.

Moa Persson, Product Specialist at Craft on reducing the need for samples with 3D modeling.



How are samples used in your business?

- In our custom business, we receive a lot of orders in small quantities, which means many samples. The customers need to see and approve colors and placements of graphics and logotypes, to ensure that each delivery will match their specifications before they go into production.

What role can 3D play in the process?

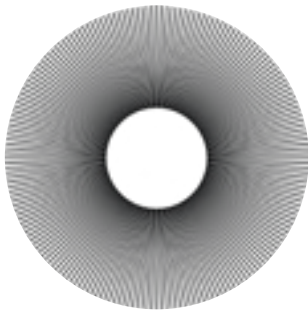
- To reduce the need for test prints and samples, we are developing a 3D tool that lets our customers see and approve the finished design from all perspectives in 1:1 scale before it exists. We hope this will reduce the need for samples altogether, which will lead to a faster process, less waste and a decrease in greenhouse gas emissions from production and shipping.

DESIGN GOALS:

Develop the Craft Design Checklist for circularity grading and carbon footprint for each new style by 2023

Baselayer lifetime guarantee program from AW2022

Reduce our samples by 35% by 2025





INTERVIEW

Longevity by design.

Nathalie Wåkerås, designer at Craft on integrating sustainability in our design process.

How do you design for the long run?

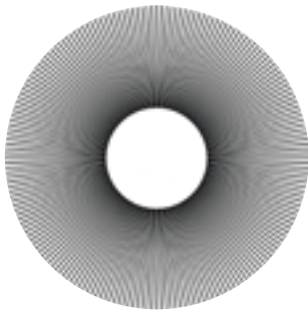
- Everything starts with a discussion about what problem the design should solve, and for how long the finished product should fulfill that promise. These factors guide us through a myriad of choices on the drawing board, helping us base every decision on the needs of the athlete from a lifecycle perspective. Once we have a solution, we begin sourcing materials that we know will go the distance.

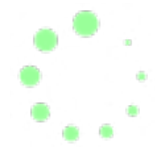
What’s your philosophy on materials?

- We favor recycled and renewable fabrics over virgin materials, and question trims and components in search of the most sustainable alternative. Finding the balance between fun and functionality is crucial, as details often add unwanted environmental impact. In many cases, they also make the product harder to recycle at the end of the road.

What about aesthetics?

- It’s also important to think beyond trends and what’s currently in fashion. We consciously choose colors, patterns and cuts that won’t feel out of date anytime soon. If it looks good, feels good and performs well even after years of use, it will stay in rotation for longer.

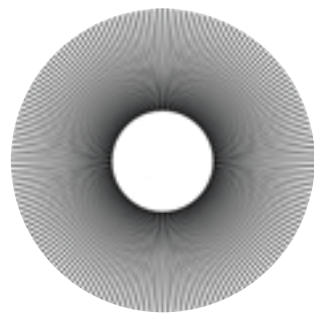




CRAFT DESIGN PRINCIPLES

A look behind the seams of our design process.

Our design process starts long before the very first stitch or drawing. Beginning with the purpose of the product, how we design it for the long run and what consequences our choices have at the end of its lifecycle.



03 Materials





SHIFTING TO MORE PREFERRED FABRICS.

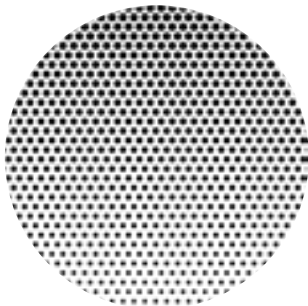
Our story began with a winter run in 1977. Its purpose was to develop a high-tech base layer fabric for Swedish jet pilots, helping them fight the cold, dark and wet. Along the way, we discovered the Craft principle and the benefits of the polyester fiber.

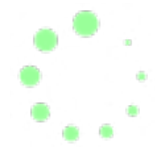
After five decades of creating functional garments for everyday heroes and world champions, we know that polyester and polyamides do a fantastic job of transporting moisture away from the body while keeping the athlete warm. The downside is that they are made from a finite, fossil-based resource. And like all materials we use in our products, they come with an environmental cost. We are aware that the production of materials, from raw material extraction to finishing of fabrics, has a very high impact on the environment, which is why we have decided to accelerate the shift towards more preferred materials.

From virgin to recycled
In 2016, we started our journey to replace virgin polyester with recycled polyester. As recycled polyester and polyamide lets us reuse existing materials, choosing them over new fibers reduces the pressure on natural resources along with our climate impact. Recycled polyamide is made from waste from the manufacturing industry and for recycled polyester, the most common raw material is old PET bottles. To date, together with our suppliers Craft has transformed millions of PET bottles into new garments, giving them a new life instead of ending up in nature or in landfills. Today, circa 50% of all polyester used in our products comes from recycled material.

LONG-TERM OBJECTIVE:

To focus on more preferred materials and processes that help us reach our target of 50% emission reduction.





MATERIAL GOALS:

All products fully or partially made from more preferred fibers by 2025

All garments made from more preferred materials and more sustainable production methods by 2027

Joint strategy plans with suppliers for responsible water and chemical management by 2024

Ongoing evaluation of new technologies and innovative fabrics

Mapping the materials

To reduce our environmental impact further, our aim is for all products to be made from more preferred materials and more sustainable production methods by 2027. This year, we focused on mapping and categorizing materials according to their lifespan and environmental impact in the shape of emissions during the production phase. In the case of polyester and polyamide, which by far is our most used material, this means that virgin polyester has a low score while recycled fibers are classified as "more preferred". The list will be continuously updated as new fabrics and technologies emerge, but our efforts will stay focused on our most widely used materials, as well as materials with the greatest potential environmental or social impact.

Updated supplier handbooks

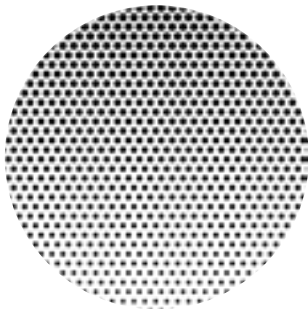
Even so, our journey has only begun and there's still a long way to go. Some of the actions taken this year include reworking our supplier handbooks and contracts to get deeper insights into water and chemical use in our production process. Using self assessments from our top suppliers, the next step is to work closely with all parties included to create a roadmap towards better environmental management.

,Categorization and traceability

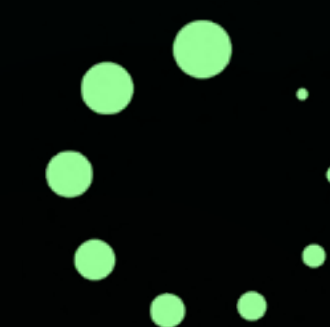
For materials, we are also developing our categorization system to help us make the best long-term choices in the design phase. In the coming years, the system will expand to include accurate data regarding water use, carbon emissions etc as verified by third party assessments. By 2023, our project with our PLM system supplier will be ready for operation, letting us trace every material used all the way through the production process. The next logical step is to also include climate impact for every fiber, letting our designers calculate a product's environmental cost before it exists.

Focus on innovation

In 2022, we increased our focus on fabric quality to ensure that the lifespans of our products live up to our expectations. Going forward, we also see the need for developing new fibers, materials and techniques that combine higher performance with a lower environmental impact. To lead the development process together with our suppliers, a new role as fabric specialist has been created and will be filled by 2023.



**MADE FROM
MATERIALS
THAT WILL GO
THE DISTANCE.**





Why polyester?

Polyester and polyamide are synthetic fibers that combine durability, performance and flexibility. Compared to cotton and other organic fibers, they generally transport moisture and release heat better, and keep their shape for longer. However, since the raw material is fossil-based, it is non-renewable and non-biodegradable. This is why we've decided to move away from virgin polyester, replacing it with recycled polyester and fibers from renewable sources. Today, 50% of all polyester in our products are recycled, and by 2027 our goal is that all Craft products are to be fully or partially made from more preferred materials.

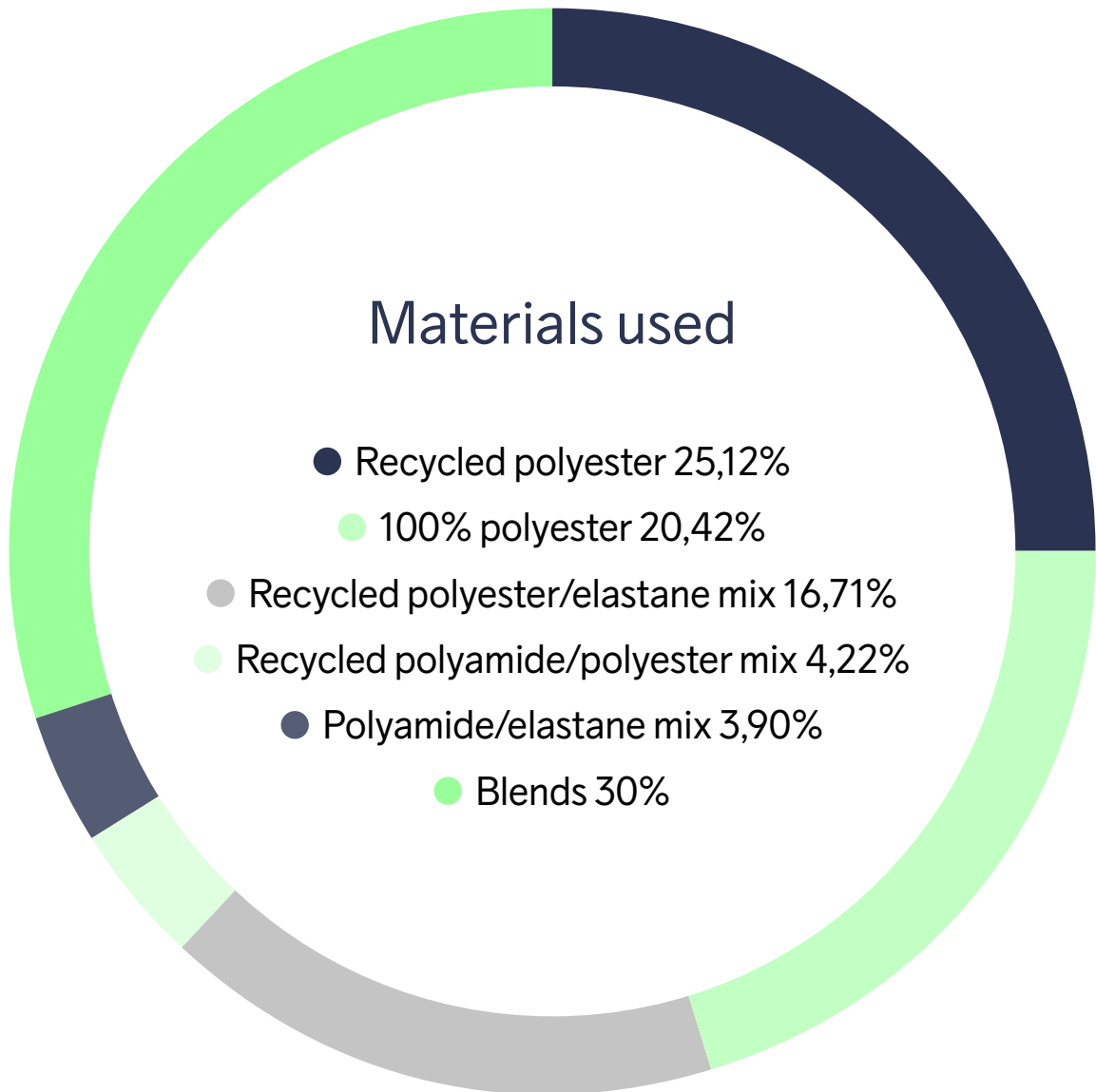
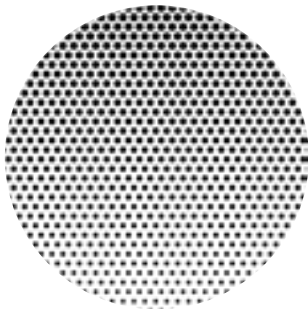
NEW MATERIALS

A biobased alternative for the future.

Sometimes the best innovations can be found in nature. In 2022, we began looking into the possibility of using bio-based polyester sourced from castor beans. The material, EVO® by Fulgar is a yarn made from non-edible parts of the plant. Capable of growing almost anywhere, it doesn't require high levels of irrigation and doesn't subtract arable land better suited for food production. A renewable resource that most likely will make its official debut in the Craft lineup in the coming seasons.



03 Materials





04 Production



RESPONSIBLY MADE FOR THE ROAD AHEAD.

About 80% of a garment’s environmental impact originates in the production phase. In other words, focusing on the supply chain can yield big results.

At Craft, we strive to secure a supply chain that is committed to working for a reduction of our industry’s climate impact. Starting with the extraction of raw materials, all the way to the finishing of garments. Along with that ambition, we also see it as our responsibility to promote human rights for every person working in the supply chain.

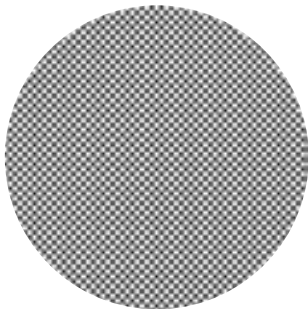
Tracking the supply chain

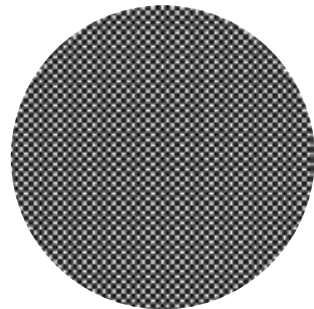
One of the issues we face is that there are a lot of companies involved in the making of each garment, making the textile supply chain very complex. This is why traceability, the ability to track any given item as it moves through the production process, is key when it comes to creating tangible change. Keeping track of each point of production makes it possible to create a more accurate risk analysis, which is crucial when it comes to improving environmental and social aspects throughout the supply chain.

To reach our goal of full traceability for all products by 2025, we are working closely with our sourcing offices located in China, India, Vietnam and Bangladesh, close to suppliers, textile mills and production facilities. The local presence and day-to-day contact with the supply chain makes it easier to ensure that our suppliers follow our environmental requirements and live up to social responsibilities. The next step is to develop and integrate a system for traceability together with our major suppliers, letting us track any garment all the way from fabric to finished product.

LONG-TERM OBJECTIVE:

To secure a supply chain committed to a reduction of our industry’s climate impact.





Consolidating our supplier base

Today, the process usually starts with nominated fabric suppliers. In other words, we choose a fabric mill that we want to work with, and ask our garment producer to purchase the fabrics from them. This lets us keep a closer eye on the quality control of our fabrics, and lets us optimize the use of a specific fabric for several different styles, in line with our circular design philosophy.

Going forward, our plan is to reduce the number of fabric suppliers we work with to help us reach our environmental goals. In 2022, we developed supplier score cards grading each supplier in terms of lead times and quality aspects, but also their progressive work regarding energy efficiency, water and chemical use in production. Consolidating our supplier base will give us better leverage to create change, as fewer but deeper partnerships lets us focus on improvements in every part of the production phase. As there are no quick solutions, we believe that favoring long-term relationships, built on a mutual understanding of our sustainability goals and a will to act proactively to further those goals, is the best route towards a more sustainable production process.

”The next step is to develop methods for tracking any garment all the way from fabric to finished product.”





CODE OF CONDUCT

Towards a more sustainable supply chain.

amfori BSCI is a global initiative with over 2,000 companies all over the world committed to improving working conditions in the supply chain, while improving environmental performance is the main focus for its sister initiative BEPI. Craft has been part of the amfori BSCI network since 2013, and 93% of our suppliers are regularly audited according to the BSCI Code of Conduct, that covers social responsibilities such as working conditions, fair wages and the prohibition of child labor. The remainder of our suppliers are audited by other social auditing parties. After the pandemic, auditing programs are now up and running as before and we can follow the increased number of audits in the supply chain.

In BSCI's system, suppliers are graded according to their assessments on a scale from A to E, with C being the most common grade. We take pride in the fact that a large number of our suppliers have passed inspection with an A or B grade. Until today, we have only audited Tier 1 suppliers according to the BSCI Code of Conduct. In 2023, we plan to add BEPI environmental assessments for our top five suppliers that are responsible for approximately 70% of our production.

A shared Code of Conduct

As a member of amfori BSCI, our Code of Conduct is shared with 2,000 companies with a combined reach of 30,000 suppliers worldwide. Through the initiative, our suppliers are subjected to third-party audits that assess the following:

- Occupational health and safety
- The rights of freedom of association and collective bargaining
- No child labor
- Fair remuneration
- Decent working hours
- No discrimination
- Protection of the environment
- No bonded labour
- Ethical business behaviour
- No precarious employment
- Special protection for young workers

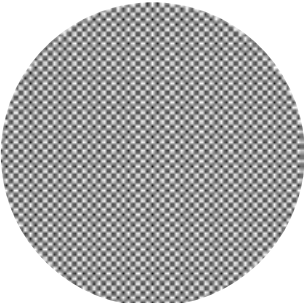
PRODUCTION GOALS:

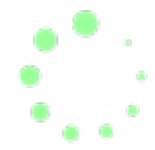
Full traceability for all products by 2025

Tier 2 suppliers included in auditing programs by 2023

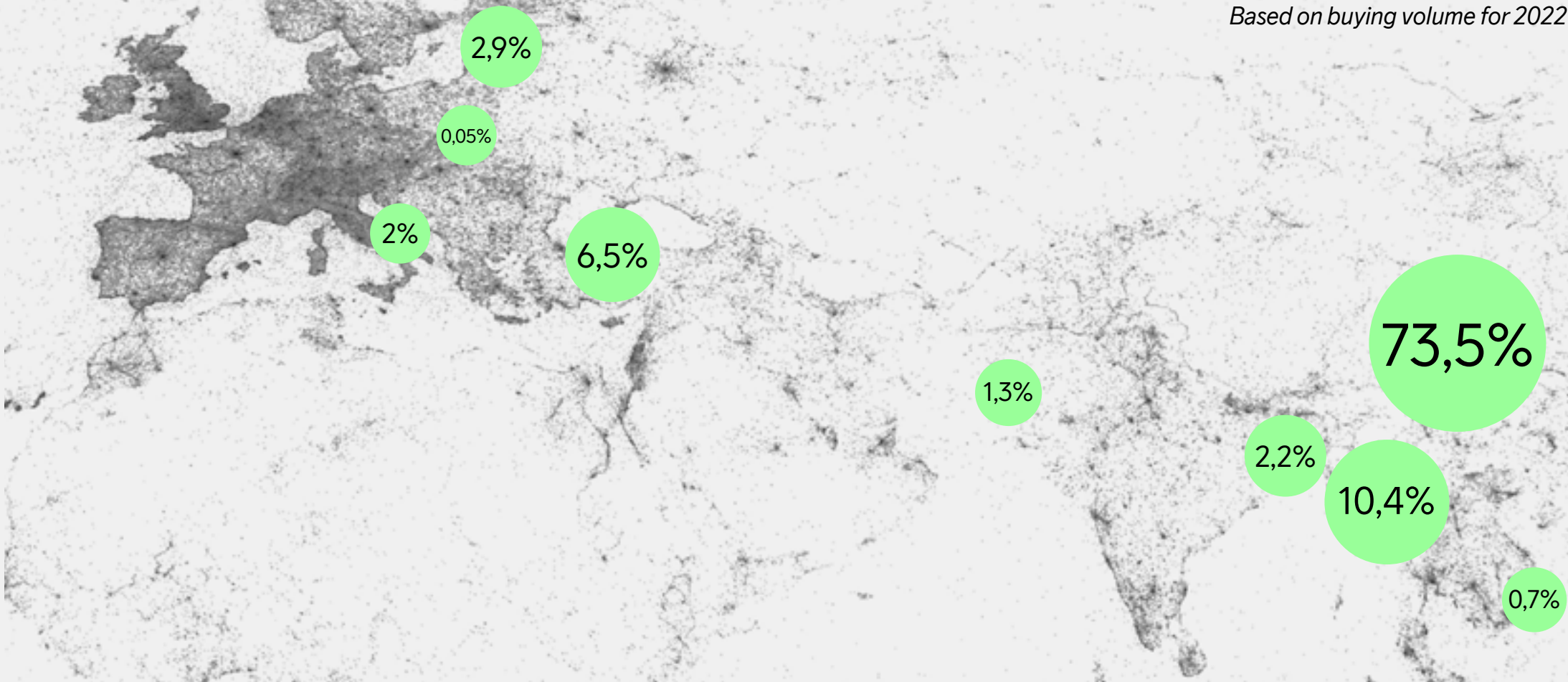
Main suppliers (Tier 1 and 2) using renewable energy by 2030

100% renewable energy in our own operations by 2023

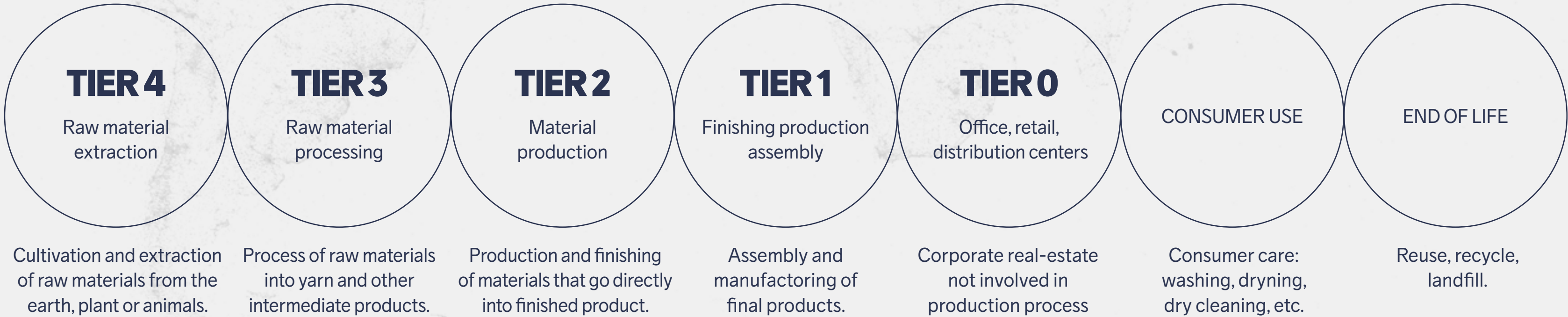




COUNTRY	SHARE OF PRODUCTION	BSCI GRADE
Vietnam	2 suppliers	B (1), C (1)
China	51 suppliers	B (7), C (44)
Bangladesh	4 suppliers	A (1), B (3)
Myanmar	5 suppliers	B (3) , C (2)
Turkey	3 suppliers	B (2), C (1)

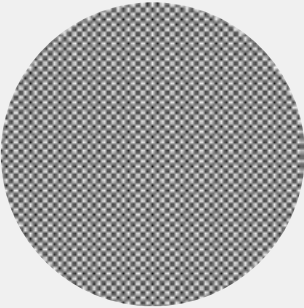


Apparell and footwear value chain



LOGISTICS

Shipping of materials and products across value chain.



**OUR GOAL IS
LEAVING AS
SMALL A TRACE
AS POSSIBLE.**





CHEMICALS

Phasing out harmful chemicals.

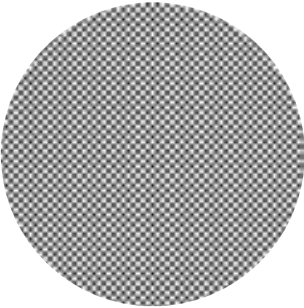
Chemicals are a necessary part of the textile production chain, especially for functional garments designed to withstand extreme weather conditions. But our view is that it's also mandatory to ban some of them from entering the world's ecosystems. To prohibit the use of harmful chemicals on our supply chain, we have created a Restricted Substances list, based on EU's strict legislation REACH. In 2016, we added water repellent agents using PFCs to the list, shifting towards PFC-free alternatives for weather protection. Compliance with our chemicals policy is followed up through voluntary discussion and sharing of knowledge with the other members of The Chemicals Group, a network founded by RISE Research Institutes of Sweden, as well as through third party testing.

PFAS Movement signed

In 2021, we took another step forward by signing the PFAS Movement initiated by ChemSec, an international non-profit organization that works to phase out harmful chemicals in favor of safe alternatives. The objective is to create a strong link between researchers, decision makers and companies in the fight against harmful chemicals. Through ChemSec's PFAS Movement, companies commit themselves to working to get hazardous fluorides covered by the REACH legislation, banning their use throughout the EU.

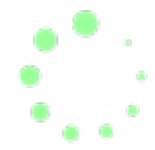
”We strive daily for a more sustainable business. Our aim is to be as transparent as possible, and take responsibility for how our business affects people and the environment throughout the value chain. Joining the PFAS Movement is an important step in our efforts to protect the health of our customers, staff and suppliers, as well as safeguard the environment from these harmful forever chemicals”.

Erica Persson, Sustainability Manager at Craft.





05 Packaging



REDUCING WASTE AND FOSSIL DEPENDENCY.

Plastics are closely interlinked with the modern packaging process, as they offer a durable, adaptable and affordable alternative. The problem is that they're made from a fossil-based and finite resource, contribute to global warming and too often are single use only.

To minimize the long-term effects of everything that protects our garments, shoes and accessories during the journey to our customers, we have made a conscious effort to transition to more sustainable packaging solutions and materials. This means that we consciously favor recycled and recyclable materials for all packaging, for every product and in every market, to leave as small a footprint as possible.

Recycled packaging

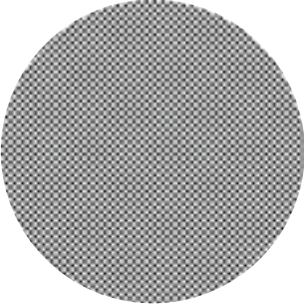
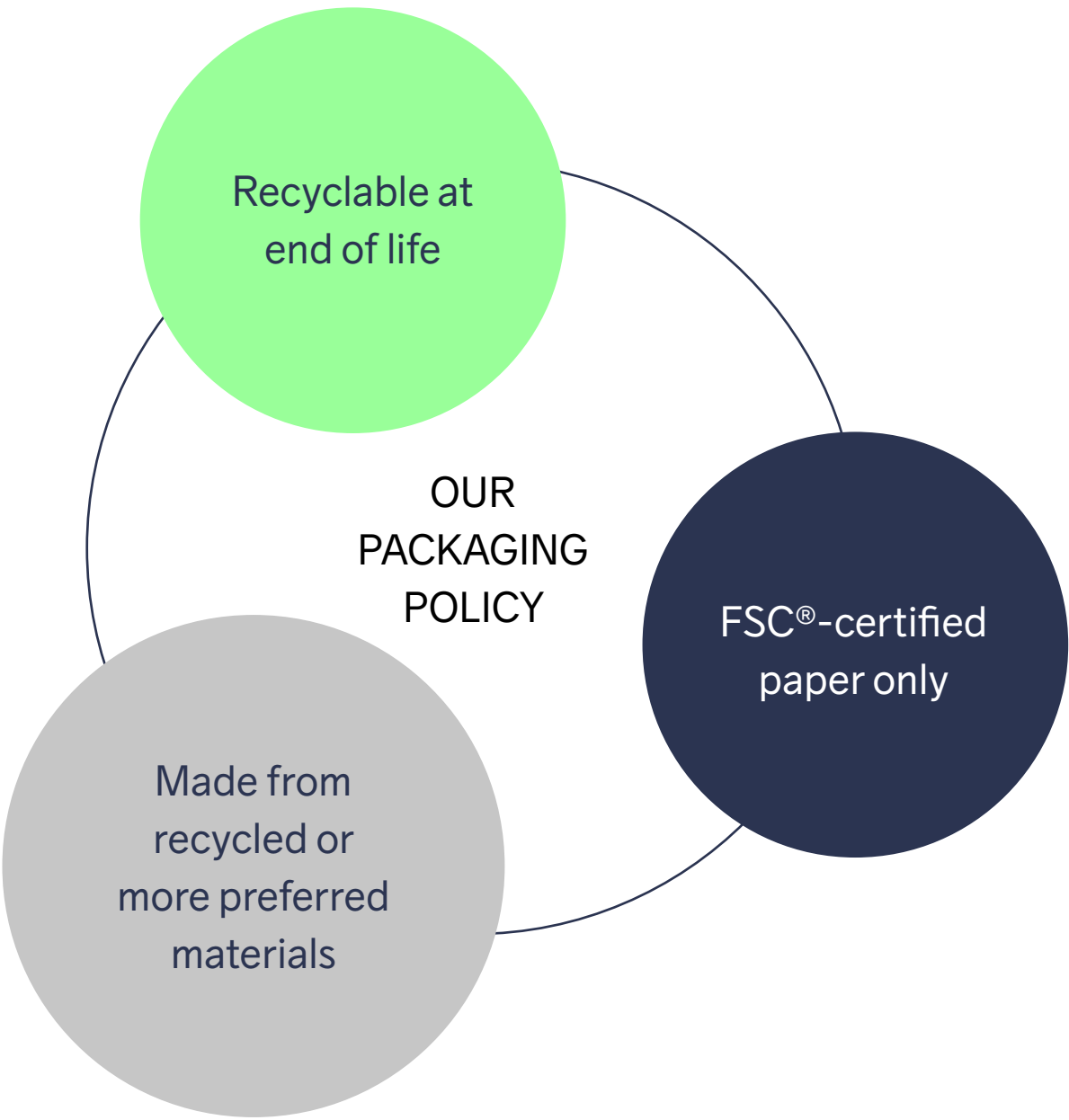
This is why all our polybags are sourced from recycled low density polyethylene, or LDPE. A key benefit is that LDPE can be recycled again after use, which is why we've redesigned our packaging to clearly communicate how our customers can help them stay in the loop. When it comes to the paper we use for labels, boxes and tags, our policy is to use only 100% FSC®-certified paper, that's recyclable, sustainably sourced and has an audited trail from harvest to delivery.

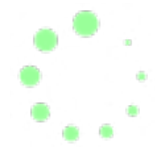
Minimizing waste

Our stated goal is that all packaging should be 100% recyclable after serving its purpose. An objective that's in line with proposed changes to the EU Packaging and Packaging Waste Directive, aimed to promote the use of recyclable materials by making the longer perspective mandatory. The new regulation also aims to prevent waste by reducing the overall amount of packaging, which is an industry-wide problem and an ambition we share. In 2020, we redesigned our packaging system, consolidating a large number of cartons into a system based on small, medium and large size boxes. A reduction that translates into less waste, as outdated boxes won't have to be discarded, and more efficient use of space throughout the entire logistics chain. However, we still see the need for further investigation into more sustainable packaging solutions. In 2022, we began questioning why shoes have to come in boxes, and launched an internal project aimed at finding new materials and solutions for our future packaging. As always, it seems impossible at first, until it isn't.

LONG-TERM OBJECTIVE:

Work towards a substantially reduced use of packing materials.





INTERVIEW

Packaging with purpose.

Joakim Anvell, Product Marketing Manager at Craft on moving towards more sustainable packaging.

What was your priority in 2022?

- Our focus for 2022 has been to make sure that the materials we use are the best options available from a sustainability standpoint. As all our packaging is recyclable, we’ve also updated our overall messaging to make it clearer how consumers can recycle responsibly, and to ensure that every single bag and box complies with local regulations.

Any examples?

- Last year, we developed a new shoe box that uses 10% less paper. It replaces two different boxes, which will also cut down on surplus and waste. Thanks to the new design, all of our shoes will now be delivered in boxes made from FSC®-labelled paper.

What’s next?

-We’re always looking for ways to further reduce our environmental impact, from challenging our material choices to questioning the need for the packaging itself. Going forward, our priority for 2023 is to find better alternatives for items such as zipbags, hooks and other details that are made from plastic today.



PACKAGING GOALS:

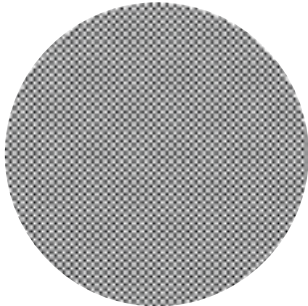
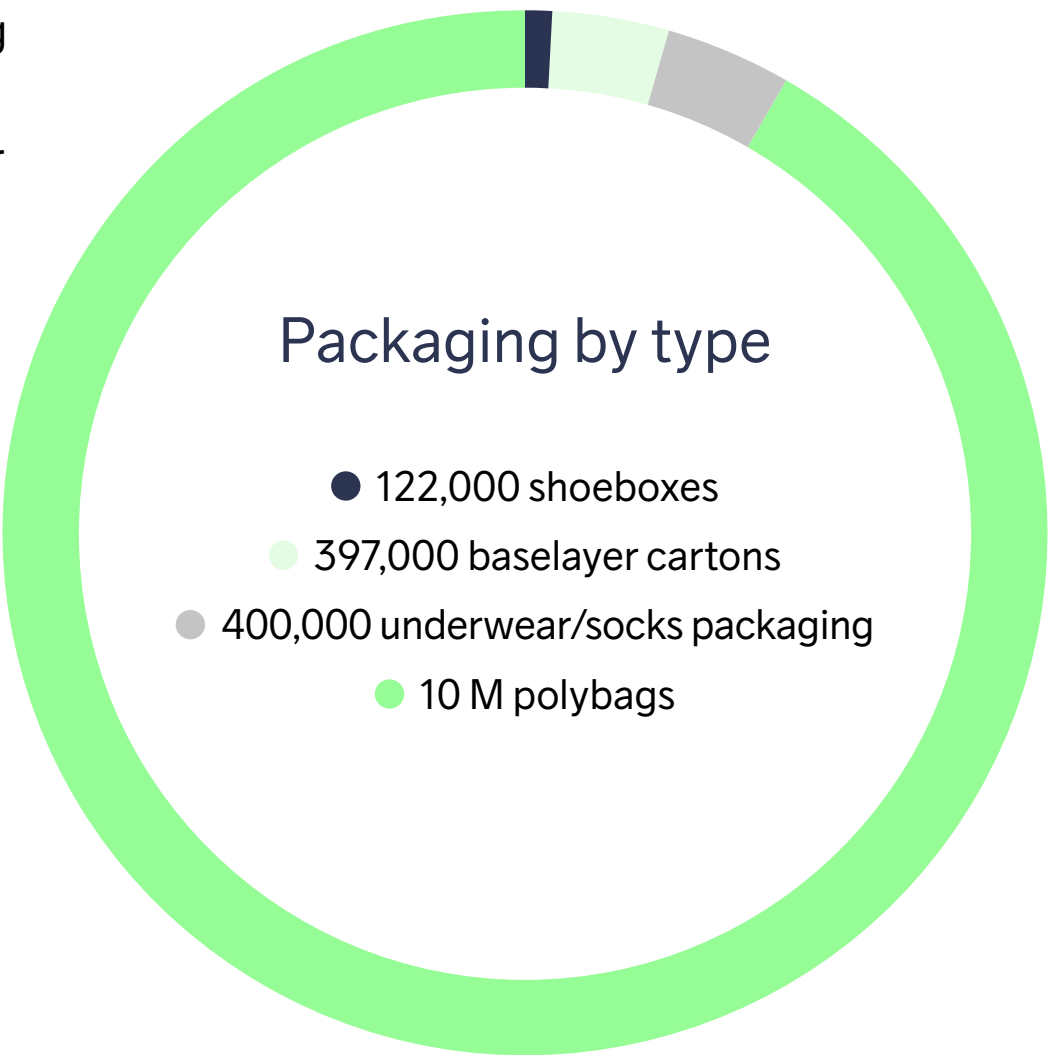
Reduce the use of plastics and unnecessary packing or labelling with 35% by 2025

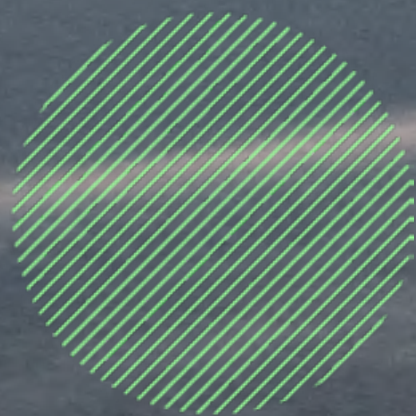
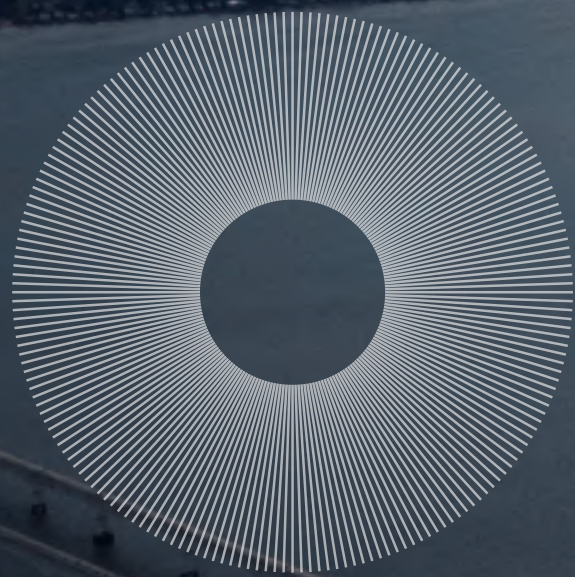
All bags used for packing garments made from more preferred materials

All labels, tags and packaging made from FSC®-certified paper

Introduce preferable alternatives to shoeboxes by 2025

In 2022, we began tracking the carbon footprint of our packaging as a baseline for future progress.





06 Logistics



SUSTAINABLE SHORTCUTS ONLY.

At any given time, thousands of our products are en route to retailers and athletes all over the world. By sea, by land, but almost never by air.

Our stated goal is to minimize the total greenhouse gas emissions resulting from our daily operations, and a big step towards that objective is choosing more sustainable transportation methods. As air freight carries a significantly larger carbon footprint compared to shipping by boat or by train, we are working diligently to keep our containers from ever getting airborne. In 2022, we reduced the use of air freight in our shipping operations, and our aim is to continue in that direction in 2023.

Clean Shipping Index

Today, the vast majority of our goods is shipped by boat. As a member of Clean Shipping Index, an initiative aiming to accelerate the shift to cleaner vessels, we are actively working to reduce the impact of shipping on the world's oceans.

Closer to market

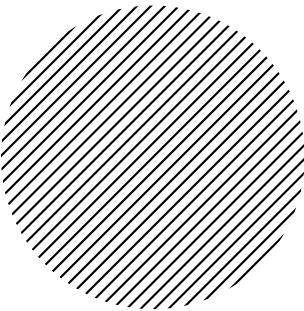
However, the most sustainable journey is often the shortest one. That's why we strive towards producing more items closer to market in the future. Today, we already have production facilities on all continents, and our long-term ambition is to increase the percentage of local and regional manufacture significantly. Besides cutting down on the need for long-distance transportation, a close-to-market approach will also make electric trains and vehicles viable transportation alternatives, as more shipments will occur on land.

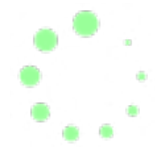
Decreasing our emissions

When it comes to our own mobility footprint, our goal is to reduce emissions from all Craft vehicles with 50% by 2025. To help us reach that goal, our policy is that our salesforce should choose electric cars when possible. We also encourage our employees to hold more digital meetings, continuing the trend started during the pandemic, to further reduce travel related emissions.

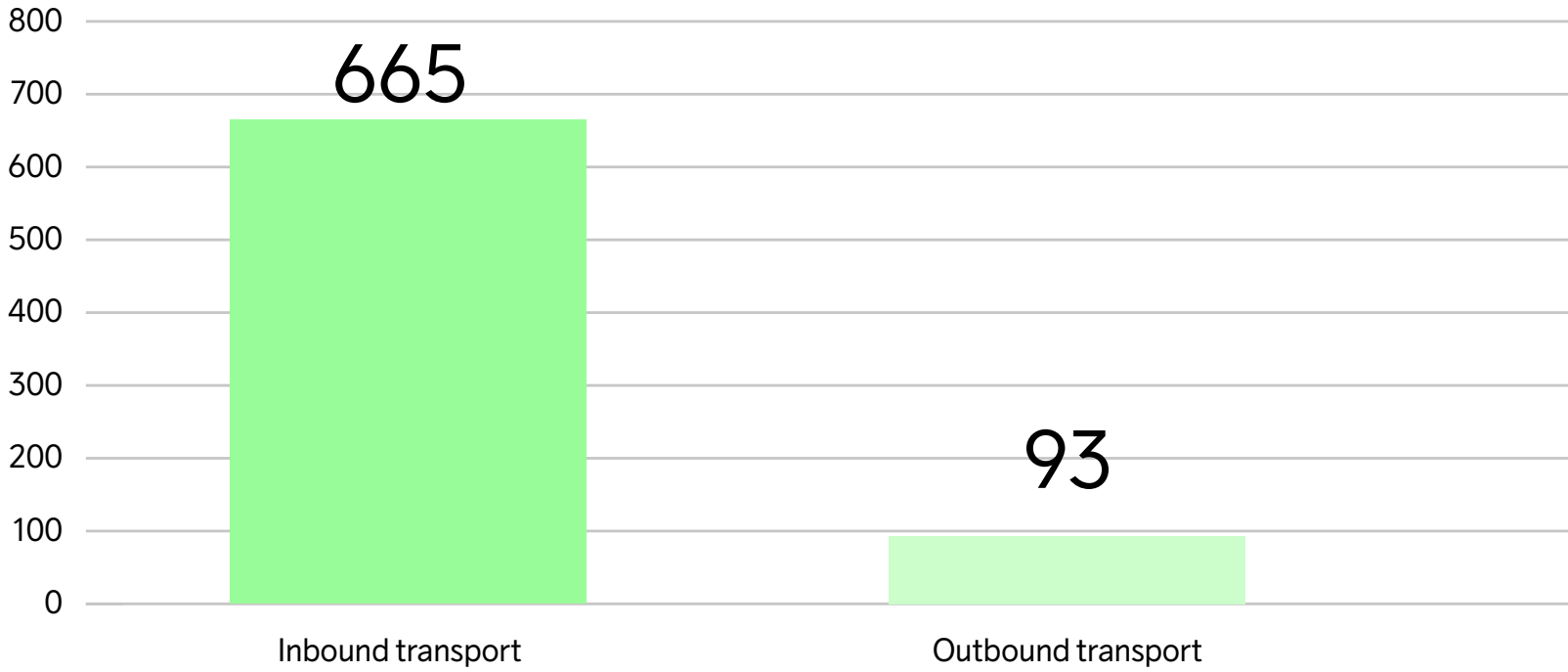
LONG-TERM OBJECTIVE:

To significantly reduce overall freight distance and total emissions resulting from shipping and air freight.





Total emissions
per type of
transport, ton
CO₂e

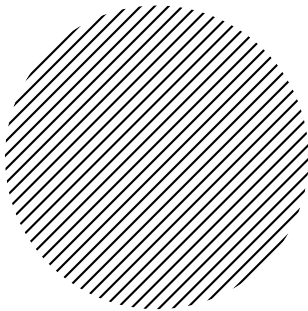
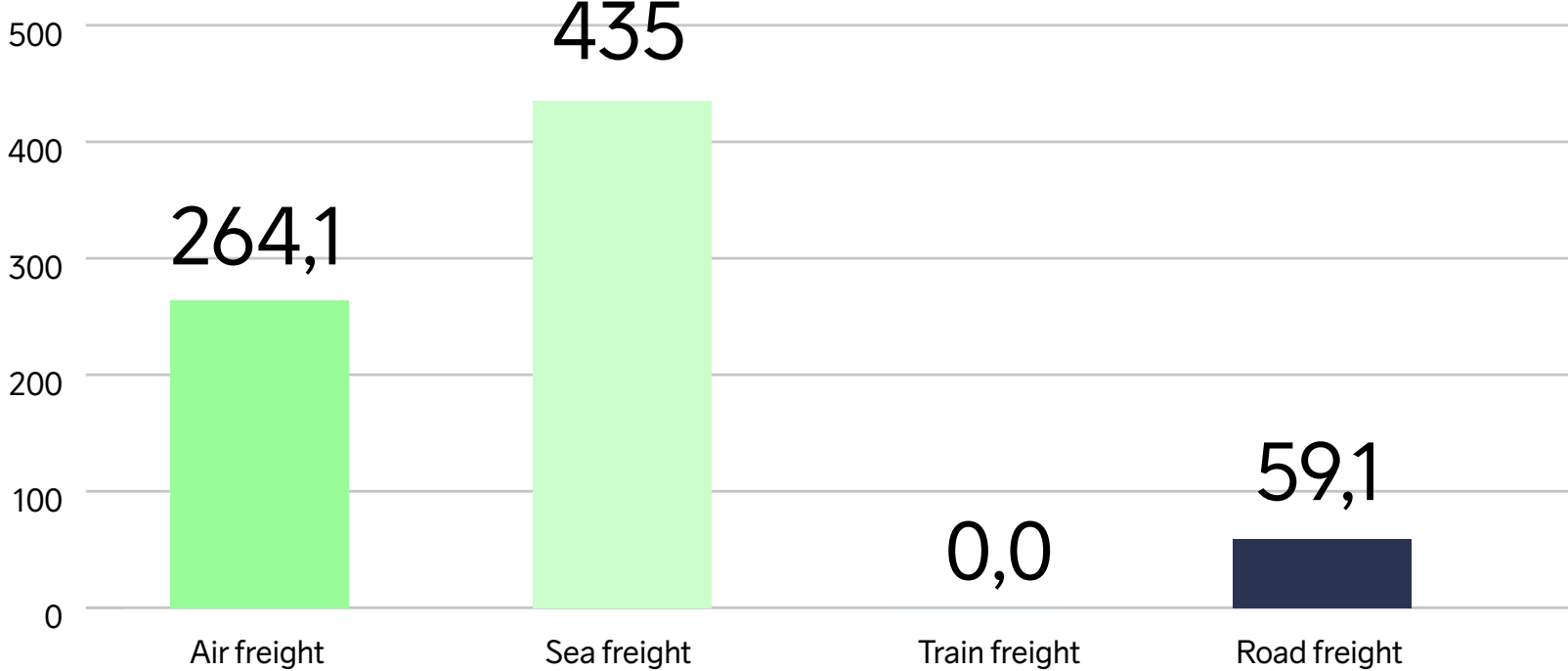


LOGISTICS GOALS:

Reduce our emissions from
air freight with 30% by 2025

50% reduction in emissions
from Craft cars by 2025

Total emissions
per method of
transport, ton
CO₂e



**EXTENDING THE LIFECYCLE
FOR MILES AND MILES.**





CIRCULAR BUSINESS MODELS

The future is circular.

By 2050, it’s estimated that we will consume the Earth’s resources at a rate three times higher than it can generate. So when it comes to making better use of our shared resources, we believe that taking a circular approach to product design is not enough. It’s also vital to take a look at the business models they exist in.

In other words, making products that last and can be repaired, repurposed or recycled at end of life is a good start. But to maximize the potential of the resources they represent, we also see the need to introduce circular business models. This is why we have set up an important goal for how our products are used in the future. By 2030, 20% of all Craft products will be rented, reused or resold within our ecosystem. Naturally, this will put the longevity and durability of our products to the test. But since designing for the long run is in our DNA, we’re confident that it is one we will pass with flying colors. However, it will also introduce the need for a redesigned distribution infrastructure, capable of handling multiple points of purchase and integrating refreshes and repurposes in the delivery chain. Therefore, shifting from a linear to a circular business model is a challenge that can only be solved in cooperation with our entire supply and distribution chain.

Extending the loop
To make our objective a reality, we are looking to introduce pre-owned products into our offer in the next few years. Inviting our customers to trade in a product when they elevate their game, or sell it back to us when it’s served its purpose. Our products are made to be used, and moving them forward at the right time would mean that fewer products stay in the closet or end up in landfills. Along with that ambition, we are also questioning the concept of ownership as the only possible alternative. Letting our customers rent the functionality they need, when they need it, would not only make it easier for more people to experience nature and take an active interest in their own wellbeing. From a sustainability perspective, it would also mean that the first steps they take come with a smaller environmental footprint.





Sustainability FAQ.

To make progress, it’s important to keep asking questions that challenge the status quo. Here are some of the questions that we are often asked, and that we ask ourselves regularly.

Why a sustainability initiative?

Our mission is to make the world move without harming our shared arena. As everything we do has an impact on our planet, our sustainability initiative aims to bring about real and lasting change, when it comes to our own operations and the textile industry as a whole. To achieve this, our efforts are based on the UNs Global Goals in Agenda 2030, and we are actively collaborating with external organizations and companies as well as our entire supply chain.

Why polyester?

If you want to make garments that keep the athlete comfortable in any conditions, polyester is a fantastic fabric. It’s light, strong, dries quickly and excels at transporting heat and moisture away from the body. However, as it’s fossil-based, it’s not a renewable resource, and the production of virgin polyester also releases carbon into the atmosphere. To decrease our fossil dependence, reduce waste and lower our carbon footprint, our goal is to use 100% recycled polyester by 2027. In 2022, 50% of the polyester we used was recycled.

Why not manufacture in Borås?

With our roots in Sweden’s historic textile region, nothing would make us prouder than having every collection made locally. However, capacity and cost issues makes it impossible if we want to continue to serve the global athletic community. Today, the bulk of our products are manufactured in Asia, today’s epicenter for textile know-how and the location for the majority of the world’s textile mills and suppliers. To reduce the need for long-distance shipping, our future ambition is to produce more items closer to market on all five continents.

Why do we use plastics in our packaging?

During the journey from the factory, every finished product needs to be protected from moisture, odors, spills and other shipping-related hazards. A product that’s damaged or harmed in transport can’t be sold, which would make it truly unsustainable no matter how it’s produced. Today, we use polybags made from LDPE or low-density polyethylene, a plastic that can be recycled again after use. However, as it’s still a fossil-based material, we’re actively looking for alternative solutions to plastic, as well as packaging solutions that reduce the need for protective packaging in the first place.

Why not just climate compensate for our emissions?

Our stated goal for 2025 is to decrease emissions from air freight by 2030. A goal that can be reached in two ways: by purchasing carbon credits or favoring more sustainable transportation methods. The problem with offsetting carbon costs is that it facilitates business as usual, providing a temporary solution to a long-term problem. To us, the only viable way forward is cut emissions at the source, preventing them from happening in the first place.

”Recycled polyester generates 79% less carbon emissions compared to virgin polyester.”

* Source: Common Objective





**RUNNING IN
CIRCLES IS
THE ONLY WAY
FORWARD.**

On our to-do-list for 2023:

- > All new products fully or partially made from more preferred materials
- > Climate action roadmap with top 10 suppliers
- > Track supply chain emissions as per STICA Scope 1-3
- > Increase our initiatives to inspire young athletes to lead active lifestyles
- > Environmental assessments for our top five suppliers
- > 100% renewable energy in our own operations
- > Material categorization
- > Set new objectives to follow up on progress



