

2020/21

Sustainability Report



panduro®

Scope of the Sustainability Report

The content of this report pertains to the Parent Company, Panduro Förvaltning AB, Org. No. 556570-3237. The companies included are Panduro Trading AB, Panduro Hobby AB (Sweden), Panduro Hobby A/S (Denmark), Panduro Hobby AS (Norway) and Popov BV (Netherlands, Belgium). The Report also constitutes Panduro Hobby AB's official sustainability report in compliance with Swedish Act 2016:947 on amendments to the Annual Accounts Act 1995:1554.

This Report pertains to the financial year 2020-05-01–2021-04-30 ("2020/21") and the key figures reported were obtained for that period and the corresponding period in the preceding years ("2019/20"). All key figures presented refer solely to the Swedish company, Panduro Hobby AB, Org. No. 556073-6356 (unless stated otherwise). Panduro Hobby A/S (Denmark) and Panduro Hobby AS (Norway) consist primarily of stores operating in leased premises. The majority of the products sold in Denmark and Norway are purchased centrally from Sweden and distributed from the central warehouse in Malmö, Sweden. The suppliers to these two subsidiaries are thus suppliers contracted by the Swedish parent company and are therefore managed in accordance with the principles in force for that entity. Sales by Popov BV*, retailing in both the Netherlands and Belgium, are made up of 43.5 percent merchandise purchased from Panduro.

*Popov BV operate stores and e-commerce under the name Pipos.



Rickard Kemfors, Chief Executive Officer (CEO)

CEO has the floor

"The key to sustainability and sustainable development is in continuous improvement and new technologies."

2020 was a strange year. Like the rest of the world, Panduro was impacted by the pandemic, which will regrettably still be with us through 2021 as well. But the pandemic has also given us insights of value for our sustainability initiatives. For example, that we do not need to travel as much, and that having European suppliers is a great advantage. In fact, more than 70 percent of Panduro's products are sourced from suppliers in Europe. This meant that Panduro was not affected by the delays on shipments from Asia. In other words, we were able to supply products to our customers throughout the year.

Looking at sustainability from a global perspective, the pandemic has shown us that the effects of actions are soon visible. An example of this would be in the locked-down cities, where the air quality and visibility improved immediately. But obviously, over time, we cannot achieve sustainable development by locking down or halting changes in society. The key to sustainability and sustainable development is in continuous improvement and new technologies.

Our packaging is a good example of continuous improvement. We're doing things differently, doing them better and thinking more sustainably. Much has been done, but there is obviously much yet to accomplish. With that in mind, our aim is for all new Panduro-branded articles to come in 100% recyclable packaging by no later than the financial year 2022/23.

At Panduro, we can also employ new technology, for example, by contracting a freight forwarder committed to more sustainable transportation. In 2021/22, we will be offering eco-friendly parcel delivery to our online customers. For the long term, we have also set ourselves an ambitious new target:

by 2030 Panduro will only be providing and sourcing fossil-free transportation, thanks to new technological advances.

Rickard Kemfors

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Meet the people
behind Panduro!
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Sustainability efforts at Panduro

Our sustainability efforts are coordinated by the environmental and product safety division at Panduro. The sustainability report for financial year 2020/21 was compiled by employees from various departments at Panduro's headquarters in Malmö, Sweden.

Images: Bli Studio AB unless stated otherwise.

About Panduro

We offer products and ideas that inspire and develop creativity in both children and adults. Our product quality, corporate social responsibility and environmental initiatives should inspire trust among our customers, employees, suppliers and other stakeholders.

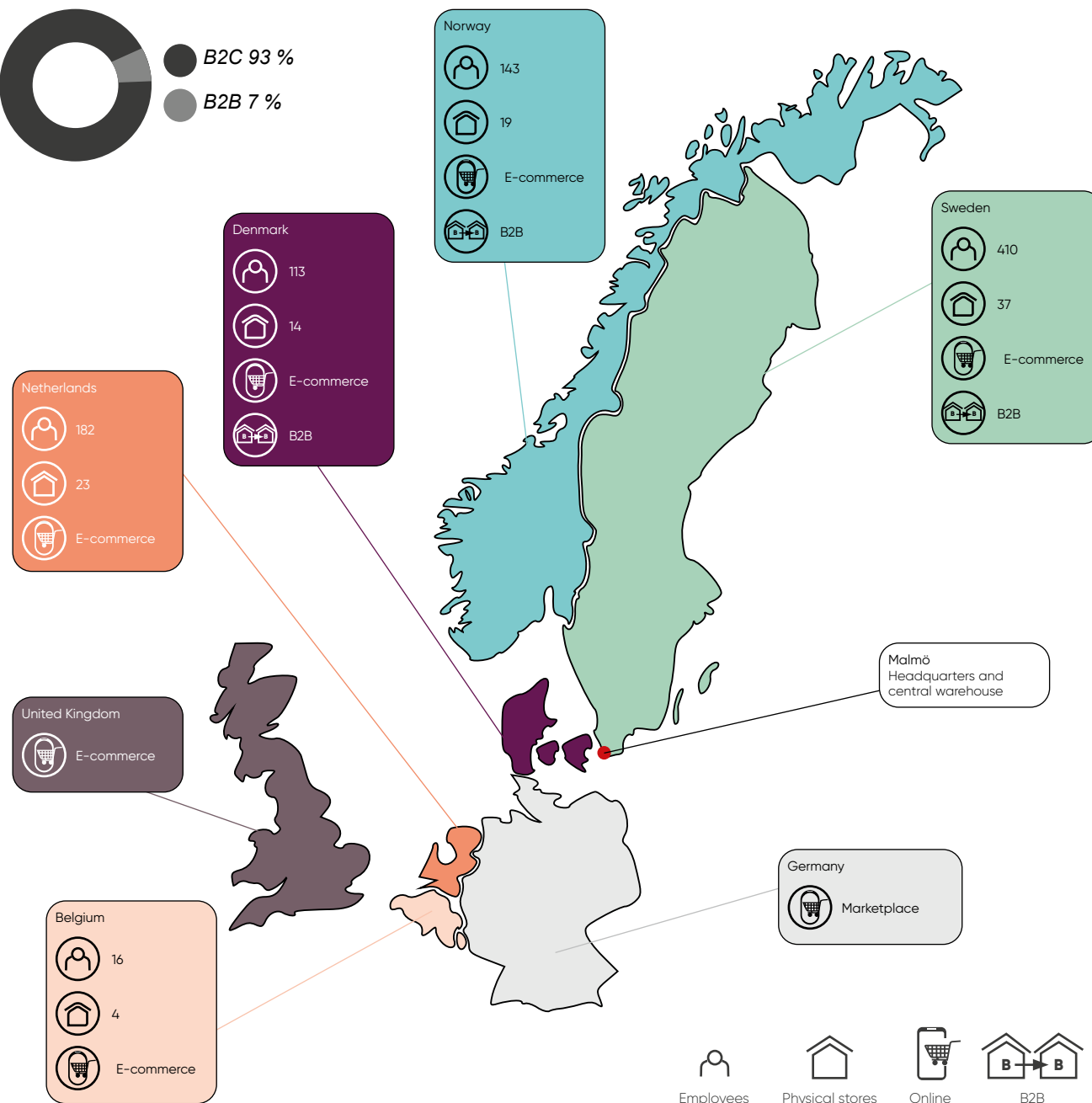
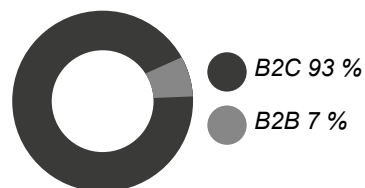
Panduro was founded in 1954 by Carlo Panduro in Denmark and to this day remains a family-owned company, headquartered since 1962 in Malmö, Sweden. Today, Panduro is a market-leading arts and crafts group with customers in seven markets, just under 900 employees and revenue of approximately 89,9 million EUR (2019/20 approximately 79,4 million EUR). Panduro's assortment of arts and craft supplies and creative hobbies products consists of both own-label products and products from other brands. We work with external partners for the manufacture of our own-label items.

Vision

Panduro shall be the preferred choice for play, crafting and creativity in Scandinavia.

Business concept

To offer an affordable, sustainable assortment of products for creativity and play in the Scandinavian markets.



Sales channels

The vast majority of sales are direct-to-consumer retailing through our own 60 physical stores and online retailing in six countries (see page 4). In 2020/21 our e-commerce activities were expanded by a new online store in the UK and increased online retailing overall. The pandemic was a contributory factor to the increase, since physical stores in several countries were periodically completely closed and our customers were largely shopping online rather than at a physical store. We also trade products online in Germany through an online marketplace.



In recent years, we have invested in expanding our assortment of fine art supplies. In 2016, we acquired the Kreatima fine art supplies store in Stockholm, Sweden, and in 2020 also acquired IN-EX in Gothenburg, Sweden, which further enlarged the Panduro products portfolio. During the year under review, we also made a substantial investment in children's play and creativity with our newly launched Pando by Panduro brand. Our first physical Pando store opening was in November 2020.

Our Business to Business trade is currently growing, and we are actively seeking to do business with additional new partners. The aim is to reach as many consumers as possible via their preferred shopping channels. Our B2B customers consist of local stores and partnerships with major retail chains. Such partnerships include one with the *EKO Stormarknad* superstore chain in Sweden, where we have established Panduro shop-in-shop, and we are strategic suppliers of creative items to the *Yes! vi leker* toystore chain in Norway. Our latest partnership is with the *Kon-Tur* bookshop chain in Denmark. In addition to these countries, we also have substantial, well-established partnerships with B2B customers in the Faroe Islands, Greenland and Iceland.

Panduro shop-in-shop at the EKO Stormarknad superstore in Sundsvall, Sweden, which opened in spring 2021. Panduro is present at five EKO Stormarknad stores in different parts of Sweden, and plans to open more over the coming year.



Thomas Panduro
B2B Director

How did Panduro's B2B activities fare over the past year?

Our creative items are in demand and this is also evident from our B2B trading figures. Over the year of the pandemic, we live-streamed presentations of our range online for our customers. Having that option is a great advantage during travel restrictions, although we obviously miss meeting with our customers in person. Livestreaming is definitely here to stay, but we will certainly be organising an annual trade show again when this becomes possible.

Brands

panduro®

Panduro – Unleash your imagination!

At Panduro we believe that people thrive from creative pastimes. Creative crafting is open to everyone; all it takes is a bit of imagination. We are passionate about encouraging that imagination and boosting creativity in all ages. Our wide assortment includes supplies and tools for traditional arts, crafts, hobbies and pastimes, plus new trends in creative DIY, reuse and upcycling. We stock a huge range of quality arts and crafts supplies plus heaps of inspiration for hands-on creativity.

Kreatima

by panduro

Kreatima – fine art supplies since 1940

At Kreatima, artistic creativity takes centre stage. With solid experience and premium fine art supplies, we are helping both professional artists and aspiring arts and crafts fans to develop their skills and realise their creative ideas. Everything we do revolves around artistry. This is our driving force, our expertise and our passion.

pando

by panduro

Pando – Let life be playful!

Wonderfully boundless, glorious play is an essential way for children to explore the world. That's why at Pando, you will find products and toys that cultivate play and creativity in children. The Pando range encourages, amazes and sparks the imagination. Play is the key that unlocks that wonderful, whimsical place where anything is possible. Naturally, our assortment is high quality, and carefully selected and tested for child safety.

pipooos

Pipoos – Maak plezier!*

At Pipoos, we are passionate about creativity and handicrafts. The range includes craft supplies for everything you want to create, craft, draw and paint, crochet and knit, bead and bake. Anything you can imagine for encouraging creativity in both children and adults. We are always ready to inspire you with new creative ideas and trends. At Pipoos, you get expert advice and find clear instructions to help get you started with your next craft project.

**Have fun!*



Kirsten Hjalmsrud
Project Manager

What's the idea behind Panduro's new Pando concept?

Everything about Pando revolves around children's creativity. A visit to the store is an experience, and a place to paint, scribble, craft, construct and play. Pando is no standard toy store, but it isn't a standard Panduro store either. The aim of Pando is to curate a creative edutainment universe for play and learning all in one.

The assortment consists of Panduro's children's merchandise, which we have expanded on. We are highly selective about the products we include in the Pando assortment, in terms of how they encourage child development, but also child safety, the environment and manufacturing. For example, many of the Pando suppliers use biodegradable plastic, recycled materials, ecolabelled coatings and FSC®-certified wood. This sustainability commitment is all-important to us!

Sustainability strategy

Our responsibility

We are passionate about creativity. This is what we want to pass on to new generations, and this is why we see it as our responsibility to create a sustainable future for those who come after us. We want to be the sustainable alternative in our segment, and that means we need to be responsive to our well-informed and aware customers and also to our externalities. To realise this, we are committed to ensuring sustainability throughout our value chain, including in the materials we source, their manufacture, and in what happens after the products have left Panduro, and in the relationship we have with our suppliers and employees during the product journey. This includes addressing a number of factors, including challenges concerning the climate, human rights, anti-corruption.

Our assortment includes items that can be used to give old items a second lease of life, and we actively encourage our customers to do likewise. In recent years, reuse, repurposing and upcycling have become a major focus for Panduro, and we aim to help and inspire our customers in various ways to extend the useful life of used and scrap products and materials. We have identified this as an opportunity to influence progress towards a more sustainable and creative future.

We see creativity as a vital part of life, and with this report, we will be explaining to our readers what we are doing to realise our sustainability vision: To achieve an imaginative and creative future for generations to come.

The foundation for our sustainability strategy

In order to identify our sustainability risks and opportunities, we used the UN Agenda 2030 and its 17 Global Goals (also known as the Sustainable Development Goals or SDGs). Based on the Global Goals, we compiled a materiality analysis (see Appendix I). In 2020, we also conducted two surveys: a brand survey in Sweden and Denmark (scheduled for Norway in 2021) and a customer survey in Sweden, Denmark and Norway. The questionnaires for both surveys covered more than the environment, sustainability and social responsibility, yet the results still provide vital intelligence on how Panduro is perceived from a sustainability perspective.

Both the brand survey and the customer survey revealed that almost 70 percent of the respondents regard Panduro as meeting their expectations regarding environmental responsibility. Regarding social responsibility, 62 percent in Sweden and 70 percent in Denmark responded that as a company we are meeting their expectations. The majority of the respondents want our products to be sustainably manufactured with long-lasting quality in order to provide value for money. The surveys also indicate that the most important sustainability aspects for our customers are to limit harmful chemicals in our products, that social conditions among the manufacturers of Panduro products are acceptable and that we limit the volume of plastic in both our products and our packaging.

The results of these two surveys underpin the earlier materiality analysis, and based on these insights, we have drawn up a sustainability strategy setting out four sustainability goals which we assess as being the most relevant to us at Panduro.

Over the coming years, the Sustainability Strategy will guide Panduro's group-wide efforts towards realising the sustainability vision of an imaginative and creative future.

Among the 17 Global Goals, we have identified the following four as the most relevant to us at Panduro:

Goal 12:
Responsible Consumption and Production

Goal 8:
Decent Work and Economic Growth

Goal 13:
Climate Action

Goal 3:
Good Health and Well-Being



The UN's 2030 Agenda for Sustainable Development: 17 Sustainable Development Goals.

Our four selected Global Goals

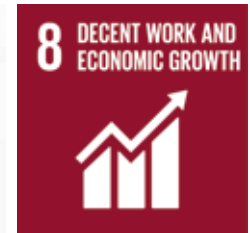


Goal 12: Responsible Consumption and Production

We regard it as important that the manufacture of our products is carried out in a way that minimises adverse impacts on people and the environment. Our mission is also to raise awareness of reuse and thus to offer a wide assortment of products that can extend the lifecycle of other products. It is also important to us to minimise the amount of hazardous chemicals in our products and ensure that they are safe for end users.

Focus areas:

Offer safe and sustainable products
Promote circular economy



Goal 8: Decent Work and Economic Growth

We safeguard our employees' rights and promote occupational health and safety. To ensure decent work in the manufacture of our products, it is important to develop long-term partnerships with responsible suppliers. Decent work and equal pay for equal work are fundamental values for us. We offer annual internships as well as work training for people on long-term sick leave.

Focus areas:

Partnerships with responsible suppliers
To be an attractive employer



Goal 13: Climate Action

Through our environmental management system, we seek to continuously improve our environmental initiatives and to educate our employees in this domain. Among other things, we seek to reduce the carbon footprint of inbound deliveries from suppliers and outbound deliveries to stores and customers. We are also working to improve our energy efficiency within our own operations, for instance by replacing lighting fixtures.

Focus areas:

Reduce the climate impacts of our deliveries

Reduce the climate impacts of our own operations



Goal 3: Good Health and Well-Being

People thrive from creative pastimes. Creativity promotes the development of imagination and the ability to problem-solve. Crafting is also known to reduce stress.

Focus areas:

Inspire creativity to promote mental health

Improve our partnerships

Our contributions to the Global Goals

In the following, we summarise our main target activities in support of the Global Goals. This is followed by a description of our performance over the year under review, and concludes with a summary of the targets we have set for the coming years.

Our targets for 2020/21

1

Continue our Code of Conduct compliance efforts

Sub-target:

By 2020/21 all suppliers will be required to have signed our Code of Conduct.

Sub-target:

By 2020/21 a system is to be in place for monitoring compliance with Panduro's Code of Conduct.



2

Increase the share of packaging composed of recyclable materials, and packaging manufactured from recycled materials

Sub-target:

By 2020/21, the share of packaging composed of recyclable materials in our product assortment is to be surveyed.



3

Reduce the climate impacts of our transport operations

Sub-target:

By 2020/21, our greenhouse gas emissions from transport operations are to be reduced by 20 percent compared with in 2017.

Sub-target:

By 2020/21, the number of pallets delivered to our stores in Sweden, Norway and Denmark is to be reduced by 30 percent compared with in 2017.



Our contributions to the Global Goals

Performance on 2020/21 targets

1

Continue our Code of Conduct compliance efforts

By 2020/21 all suppliers will be required to have signed our Code of Conduct.

2019/20: **78 %**

2020/21: **93 %**



By 2020/21 a system is to be in place for monitoring compliance with Panduro's Code of Conduct.



Monitoring is in progress, and a new target has been set for efforts going forward.



2

Increase the share of packaging composed of recyclable materials, and packaging manufactured from recycled materials

By 2020/21, the share of packaging composed of recyclable materials in our product assortment is to be surveyed.

Plastic packaging:
46% is composed of recyclable materials

Paper packaging:
87% is composed of recyclable materials



3

Reduce the climate impacts of our transport operations

By 2020/21, our greenhouse gas emissions from transport operations* is to be reduced by 20 percent compared with in 2017.

2019/20: **+4.85 %**

2020/21: **-1.62 %**



The main reasons for this were increased sales and the change in our customers' shopping behaviours in favour of increased online shopping.

By 2020/21, the number of pallets delivered to our stores in Sweden, Norway and Denmark is to be reduced by 30 percent compared with in 2017.

2019/20: **-21 %**

2020/21: **-28 %**



*Includes delivery of products from the manufacturing facility to Panduro's central warehouse and from there to the Group's own stores and online customers (excluding Pipoo's online customers). For more information on our efforts to minimise the carbon footprint of our transport operations, see page 18.

Our contributions to the Global Goals

In order to focus more intently and long-term on sustainability factors, in spring 2021, we set a number of new targets for further improving our sustainability performance.

Targets for the coming years

1

Continue our Code of Conduct compliance efforts

Sub-target:

By 2021/22 a system is to be devised and implemented for monitoring compliance with Panduro's Code of Conduct.



2

Introduce more effective and sustainable packaging along our value chain

Sub-target:

Reduce the volume of packaging materials along our value chain.

Sub-target:

All new packaging formats for our own brands are to be recyclable starting from 2022/23.

Sub-target:

All packaging formats for our own brands are to be recyclable starting from 2025/26.



3

Exclusively provide and source fossil-free transportation by 2030

Sub-target:

By 2021/22 we will offer eco-friendly parcel delivery to online customers in Sweden, Denmark and Norway.

Sub-target:

The delivery options offered to consumers are to be updated annually with additional eco-friendly parcel delivery options.

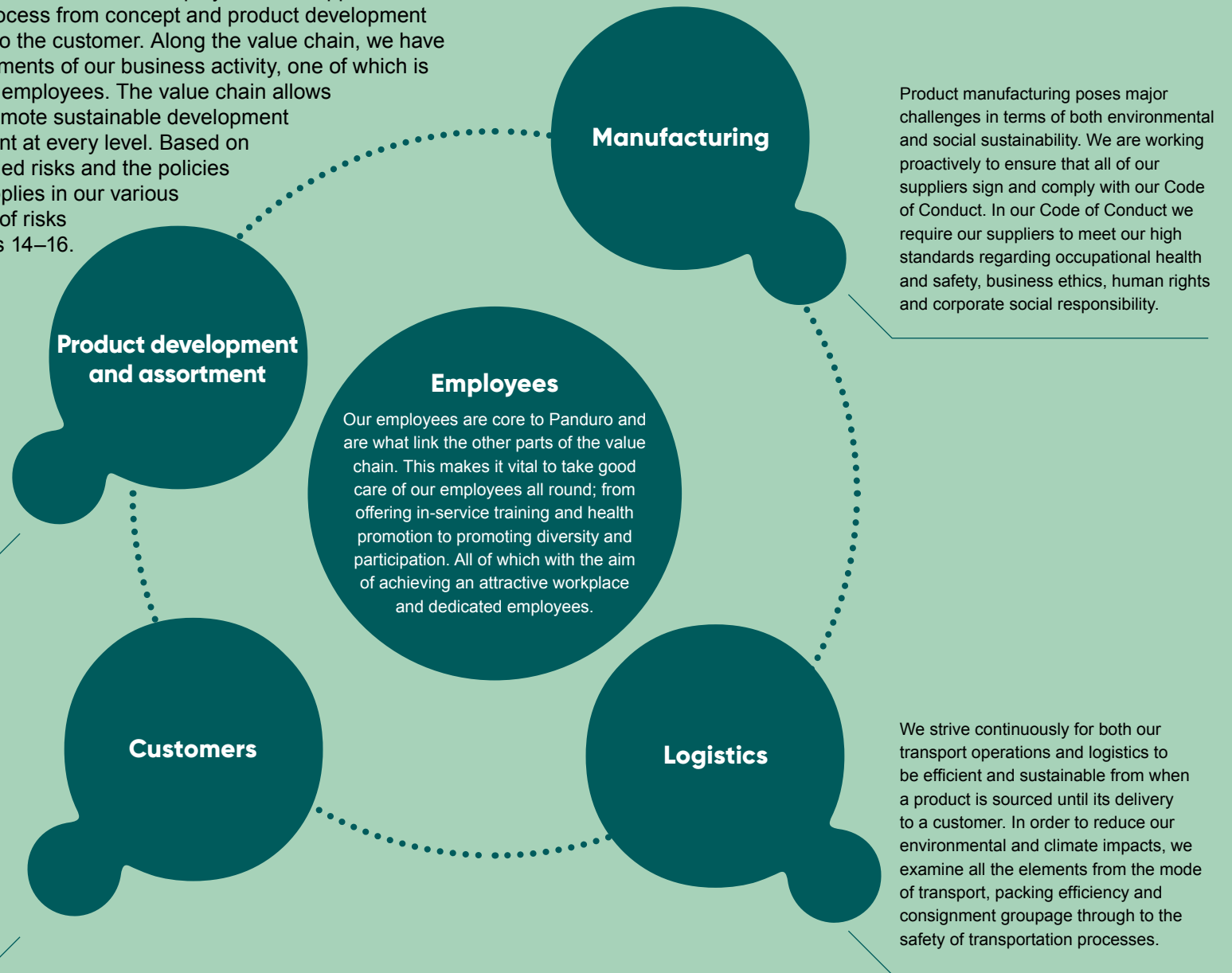


Value chain and stakeholders

Our most important stakeholders are our customers, employees and suppliers. Our value chain follows the entire process from concept and product development to the final product assortment sold to the customer. Along the value chain, we have identified the five most important elements of our business activity, one of which is the foundation for the other four: our employees. The value chain allows us to examine what we can do to promote sustainable development and safeguard our product assortment at every level. Based on our value chain, we have also identified risks and the policies and other measures the company applies in our various sustainability domains. An inventory of risks and measures is presented on pages 14–16.







We offer a wide assortment of products, which means many sustainability factors to consider. For our products, we are consequently committed to continuously verifying the component materials, and their quality and safety. This includes monitoring how we package our products and how we can offer a product assortment to cater for a sustainable lifestyle.







It is crucial for us to communicate with our customers responsibly, appropriately and accurately wherever or however we engage with them. And our responsibility does not end when a customer leaves the store. We also strive to raise awareness of post-sale reuse, product handling and recycling. In this way, we aim to foster customer satisfaction to last for generations.








Sustainability risks

Identification of our sustainability risks is based on data from our value chain and our materiality analysis. The table below provides an inventory of the most significant sustainability risks posed to our business operations. The inventory also shows the measures and governance documents we have implemented for management of these risks. All of these risks are linked to one or more of the Global Goals, and the table refers to the goal assessed as being the most relevant.

Sustainability risks	Global Goal	Part of value chain	Actions	Policy documents
Environment and product assortment				
Limited natural resources		Entire value chain	Well-informed choice of materials in products and packaging. Efforts to improve our packaging for recyclability. Offer a product assortment promoting reuse and repairs/mending.	Internal focus: Environmental and Responsibility Policy, packaging guide. External focus: Code of Conduct, Transportation, Retail and Consumer Packaging Guideline for Suppliers.
Emissions		Manufacturing, Logistics, Employees	Follow-up of transport emissions. Monitoring of return flows. Efforts to ensure consignment groupage and packing efficiency.	Internal focus: Environmental and Responsibility Policy, Car Benefit Policy, Travel Policy. External focus: Code of Conduct, Shipping Information and Packing Guideline.
Energy consumption		Entire value chain	Follow-up of energy consumption via energy performance mapping at the headquarters and in stores. Well-informed choice of energy sources. Lighting replacement in stores.	Internal focus: Environmental and Responsibility Policy. External focus: Code of Conduct.
Water consumption		Manufacturing, Product development and assortment, Employees	Panduro is Kranmärkt-certified: we only serve tap water and have no bottled water in-house.	Internal focus: Environmental and Responsibility Policy. External focus: Code of Conduct.
Animal welfare in manufacturing		Manufacturing	All suppliers of the relevant product lines are required to have signed the Panduro Animal Welfare Policy.	External focus: Panduro Animal Welfare Policy.
Product safety and use of chemicals		Product development and assortment, Manufacturing, Customers	Requirements documents issued to suppliers. Product checks by means of testing, analysis and contents risk analysis.	Internal focus: Environmental and Responsibility Policy, product inspection procedure. External focus: Code of Conduct, requirements documents for different product lines.

Sustainability risks	Global Goal	Part of value chain	Actions	Policy documents
Environment and product assortment				
Product quality		Product development and assortment, Manufacturing	Physical inspections of products and product samples.	Internal focus: Environmental and Responsibility Policy, product inspection procedure.
Waste management		Entire value chain	Follow-up of waste volumes from headquarters and warehouses. Information to customers about responsible waste source-sorting of packaging and products.	Internal focus: Environmental and Responsibility Policy, waste management procedure. External focus: Code of Conduct.
Social conditions and employees				
Pay		Manufacturing, Logistics, Employees	Contractually agreed salaries paid regularly and on time to all Panduro employees. Ongoing commitment to gender-equal pay. Suppliers are required to ensure decent working conditions, pay and rights for their employees.	Internal focus: Staff Handbook, Diversity Policy, Occupational Health and Safety Policy, Core Values. External focus: Code of Conduct.
Health and safety		Manufacturing, Logistics, Employees	Panduro's systematic occupational health and safety activities. Agreements on occupational healthcare, computer glasses and a workout pass under the health promotion benefits scheme. Suppliers are required to train employees in workplace safety.	
Overtime		Manufacturing, Logistics, Employees	Panduro's employees are required to work in compliance with national legislation and the applicable collective agreement. Suppliers are required to ensure that work hours and overtime do not exceed the guidelines in the Code of Conduct.	
Influence		Manufacturing, Employees	Panduro's employees are accorded the freedom to form and be members of a trade union and to negotiate with their employer in accordance with national legislation.	

Sustainability risks	Global Goal	Part of value chain	Actions	Policy documents
Respect for human rights				
Child labour and forced labour		Manufacturing	Suppliers shall ensure that no children are subjected to potentially harmful or hazardous work. Suppliers shall ensure that no forced labour occurs.	Internal focus: Staff Handbook, Whistleblowing Policy. External focus: Code of Conduct.
Young workers		Manufacturing, Employees	All Panduro employees and all employees of suppliers between the ages of 15 and 18 are to be treated with consideration for their young age. Restrictions on work hours and overtime should be especially respected for young employees.	Internal focus: Staff Handbook, Whistleblowing Policy. External focus: Code of Conduct.
Disciplinary action		Manufacturing, Employees	All Panduro employees are to be treated with respect and dignity. Employees shall under no circumstances be subjected to any form of physical, sexual, or mental abuse or harassment.	Internal focus: Staff Handbook, Whistleblowing Policy. External focus: Code of Conduct.
Anti-discrimination		Manufacturing, Employees	Employees of neither Panduro nor its suppliers may be discriminated against on the grounds of ethnicity, gender, religion, political affiliation, nationality, social background or for any other comparable reason.	Internal focus: Diversity Policy. External focus: Code of Conduct.
Anti-corruption				
Corruption, improper payments and bribery		Manufacturing, Logistics, Employees	It is not permitted for employees or suppliers to offer, request or accept improper payments in connection with Panduro's activities.	Internal focus: Anti-Bribery and Corruption Policy. External focus: Code of Conduct.

Environment and product assortment

Environmental management system and energy performance

At our headquarters and central warehouse in Malmö, Sweden we have had an environmental management system certified in accordance with ISO 14001 since 2006. This means that we continuously develop our environmental initiatives and establish measurable goals. Via this system, we have several documented policies and procedures related to environmental issues. Key among them are our Environmental and Responsibility Policy, Animal Welfare Policy, and our Travel Policy. The management system helps us to maintain transparently documented legal compliance in the environmental domain. Certification means that our environmental performance is reviewed annually by internal auditors as well as an external auditor. These audits serve to ensure that we continuously improve our environmental performance.

In addition to our performance reporting on page 10–12, we also have goals for our communication about the environment and sustainability to customers. Our customers and employees are becoming increasingly environmentally aware, and we are responsive to their concerns. We regularly receive questions and tips regarding environmental improvements from our customers and employees. Through a system for documenting these important viewpoints, they contribute to continuously improving our sustainability performance.

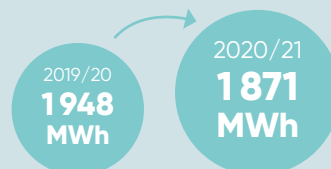
In spring 2021, we embarked on a second round of energy auditing within Panduro. This entailed an energy performance audit conducted by a certified energy auditor in our operations in Sweden. The first audit was conducted in 2017 and 2018. This resulted in a report describing a

series of measures that could be taken to reduce our energy use. The measures vary in scope, entailing small-scale or large-scale investment. So far, we have accomplished adjustments to our space heating and ventilation at our headquarters and central warehouse. We are also committed to replacing all the lighting fixtures in our stores with a more energy-efficient solution on an ongoing basis. We will shortly be replacing all the lighting at our central warehouse. For our headquarters and central warehouse, all our electricity is sourced from wind energy. The same applies to all the Swedish stores for which we have specific electricity supply contracts.

In 2021, we are undertaking a large-scale conversion of our headquarters and employee facilities at our central warehouse. Conversion projects obviously have environmental impact, but to limit these, we opted to reuse a number of materials and furnishings. We have also signed a contract on purchasing a number of used office furniture items. As part of the conversion project, we also have plans to install EV charging stations.

Energy performance

The statistics refer to our energy performance at our headquarters and central warehouse.



Philip Mossinger
Chief Marketing Officer (CMO)

How are you and your team supporting Panduro's sustainability commitment?

The marketing team and I myself as CMO have a big responsibility to live up to in supporting and communicating the excellent sustainability efforts being made by everyone at Panduro. We are now doing far more than our customers may be aware of, and we have a great many initiatives and achievements to report. For us, it's all about striking the right balance in our communication in the sense of both providing factual information and inspiring sustainability and creativity. Over the past year during the pandemic, we have, for example, invested efforts in live streaming via Facebook to present ideas for arts and crafts and creativity at a time when many people were isolated at home.



Transport and logistics

The climate crisis is a global sustainability challenge, and at Panduro we naturally have a responsibility for doing what we can to reduce greenhouse gas emissions. To reduce greenhouse gas emissions from our inbound deliveries to our stores, our initiatives include the following:

- Optimised goods volumes in our deliveries.
- Cardboard boxes for our stores adapted to pallet dimensions in order to reduce the volume of air transported and to increase the pallet fill rate.
- Hired external operators to handle our inbound deliveries to stores and distributors in order to improve the vehicle fill rate.
- Reduce the number of transit days to stores.

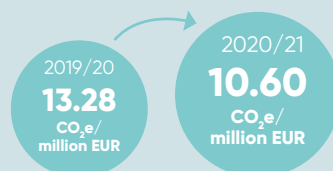
In line with the increase in our online retailing, we have taken a strategic decision to hire a third-party operator for pick and pack fulfilment of orders placed online. This decision was based on the need to ensure heavily increased supply capacity for our online customers. Since August

2020, we have consequently outsourced our online warehousing from a third-party operator. Their warehouse premises hold silver-class environmental certification*. Other key elements in our efforts to reduce our carbon footprint along our value chain include vetting and auditing of our choice of freight forwarding partner and launching fossil-free delivery in our e-commerce channel as rapidly as possible. It is important to be able to offer our customers flexible delivery options with a smaller environmental footprint now that online retailing is on the rise and becoming more important to us.

The pandemic entailed especially hard work in partnership with our suppliers to work around extraordinary situations and ensure deliveries of our products. For several years now, we have been working actively on consignment groupage of products shipped to us from Asia. Airfreight of products is undertaken strictly as an exception. In order to manage this more effectively going forward, we have set ourselves a new ambitious target of achieving fossil-free transportation by 2030 (for more information about targets, see page 12).

Emissions from transportation

These figures include transportation of products from the manufacturing location to Panduro's central warehouse, and from the central warehouse to the group's own stores and to online customers (excluding Pipoos' online customers).**



Björn Johansson

Supply Chain Director

How has Panduro adapted its transport operations in response to the pandemic?

When plans came out for temporary store closures, and the public were recommended to avoid shopping centres and the like, we were keen to encourage interest in online shopping. Early on, we gave ourselves less than three months to organise a home delivery solution for our customers in Sweden, Norway and Denmark. This meant that we managed to launch this service in time for the first national lockdowns in late March 2020. Overall, 5-25 percent of our online customers opted for home delivery, with some differentiation depending on the situation at the time in the individual countries.

* Swedish certification scheme Miljöbyggnad.

**The statistics were calculated according to the Well-to-Wheel (WtW) emissions model, meaning from a lifecycle perspective.



Environmental partnering with suppliers

We rate our suppliers' performance based on a system we call Score Card. This supplier rating system includes a wide range of parameters from price, quality and service level through to legal compliance and documentation disclosure. It also includes key rating criteria regarding environmental and social aspects. The aim is for Score Card to be used at meetings with suppliers to foster open dialogue conducive to long-term customer relations.



25 percent of the pot containing our Hobbylack craft paint is recycled plastic. This means we have replaced almost 1 tonne of fossil-based plastic with recycled plastic over the last year.

Packaging and materials

To ensure that we use limited global natural resources more efficiently by reviewing the materials in our packaging. This drive requires close collaboration with our suppliers. The main purpose of our packaging is to protect our merchandise during transportation, but also to inspire creativity among our customers. Basically, these efforts are all about avoiding inessential packaging and needlessly large packaging formats. We are also aiming for our packaging types to be composed of recyclable materials so that after the customer has delivered used packaging to a recycling station, it can be reused to make new products or packaging.



We have replaced our PVC craft tubes with cardboard packaging. Unlike PVC, which is difficult to recycle, the cardboard can easily be turned into new paper pulp if waste sorted as paper.

We will also be increasing the share of our packaging made from recycled materials or renewable raw materials. We have produced a guide to how we can live up to these factors in-house when selecting and developing the packaging for a given product. This also involves avoiding certain types of materials such as PVC, and assessing how we use print and materials in designing our packaging. We have also issued a guidance for our suppliers explaining which packaging we prefer them to use. Going forward, we will be stepping up the efforts to improve our packaging types throughout our value chain (see the target on page 12). In the coming year, we will be carrying out a project to improve the packaging of our online orders and seeking to reduce the volume of non-essential packaging from suppliers.



Safe products

A cornerstone of our commitment to offering a sustainable assortment is product safety. With our wide assortment of products, we have the opportunity to make a difference by choosing materials and products that are consistent with our values. We strive to deliver products that conform to a high standard of quality and reliability with regard to safety, health and the environment. We therefore have documented procedures for ensuring that all products are safe for both the environment and human health. We work with requirement specifications for all product categories in our assortment, and they are updated regularly in response to changes in the legislation. Legal requirements and recommendations from authorities and industry organisations are our minimum requirements, and in addition are the further requirements we specify ourselves. Product safety efforts also include reviewing test reports and product contents. Toys and electronics are tested according to special standards by testing bodies in order to ensure that they satisfy all regulatory requirements and are safe to use. For other product categories, checking the chemical contents is important, and cosmetic products and many chemical products for children are tested and risk-assessed by external toxicologists. It is important for each product to be appropriate for the intended user and the safety of products intended for children is especially important.

Recalled products

A product recall occurs when an official body declares that a product poses a safety risk, but occasionally we opt to recall a product on our own initiative.

2019/20: 1 recalled product

2020/21: 2 recalled products

Sustainable assortment

In addition to product safety, another fundamental element of our commitment to sustainable retailing is to offer products that inspire and facilitate reuse and upcycling. Through our products and marketing, our mission is to encourage the creativity that extends the life of other products and increases materials recycling. Our ambition is to increase our assortment of ecolabelled and environmentally certified products. Examples would be our Nordic Swan Ecolabelled paints for children and a range of Nordic Swan Ecolabelled furniture paints. The Nordic Swan Ecolabel guarantees, for example, that the contents of a product have been assessed and approved by an independent third party with regard to its environmental impact. Going forward, we will be introducing more FSC®-labelled wood and paper products into our assortment. The FSC (Forest Stewardship Council) label means that the material used to make the product was sourced from responsibly managed forests. Panduro's own



brands include a number of products bearing the FSC label, including Easter eggs, paper pads and paintbrushes, and we are committed to introducing more. We also have many products from other brands, such as the wooden toys in our Pando line, which are FSC-labelled.

To reduce the sustainability risks linked to our assortment, we also working to exclude critical components from certain products. One example of this is not using ingredients derived from palm oil in our soap bases. Active ingredient decisions have also been made in our efforts to launch more products made with recycled or biodegradable materials. The high quality of our products is also a key element in making our assortment more sustainable. Quality is especially important when launching a new furniture paint, for example. This involves our product developers testing the quality in terms of coverage and adhesion. A felt tip pen for children must be able to withstand handling by an eager child, making it important to have a non-retractable tip that can't be pushed in so easily.

Animal welfare

We have an Animal Welfare Policy which sets requirements for the ethical treatment of animals. We are aware of the challenge of following up on these requirements and we therefore engage in dialogue with stakeholders and others in the business. We also seek to make active choices regarding suppliers and the origin of the ingredients that go into our products. This is to reduce the number of deliveries, but also to more easily ensure the ethical treatment of animals and safe use of chemicals. An example of this is our line in vegetable-tanned leather goods from Sweden, as opposed to chromium-tanned leather from other parts of the world.

Another fundamental aspect of our sustainability efforts is to offer products that inspire and facilitate reuse and upcycling and encourage consumers to get creative with ordinary household items and waste.



Mia Kann-Bongstorp

Category Manager

Has the pandemic had any effect on Panduro's assortment?

Unlike many other retail segments, interest in creative crafting, reuse and upcycling has happily been booming during the pandemic. This has obviously benefited us. One of our strengths is the breadth of our product proposition, and we are constantly enlarging and improving our assortment. For us, the increased interest over the last year has given us extended options for selecting items for our lines. This meant that we have ventured to include and try out various products on a small scale primarily via our webshop. We are living in a highly digital world in which many of our customers choose to shop online, and we have really seen that take off during the pandemic.

Social responsibility

We require decent social conditions for everyone employed in manufacturing and transporting our products. We strive to ensure the products are made in accordance with acceptable standards for occupational health and safety. During the pandemic, in a number of cases, we have supported certain suppliers who suffered the effects of heavily reduced trade and a dire financial situation.

Our Code of Conduct

At Panduro we naturally have a Code of Conduct. This is the most important policy document for safeguarding decent social conditions. Our Code of Conduct sets out requirements for suppliers regarding pay, health and safety, overtime work and unionisation for employees.

For several years, Panduro has gradually worked to ensure our suppliers sign our Code of Conduct. These efforts began with suppliers who are active in countries rated as having the greatest sustainability risks, such as suppliers in Asia. We then proceeded to collect signatures from our largest product suppliers in Europe. The aim is for all suppliers to sign the Code of Conduct, including the freight forwarders we contract and suppliers who only supply Popov BV. The real challenge lies in ensuring that all suppliers and their sub-suppliers always comply with the Code of Conduct. To that end, we are developing a system to enforce compliance with the requirements laid down in our Code of Conduct (see the target description on page 12).

Human rights

Corporate social responsibility is a fundamental requirement for Panduro's entire operation. At Panduro, we have a responsibility to our customers to ensure all products are manufactured under decent working conditions and with respect for human rights. Suppliers are responsible for ensuring products are manufactured in accordance with:

- The UN Universal Declaration of Human Rights
- The UN Convention on the Rights of the Child
- The ILO's conventions on labour standards and rights at work.

Each supplier is also responsible for its corporate compliance with applicable national legislation. We are working to ensure that no one involved in manufacturing our products has violated human rights or has been subjected to physical or mental suffering. The requirements are regulated in our Code of Conduct.

Anti-discrimination

It is important to us that our suppliers' employees are not discriminated against at work on the grounds of ethnicity, gender, religion, political affiliation, nationality, social background or for any other comparable reason. In addition, all employees with equal experience and qualifications must receive equal pay for equal work. Panduro's requirement that discrimination must not occur is regulated in our Code of Conduct, which is based on, among other things, ILO conventions 100 and 111.

Anti-corruption

Since we influence society through our activities, it is imperative for Panduro to observe a high standard of business ethics. It is not permitted for employees or suppliers to offer, request or accept improper payments in connection with our business. We abide by the Code of Conduct concerning gifts and rewards, as described by the Swedish Anti-Corruption Institute. Over the year, we published an internal policy detailing for everyone in the company what is regarded as being a bribe.



Did you know that the UN adopted the Universal Declaration of Human Rights on 10 December 1948. For the first time, the world now had an agreement recognising all people as free and equal.

Employees

Panduro is a family-owned firm and we take care of our employees. We are convinced that our employees have to thrive for our company to thrive too. We work to established policies pervaded by sustainability. These include our Staff Handbook, Diversity Policy and Work Environment Policy. In 2021, we published two new policies: one on whistleblowing and one on anti-corruption/bribery. To ensure the best possible organisational and psychosocial work environment, we encourage open dialogue between managers and their staff. We conduct annual staff appraisals and work with staff to maintain a sound work environment. Our employees' physical work environment differs depending on whether they work in a store, at a warehouse or office, and is adapted to that function. We have a detailed work environment policy and continuously work with systematic work environment initiatives.

Our ambition is to conduct employee surveys to follow up on how our staff perceive Panduro as a workplace. To realise this, in 2021, we will be introducing pulse surveys for the different departments at our headquarters. We also have a proactive health promotion programme. In line with various national regulations, we have a contract for occupational health care in Sweden and for computer glasses in Sweden and Norway. In Sweden we also offer subsidised health promotion benefits.

Diversity and gender equality

Our business is permeated by the recognition that everyone has and is to be ensured equal rights regardless of their gender, ethnicity, religion or sexual orientation. We are keen to comply with wishes based on, for example, religious or ethnic

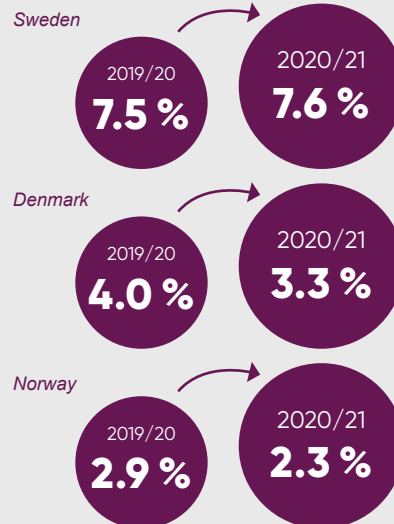
considerations. We are committed to actively preventing all forms of harassment. In our hiring process, we work to encourage applications from people of different backgrounds. Our diversity efforts are guided by our Diversity Policy.

Our gender equality programme is to be an ongoing process in employee and business development. Gender equality is to be on the agenda as a recurring element of departmental

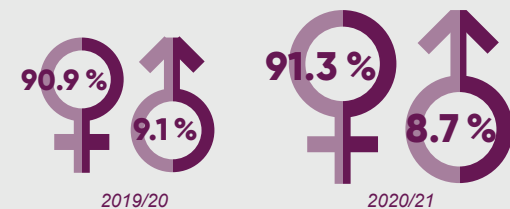
meetings and addressed as a focus in leadership training courses. As part of our gender equality commitment in the context of recruitment, we aim to hire individuals of the underrepresented sex when candidates have equal qualifications. We also seek to prevent sexual harassment based on our goal that everyone should feel respected when they go to work for Panduro.

Sickness absences in Sweden, Denmark and Norway

The circumstances prevailing during the outbreak of COVID-19 were a contributory factor to the sickness absence rate. Due to differing national regulations concerning sickness absence reporting, the figures for each country are not comparable.



The composition of Panduro's employees in Sweden, Denmark and Norway



Composition of the Board of Directors 2020/21:

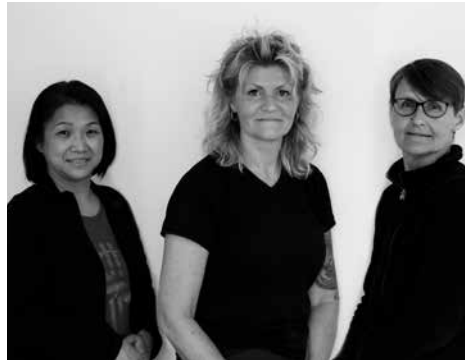
1 woman and 7 men

Composition of the Executive Group, 2020/21:

2 women and 5 men

Adjustments in response to the pandemic

Like the majority of companies, we have been affected by the ongoing pandemic. We have adopted new ways of working via digital meetings and adapted our activities in order to protect each other and those employees who have to work on site at our premises. For clerical and other office employees, those who could work from home did so. To reduce the spread of infection, work has been scheduled so that as few employees as possible work at the office simultaneously. At our stores we have followed the official guidelines and were early movers in installing plexiglas around our checkouts. Our store employees have also received training in the importance of physical distancing and in assisting our customers in doing likewise.



**Winnie Wong Hew,
Susanne Robertsson,
Desireé Krantz**
Warehouse employees

How was your work affected during the pandemic?

Obviously, we've have to maintain distance and take care not to crowd together in the same corridors when picking goods. Sometimes that has meant taking another route to avoid crowding. The good thing is that it feels like the pandemic has made us a bit more careful about ourselves and considerate towards other people.



Jenny Nylén
Store Manager

Have you seen change in customer requirements during the pandemic?

We have helped customers to find and try out new creative products for active recreation in periods when they have to stay at home more. We have also taken many calls from customers asking us to reserve items for them so that they can come and collect them at times when there are fewest customers in the store. We are obviously pleased to do that, and the option of paying by Swish (the mobile payment system used in Sweden) only makes it easier. It is vital for our customers to feel safe when they visit our stores. We also focus on providing fast and flexible services, while inspiring customers with new ideas.



Profit

Entrepreneurship



Passion

Focus



Team play

Have fun



Our Core Values

Based on our value chain and in order to unite our employees around shared values and strategic goals, in 2018 we launched and implemented our Core Values in the Scandinavian companies. In 2019, Profit was added as a Core Value in order for all employees, regardless of role or remit, to understand the importance of profitability in their day-to-day work and for the business as a whole.

Profit: We know the importance of profitability; to continuously strive towards making a profit in everything we do.

Entrepreneurship: We are doers, curious, eager to learn and take initiatives.

Passion: We are passionate about our customers, products, brands and employees.

Focus: We are focused and able to prioritise, make choices and decisions.

Team play: We stick together, show interest, share knowhow amongst colleagues and take care of each other.

Have fun: We celebrate success and create a good atmosphere.

Our Core Values are an important part of the business and a shared platform in our collaboration. By each of us embracing these Core Values in our work, we can collectively achieve the goal of profitability along with the goal of being an attractive workplace for our employees.

Employee training and development

We are committed to ensuring sustained employee development and the opportunity to participate in training courses and seminars. To that end, we convene all our executives for Top Management days twice a year. On these days, lectures are delivered on current topics and workshops are hosted with the aim of identifying new strategic initiatives and inputs for future business opportunities. At these sessions, the employees also have a chance to exchange experience and ideas with each other.

In recent years, we have invested heavily in training for store staff via various in-house video tutorials in a project called Explore Creativity. The concept is simple; the staff watch videos, complete challenges and finally test their skills. This fast-track scheme rapidly upskills staff in providing the best possible service to customers. In future, we will be producing additional video tutorials within more product lines in order to further increase staff product knowhow. In addition to tutorials focusing on different types of products, and as part of our systematic health and safety efforts, we also have a video tutorial on safe lifting technique for store staff.

Partnerships

SOS Children's Villages

We want all children to have a secure childhood. Since 2014, we have partnered with SOS Children's Villages to help children at risk around the world. SOS Children's Villages is a global children's rights organisation working to give children a secure, safe and caring home. Since the partnership started, together with our customers, we have raised SEK 2.4 million for the crucial activities of SOS Children's Villages. Due to the pandemic, children in at-risk regions are even more vulnerable. With the help of our support, SOS Children's Villages are now working harder than ever to reverse this negative development.



Photo: Mijhail Calle



Photo: Mijhail Calle

Panduro has opted to concentrate its donations on SOS Children's Village's programmes for children and families in Santa Cruz, Bolivia, one of the poorest countries in South America, where many children are extremely vulnerable. Among other risks, the country has a major problem with child labour and children living on the streets.

In the SOS Children's Village Santa Cruz Plan 4000, children who otherwise risk fending for themselves on the streets, are given a safe childhood in a family. The children become part of a community in their new home and get to attend school and leisure activities. SOS Children's Villages are integrated in local neighbourhoods to make it easier for the children to adapt and grow up to cope on their own.

Under the Plan 4000 project, SOS Children's Villages also run family strengthening programmes to help families at risk of breaking down due to poverty, substance misuse, illness, death in the family or other causes. Plan 4000 helps families stay together and ultimately become independent and able to provide for themselves. The family care includes nutritious food and basic medical care. The children also have the opportunity to attend school and the adults are helped to engage in income-supporting activities to improve their chances of making their own living.

Together with
**SOS Children's
Villages**, we are
working to protect
children's present
and future!

Nordic Partner



**SOS CHILDREN'S
VILLAGES**

Louisiana Museum of Modern Art

Since 2000, Panduro has partnered with the Children's Wing and Louisiana Learning at Louisiana Museum of Modern Art in Denmark. The Children's Wing is a three-storey wing to the museum where children from 4 to 16 can express their imagination and creativity. Panduro sponsors materials, but Louisiana decides which materials are to be made available. Louisiana adapts the activities in the Children's Wing to current exhibitions.



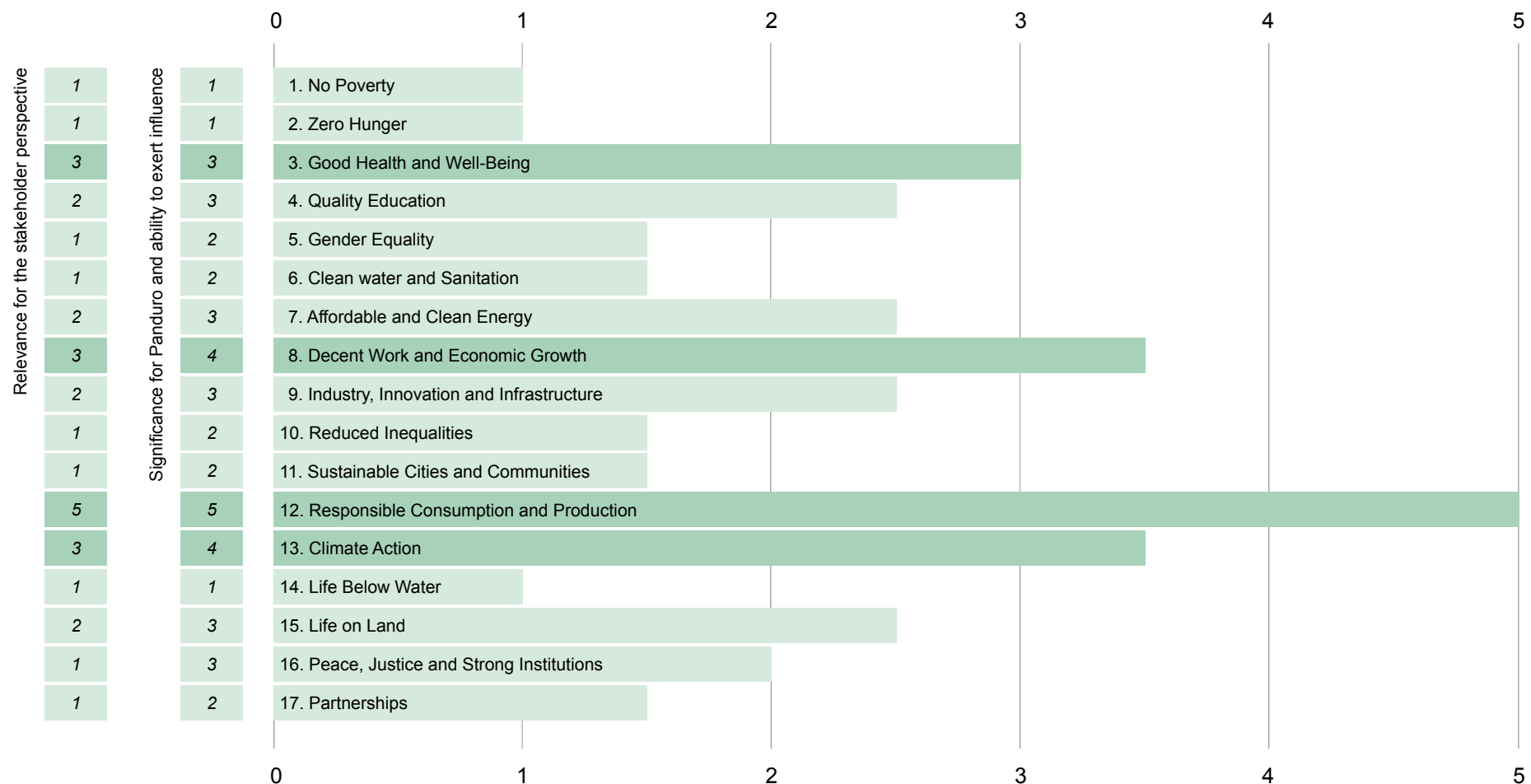
Henie Onstad Art Center

Since 2017, we have sponsored the Labben children's art workshops at Henie Onstad Art Center outside Oslo, Norway. This sponsorship is similar to that for Louisiana Museum of Modern Art.



Appendix I – Materiality analysis

We conducted a materiality analysis founded on Agenda 2030 and its 17 Sustainable Development Goals (SDGs/Global Goals). The purpose of the analysis is to prioritise the sustainability issues that are most important to the company and our stakeholders. The analysis was informed by the guidelines from the Global Reporting Initiative (GRI). We rated the relevance from a stakeholder perspective and the significance for Panduro and the company's ability to exert influence. The rating is based on a scale of 1–5, where 5 has the highest relevance.





Auditor's opinion on the statutory Sustainability Report

To the Annual General Meeting of Panduro Förvaltning AB, Org.
No. 556570-3237

Assignment and separation of duties

The Board of Directors is responsible for the Sustainability Report for the financial year 1 May 2020 to 30 April 2021 and for its preparation in accordance with the Swedish Annual Accounts Act.

Focus and scope of the examination

Our examination has been conducted in accordance with FAR's recommendation RevR 12 *The auditor's opinion regarding the statutory sustainability report*. This means that our examination of the statutory sustainability report is different and substantially lesser in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

A statutory sustainability report has been prepared.

Malmö, Sweden, 9 September 2021
PricewaterhouseCoopers AB

Vicky Johansson
Authorised Public Accountant