

2021/22

Sustainability Report



panduro®

Scope of the Sustainability Report

The content of this report pertains to the Parent Company, Panduro Förvaltning, Org. No. 556570-3237. The companies included are Panduro Trading, 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 2021-05-01–2022-04-30 ("2021/22") and the key figures reported were obtained for that period and the corresponding period in the preceding years ("2020/21"). 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 43.7 percent merchandise purchased from Panduro.

**Popov BV operates physical and online stores under the name Pipooos.*

Sustainability efforts at Panduro

Our sustainability efforts are coordinated by the environmental and product safety division at Panduro. The sustainability report for the financial year 2021/22 was compiled by employees from various departments at Panduro's headquarters in Malmö, Sweden.

Images: Bli Studio AB unless stated otherwise.



Please contact us

If you have any queries or comments about Panduro's sustainability report, you are welcome to write to us at customer@panduro.com

A message from the CEO

"Every small difference adds up to large-scale change and improvement."

A year is a brief period of time in the development of a company. Yet so much can be achieved during a year, especially when it comes to our sustainability efforts. The key to sustainable development for us at Panduro is continually assessing where we as a business can contribute to a more sustainable society and then take action for change and improvement.

Our new e-commerce packaging is a good example of how we assess, change and improve. After analysing our customers' orders, we were able to produce new packaging to match their purchases. This led to us shipping significantly less air. Of course, our packaging is FSC-labelled and we also use less print than before.

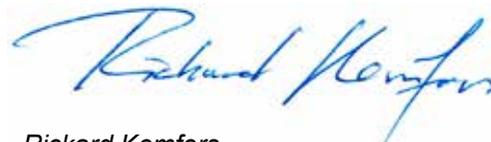
For us, it is important to be able to offer our customers the option of ordering fossil-free delivery from our online stores. In 2021, we consequently introduced several fossil-free delivery options for our online customers in Sweden. We also have an annual goal of introducing more eco-delivery options for our customers, and the ambitious target of exclusively making fossil-free deliveries by the year 2030.

For our own product development, we are working to replace and minimise plastics in both our products and packaging. In 2021 we made the switch, for example, to using paper packaging

instead of plastic for our popular craft boxes. This means we are now using 3.5 tonnes less plastic every year. We are in an ongoing process of sourcing more sustainable options, and our goal is for all our Private label packaging to be recyclable by 2025/26.

These and many other achievements we have made in sustainability over the past year make a difference. The sum of many small improvements is great, and this is also how we have to view sustainability performance – that every small difference adds up to large-scale change and improvement.

At Panduro we have a fundamental commitment to making a difference, and this is part of what drives us. Sustainability is on the agenda in everything we do, from how we design more efficient packaging to how we inspire our customers with creative ideas that provide both pleasure and well-being.



Rickard Kemfors



Rickard Kemfors, Chief Executive Officer (CEO)



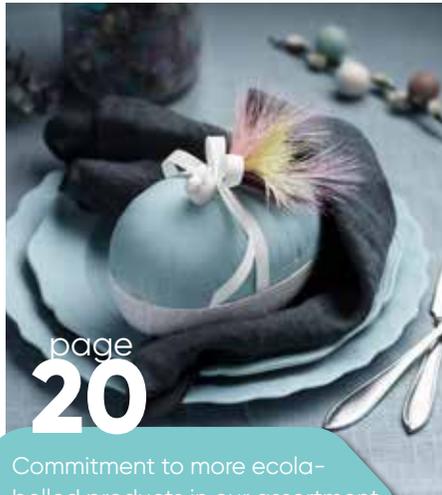
Contents

Key achievements over the year.....	5
About Panduro	6
Sales channels	7
Brands	8
Sustainability Strategy	9
Our responsibility	9
The foundation for our sustainability strategy	9
Our four selected Global Goals.....	10
Our contributions to the Global Goals	11
Value chain and stakeholders	12
Sustainability risks	13
Environment & assortment	16
Environmental management system	16
Energy performance	16
Transport and logistics	17
Packaging and materials	18
Progress for our e-commerce packaging	18
Sustainable assortment	19
Safe products	19
Ecolabelling and sustainable contents	20
Animal welfare	20
Social responsibility	21
Creativity for health	21
Partnering with suppliers	21
Human rights	22
Discrimination	22
Anti-corruption	22
Employees	23
Diversity and gender equality	24
Training and development	25
Officespace enhancements	25
Our Core Values	26
Partnerships	27
SOS Children's Villages	27
Louisiana Museum of Modern Art	27
Henie Onstad Art Center	27

2021/22

New and improved e-commerce packaging

Key achievements over the year



page
20

Commitment to more eco-labelled products in our assortment – for example, FSC®-labelled cardboard eggs

Extra donations to SOS Children's Villages

page 27

page
18

Reduced plastic in many of our packaging types with the switch to new paper boxes



Introduction of recurring employee surveys as a tool for promoting job satisfaction, commitment and well-being at work – page 23



page
18

page
21

New tool for analysing sustainability risks in our supply chains



More fossil-free delivery options for our online trade – page 17

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 in Malmö, Sweden since 1962. Today, Panduro is a market-leading arts and crafts group with customers in seven markets, just over 900 employees and revenue of approximately SEK 1.03 billion (2020/21 approximately SEK 925 million). Panduro's assortment of arts and craft supplies, and creative hobbies products consists of both private label products and products from other brands.

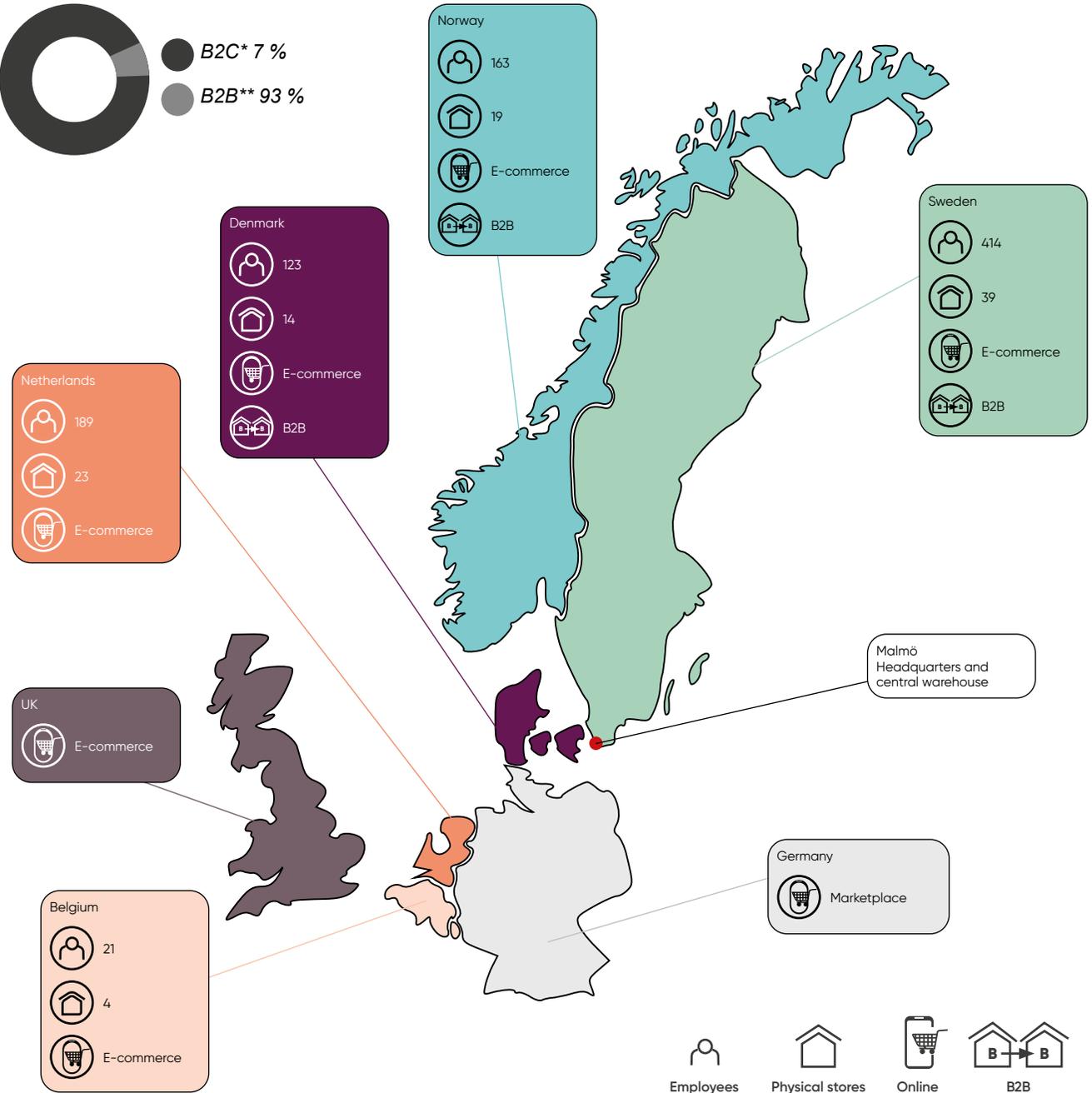
We work with external partners for the manufacture of our private label products. The Group has approximately 35,000 products in its assortment and partners with around 390 product suppliers.

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.



*Business to Consumer
**Business to Business





Heidi Panduro
Retail Director

How do the physical stores contribute to Panduro overall?

Having multiple sales channels for Panduro is a great advantage in enabling us to meet diverse customer demand. In our physical stores we have the opportunity to provide personal service and can offer all kinds, from workshops to children's parties. Our customers are incredibly observant and interested in the constituent materials of products, especially when it comes to items aimed at children, so we certainly receive many questions about this. The staff at our stores are by far our best ambassadors for Panduro's sustainability efforts, and are keen to communicate all the good we are doing within sustainability.

Sales channels

The vast majority of our sales are business-to-consumer through our 99 physical stores and online retailing in six countries (see page 6). In 2021/22 our e-commerce activities were expanded by a new online store selling fine art supplies under the name kreatima.com, and we increased our online trade overall. The pandemic was a contributory factor to the increase, as our customers tended to shop more online in addition to visiting a physical store. We also trade products online in Germany through an online marketplace.

Our business-to-business sales showed positive development in 2021/2022 and we increased our market shares. We are working actively with several new business partners, the aim being to reach as many end customers as possible through their preferred 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 a Panduro shop-in-shop. We are also strategic suppliers of creative items to the *Yes! vi leker* toystore chain in Norway. In addition to these countries, we also have substantial, well-established partnerships with B2B customers in the Faroe Islands, Greenland and Iceland. At the same time, we are seeking new customers in markets where we currently have less B2B presence such as in Finland and Denmark.

In recent years, we have invested in expanding our assortment of fine art supplies under our Kreatima brand. We currently have two physical Kreatima stores, and during the year in review we also launched Kreatima's dedicated online store. We have also sustained our major commitment to children's play and creativity with our Pando by Panduro brand, and in February 2022 we opened our second physical Pando store.

Pando was also selected as a finalist in the best retail concept 2022 category by NCSC* Sweden Awards celebrating the year's most innovative and creative achievements at Swedish shopping centres. Going forward, we are planning to establish more new stores for both Kreatima and Pando.



Pando by Panduro at Väla shopping centre in Helsingborg, Sweden opened in February 2022. 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.

*Nordic Council of Shopping Centers.

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 for 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 and provide lots 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'll 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. Of course, 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 hands-on hobbies. 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.



Pia Sylvén

Store Manager at Kreatima in Stockholm, Sweden

What characterises a Kreatima store?

At Kreatima we are dedicated to creating the mood and feel of an artist's studio in the store. We also organise various workshops led by professional artists, which our customers really appreciate. Many working artists, architects, ceramicists and art and design students from the University of Arts, Crafts and Design buy from us. They typically know exactly what they need, but we also offer advice and give them the benefit of our expertise in different media and techniques. We also help many customers find the right products for reusing old furniture and clothes. In the future, we are also hoping to expand our assortment with more products for upcycling.

*Have fun!

Sustainability Strategy

Our sustainability vision – An imaginative and creative future for generations to come

Our responsibility

We are passionate about creativity. This is what we want to pass on to new generations, and 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 conscious customers, and to the world around us. To realise our vision, we are committed to ensuring sustainability throughout our value chain. This covers everything: from the products we source, their manufacturing, what happens after the products have left Panduro, and 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 and anti-corruption.

A large proportion of the products in our assortment give people the opportunity to be creative with their hands and take time out from everyday life. Many people find that they thrive on creative pastimes, which means that our assortment can promote well-being and mental health. Our assortment also includes items that can be used to give old items a new lease of life. This is something we are keen to encourage our customers to do – to reuse and repurpose more. Together with our customers, we aim to achieve more efficient use of natural resources for the benefit of future generations. In the areas of mental health and product reuse, we have identified opportunities for helping to influence the progression 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 create 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 rely on 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).

We also conduct regular customer surveys in Sweden, Norway and Denmark to understand and follow up on how customers rate Panduro on sustainability. The surveys continuously show that a large proportion of customers regard Panduro as meeting their expectations in terms of environmental responsibility. It is important to our customers that we stock sustainable products, and they expect good quality so that the products are long-lasting, and that we use as few harmful chemicals in our products as possible. Recycled materials, natural materials and less plastic in our products are some of the other sustainability aspects our customers appreciate.

The results of our customer surveys supplement our materiality analysis, and the insights gained from both form the basis for our Sustainability Strategy. The Strategy is founded on four of the Global Goals which we have assessed to be most applicable for Panduro (see page 10). Under each Goal, we have defined focus areas indicating how our efforts are helping to achieve that Goal. 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.



Ann-Charlotte Hallberg

Design & Trend Manager

How is sustainability influencing the trends you are seeing?

Sustainability is no longer a trend as such, but a prerequisite for new products and materials. Many consumers want to purchase less of everything, so what they do buy has to be of higher quality and have a longer life-span. Buying things from flea markets and second-hand shops has long been popular, and looking at the emergent trends, there is also a strong movement for people to take good care of and repair what they already own, as opposed to buying new items. In my role, the sustainability aspect is always factored in. One thing I do is design patterns that allow us to use the same print rollers with different colourways for our giftwrap and fabrics, and we are always on the lookout for more sustainable materials to use in both our products and packaging.

Our four selected Global Goals

Out of the 17 Global Goals, we have identified the following four as the most relevant to us at Panduro.



Goal 12: Responsible Consumption and Production

We believe it is important that the manufacturing 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 upcycling 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 13: Climate Action

Through our environmental management system, we seek continuously to improve our environmental performance and to educate our employees in this area. 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 example, by replacing lighting fixtures.

Focus areas:

Reduce the climate impacts of our deliveries
Reduce the climate impacts of our own operations



Goal 8: Decent Work and Economic Growth

We safeguard our employees' rights and promote occupational health and safety. To ensure decent work in the manufacturing 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. Every year, we also offer internships and occupational training for people on long-term sick leave.

Focus areas:

Partnering with responsible suppliers
To be an attractive employer



Goal 3: Good Health and Well-Being

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

Focus areas:

Inspire creativity to promote mental health
Develop our partnerships

Our contributions to the Global Goals

In order to focus more intently and long-term on sustainability factors, in spring 2022, we set a number of new targets for further improving our sustainability performance.

Targets for the coming years

Focus area:

Promote circular economy

Long-term goal:

More efficient and sustainable packaging.

Sub-goal:

- Reduce the volume of unnecessary packaging from suppliers.
- All new packaging types for our brands are to be recyclable by 2022/23.
- All packaging types for our brands are to be recyclable by 2025/26.



Focus area:

Partnering with responsible suppliers

Long-term goal:

Minimised sustainability risks in our supply chains.

Sub-goal:

- Perform risk-audits of our 100 largest product suppliers for environment, social responsibility and corruption factors by 2022/23.
- Establish a procedure for applying the risk audit results in minimising and preventing any risks identified by 2022/23.



Focus area:

Reduce the climate impacts of our deliveries

Long-term goal:

Fossil-free deliveries by 2030.

Sub-goal:

- Annually introduce more environmental delivery options for our online customers.

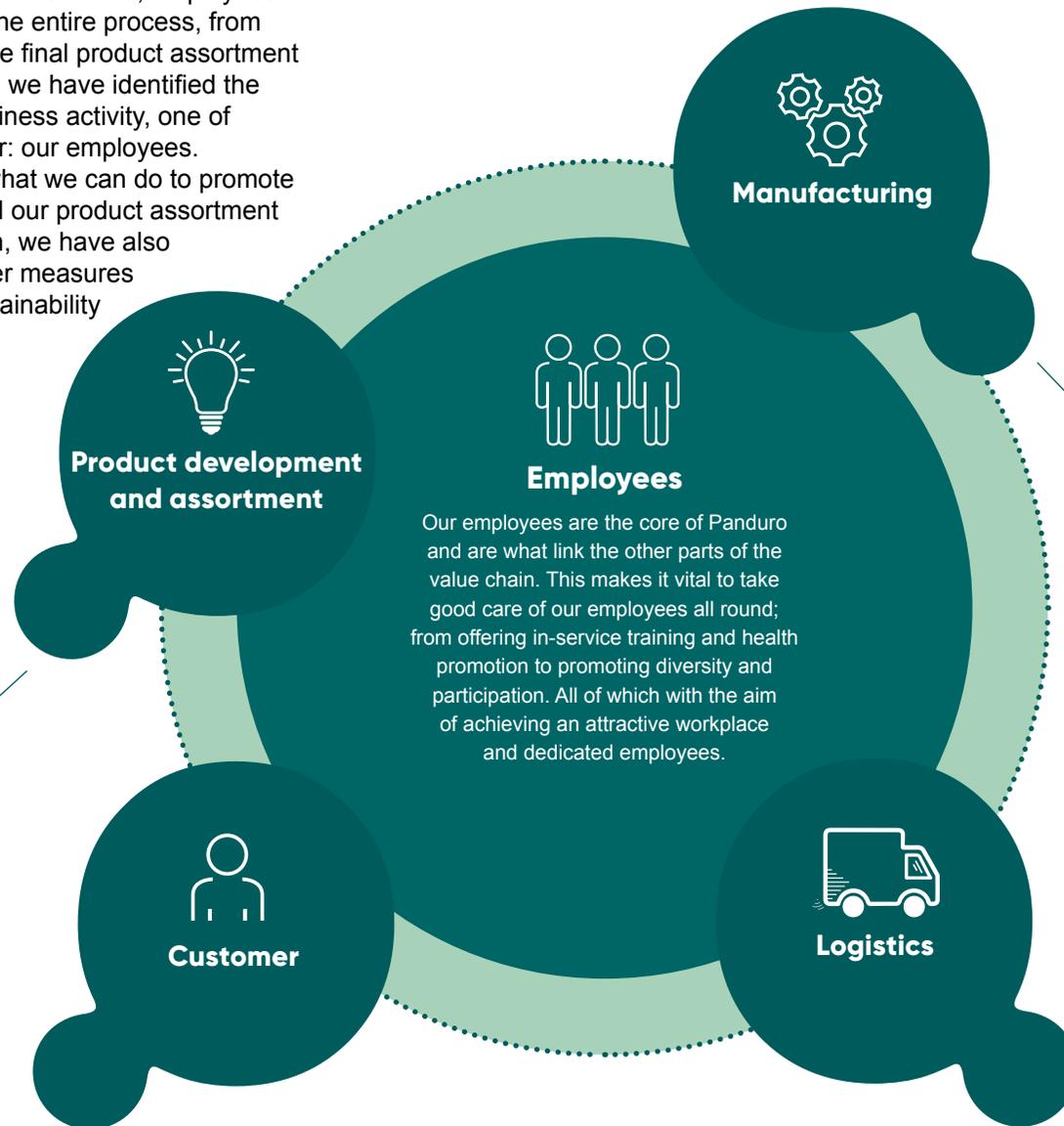


Value chain and stakeholders

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. In 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 areas. An overview of our activities is presented on pages 13–15.

At Panduro we offer a wide assortment of products, which means many sustainability factors to consider. For our products, we are 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 in any channel or touchpoint. And our responsibility does not end when a customer leaves our store. Panduro also strives to raise awareness of post-sale upcycling, product care and recycling. In this way, we aim to foster customer satisfaction to last for generations.



Product manufacturing poses major challenges in terms of both environmental and social sustainability. We are working proactively to ensure that all of our suppliers sign and comply with our Code of Conduct. In our Code of Conduct we require our suppliers to meet our high standards regarding occupational health and safety, business ethics, human rights and corporate social responsibility.

We strive continuously for both our transport operations and logistics to be efficient and sustainable from when a product is sourced until its delivery to a customer. In order to reduce our environmental and climate impacts, we examine all the elements from the mode of transport, packing, efficiency and consignment groupage through to the safety of transportation processes.

Sustainability risks

Identification of our sustainability risks is based on data from our value chain and our materiality analysis (Appendix 1). The table below provides an inventory of the most significant sustainability risks posed to our business operations. The inventory also shows the actions and policy 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 the value chain	Measures	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 upcycling 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 returns. 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 our 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 the value chain	Measures	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 sorting of our packaging and products.	Internal focus: Environmental and Responsibility Policy, waste management procedure. External focus: Code of Conduct.
Social conditions and employees				
Salaries		Manufacturing, Logistics, Employees	Contractually agreed salaries paid regularly and promptly 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 workplace health promotion 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 own employees and supplier employees are to be accorded the freedom to form and be members of a union and to negotiate with their employer in accordance with national legislation.	

Sustainability risks	Global Goal	Part of the value chain	Measures	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 punishment or harassment.	Internal focus: Staff Handbook, Whistleblowing Policy. External focus: Code of Conduct.
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				
Anti-corruption		Corruption, improper payments and bribery	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

Focus on circular economy

The main principle guiding Panduro's environmental efforts is to promote the circular economy by offering products that inspire and enable upcycling. Through our products and marketing, our mission is to encourage the creativity that extends the lifespan of other products and increases the reuse of materials. We are also committed to promoting the circular economy by upgrading our packaging so that its constituent materials are recyclable.

Environmental management system

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 targets, which also means that we have a number of documented policies and procedures concerning environmental issues. The environmental management system helps us to maintain transparently documented compliance with environmental legislation. 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 partnership with our suppliers, we are working to continuously improve their environmental performance throughout our value chain by fostering transparent dialogue conducive to long-term customer relations. During the year under review, we established a new system for assessing environmental risk with our suppliers (for more information, see page 21).

Our customers and employees are becoming increasingly environmentally aware, and we are responsive to their concerns. These concerns are documented and facilitate continuous improvement of our sustainability performance.

Energy performance

For our offices, our central warehouse and the stores in Sweden and Norway where we sign our own contracts, we only purchase electricity from renewable sources. This means that we are using renewable energy in 54 percent of our Scandinavian premises. During the year under review, we have worked to improve our energy performance monitoring and our systematic energy efficiency efforts. Our improvement activities are guided by our energy mapping. These entail checks on our energy performance conducted by a certified energy mapper of our operations in Sweden. During 2021, we replaced a large number of the lighting fixtures at our headquarters, and our central warehouse with energy efficient lights in order to reduce our electricity consumption, but also to provide a healthier work environment for our employees. We are also in the process of replacing the lighting fixtures in our stores with a more energy efficient solution. In 2021, we completed



a large-scale remodelling of our headquarters and employee facilities at our central warehouse in Malmö, Sweden. Remodelling projects of course have environmental impacts, but to limit these, we opted to reuse a number of materials and furnishings. We also signed a contract to purchase a number of used office furnishings. In spring 2022, we will be installing electric vehicle charging points at our headquarters and central warehouse.

Energy performance at our headquarters and warehouse

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



Energy performance in stores

The statistics refer to energy performance in our Scandinavian stores where we have separate energy contracts.



*May to August 2020 in Denmark is based on estimated figures.

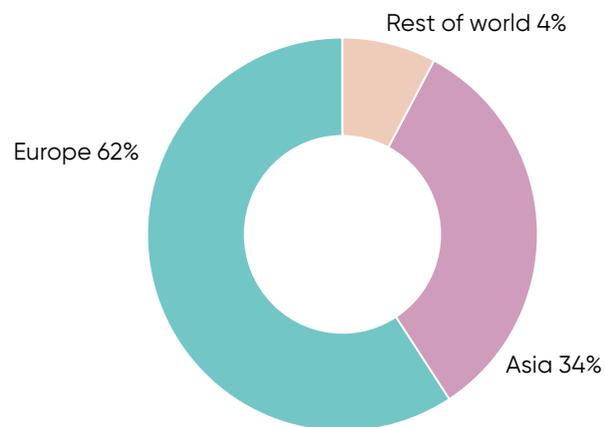


Transport and logistics

The climate change crisis is a global sustainability challenge, and at Panduro we have a responsibility for doing what we can to reduce greenhouse gas emissions. As a step in more effective management of our shipping activities going forward, we have set ourselves an ambitious target of achieving fossil-free shipments by 2030 (for more information about our goals, see page 11). 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. The pandemic entailed extra efforts with our suppliers to work around extraordinary situations and ensure deliveries of our products. Like many other businesses, we have been affected by rising shipping container prices and shortages. To solve acute shortfalls, during the year under review, we tried rail transport from Asia for some consignments.

For some years now, to reduce greenhouse gas emissions from inbound deliveries to our stores, we have been proactive in developing efficient packing of our products and optimising the number of delivery days to our stores. Our e-commerce packaging and goods destined for our Pando and Kreatima stores are stored and packed by a third-party operator in Helsingborg, Sweden. Our warehouse premises are environmentally certified according to the Sweden Green Building Council's Silver standard. The motivation for opting to use third-party services was the promising growth in our online purchases in recent years. Other key elements in our efforts to reduce our carbon footprint throughout our value, chain include assessing and following up our transport partners, and launching fossil-free delivery in our e-commerce channel for all customers 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. During the year under review, we launched more fossil-free delivery options in Sweden, and more options for home delivery in all the Scandinavian countries.

Number of items by region of origin



The statistics in the pie chart refer to the continents our products originate from.

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 Pipooos' online customers).*



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



We have replaced our plastic craft boxes with paper boxes. Unlike the plastic packaging, the paper packaging is made in Sweden from renewable raw materials.

or packaging. To be able to achieve this, we have set a sustainability target for introducing more efficient and sustainable packaging (see page 11). We also aim to increase 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 instructions for our suppliers explaining which packaging we prefer them to use. With the aim of stepping up supplier performance, we are also aiming to eliminate unnecessary packaging used by our suppliers in their shipments to us. Our warehouse employees are involved in running this project, since they are typically the first to discover needless excess packaging materials from our suppliers.

Progress for our e-commerce packaging

As part of our efforts to achieve our sustainability goals by introducing more efficient and sustainable packaging, during the year under review, we worked to improve the packaging used for filling our online orders. The new improved online packaging formats were launched in spring 2022 and mean that we have increased the number of packaging sizes so as to match the packaging to the contents and thereby send less air. The new sizes are the result of a comprehensive analysis of online orders from our customers in order to optimise package volume in line with what customers actually order. We are also using much less ink in the print on our packaging, which reduces the amount of leftover ink and improves package recyclability. The boxes are labelled FSC Mix, which means that they are made with materials from responsibly managed and FSC®-certified forests, recycled material, and material from other controlled sources. In addition, all the boxes are made of at least 80 percent recycled material.

Packaging and materials

To ensure that we use the limited global natural resources more efficiently we are assessing 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



Our new online trade delivery boxes are not only more efficient from a sustainability perspective, but also reflect our passion for creativity with a design to inspire creative reuse of the box itself.



**Marcus Ljungberg, H  l  ne Fredriksson,
Mikaela Bernro**
Regulatory Team

How do you ensure the safety of Panduro's products?

First, we check the legislative requirements applicable to the specific product to be incorporated in our assortment. Next, we contact the supplier to check that all the required tests are carried out and that we receive the required documentation. We run extra checks for products for children, since these are subject to even stricter safety requirements in terms of chemical content and design. We also assess food articles, jewellery and chemical products like paints and adhesives to ensure they are safe. We then work preventively to ensure that our existing assortment is compliant with any new requirements and recommendations.

Sustainable product assortment

With our wide assortment of products, at Panduro, 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. The high quality of our products is also a key element in making our assortment more sustainable. Quality is especially important, for example, when launching a new furniture paint. This involves our product developers testing the quality in terms of coverage and durability. A felt tip pen for children must be able to withstand handling by an eager child, making it important to have a nonretractable tip that can't be pushed in so easily.

Safe products

A cornerstone of our commitment to offering a sustainable assortment is product safety. 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 we additionally apply our own, even stricter requirements. Our product safety work also includes reviewing test reports and product contents. Toys and electronics are tested according to special EU standards 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 governmental authority declares that a product poses a safety risk, but occasionally we opt to recall a product on our own initiative.

2020/21: 2 recalled products

2021/22: 1 recalled product



We are committed to offering products that make it possible to upcycle existing articles and encourage consumers to get creative with ordinary household items and waste.



Our Nordic Swan Ecolabelled fingerpaint is tested and approved for ages 2+, so even the youngest children can join the fun as creative crafters.



For all of us at Panduro, protecting and preserving forests anywhere in the world is a heartfelt cause. This is why all of our cardboard eggs, for example, bear the FSC label. In future, we are also planning to introduce more FSC-labelled items in our assortment.

Ecolabelling and sustainable contents

As part of our extra efforts to ensure that we carry a safe and sustainable assortment, our ambition is to increase our range of products bearing sustainability and environmental labels. 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 product constituents have been assessed and approved by an independent third party with regard to their environmental impact. Going forward, aim to introduce 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, recycled material and material from other controlled

sources. 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 wooden toys in our Pando stores, which are FSC-labelled.

Another part of our efforts to reduce sustainability risks linked to our assortment, is to exclude critical components from certain products. One example is that we do not use ingredients derived from palm oil in one of our soapbases. Active ingredient decisions have also been made in our efforts to launch more products made with recycled or biodegradable materials.

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 allows us to ensure animal welfare and safe use of chemicals.

*FSC N002007

Social responsibility

Our social responsibility extends to our entire value chain. Corporate social responsibility covers many aspects such as respect for human rights in our supply chain, occupational health and safety and the health of our customers.

Creativity for health

People thrive from creative pastimes, and creativity develops the imagination and the ability to problem-solve. Creative crafting can be a way of practising mindfulness, which is a technique for being fully present, aware of where we are and what we're doing in the moment. Although there's no clear scientific evidence for the benefits of mindfulness, it is sometimes used in healthcare for dealing with symptoms such as stress, pain, anxiety and depression. Our assortment also offers a diverse range of products for enjoying handicrafts and focusing on the here and now. Beading a pegboard or painting a picture also helps children and adults with disabilities to train their fine motor abilities. Many people find that they thrive on creative pastimes, so the hope is that our products benefit mental health. Our assortment and our inspiration for customers is consequently an important part of our corporate social responsibility and sustainability commitment.



Partnering with suppliers

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. One of our focus areas within sustainability is partnering with responsible suppliers. This is why it is important to us to build long-term partnerships with our suppliers.

At Panduro we have a Code of Conduct. This is our 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. This project is now nearing completion (see figure) and all of our new suppliers are required to sign the Code of Conduct before we contract them. Pre-existing suppliers who fail to comply with our requirements are gradually phased out. The real challenge lies in ensuring that all suppliers and their sub-suppliers respect our requirements at all times. During the year in review, we consequently implemented a tool for analysing supplier sustainability risks. This tool initially requires our suppliers to answer a few questions about their business. This then generates risk analyses covering three factors: environment, social factors and corruption. For social sustainability risks, the analysis is based on the amfori BSCI Country Risk Classification*. This analysis is then compared with the policies and procedures the supplier has for reducing social sustainability risks, such as violations of human rights and labour law.

*The index relies on the Worldwide Governance Indicators (WGI) from the World Bank. The organisation behind it is amfori, a non-profit global business association.

Based on this, we then obtain a rating of which suppliers have a high or low social sustainability risk. In our initial round of risk analyses, we asked our 100 biggest suppliers (in terms of purchase value) to participate. Of those we contacted, we had a 75 response rate to our survey. We can see that the risks linked to social sustainability are greater for suppliers with complex supply chains and where their manufacturing is located outside the EU (mainly Asia). However, from our survey and through working with our suppliers we identified no actual violations of our Code of Conduct. Depending on the severity of any violation, we opt either to terminate the partnership or work with the supplier to enable them to meet our requirements. In the project using the new tool, we are now in the process of devising a procedure for working jointly with a supplier to investigate and then reduce any risks identified in their activities.

Code of Conduct

These figures show the proportion of product suppliers (including those who only supply Pipoos) and transport partners who have signed our Code of Conduct.





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

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 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 the 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.

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 age, 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 laid down 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 our Code of Conduct concerning gifts and rewards, as described by the Swedish Anti-Corruption Institute. For suppliers, these requirements are laid down in our Code of Conduct, and for employees we have established an internal policy.

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. Our focus on sustainability is a natural part of our work, and we make systematic efforts to continuously improve. One of our focus areas in our sustainability strategy is to be an attractive employer. 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.

Well-being at work is important to us because it is closely linked to job satisfaction and good performance at work. This is why we take a structured approach to this important area. In autumn 2021 we conducted our first recurring Puls employee survey. With the aid of Puls, we will be able to follow up and maintain focus in order to jointly take responsibility for making improvements. The Puls surveys are conducted three times a year. We devote time and resources to assessing the outcome of each survey, and each group reviews its score and areas for improvement. We also have a proactive health promotion programme, encourage exercise and a healthy lifestyle. 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 all our employees subsidised health promotion benefits.



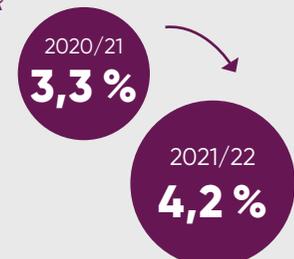
Sickness absence rate in Sweden, Denmark and Norway

The circumstances surrounding the COVID-19 pandemic were a contributory factor to changes in the sickness absence rate. Due to differing national regulations concerning sickness absence rate reporting, the figures for each country are not comparable.

Sweden



Denmark



Norway





Rebecka Hoolmé
HR Manager

How does HR support Panduro's sustainability commitment?

Within HR, we have an important role in ensuring that Panduro is an attractive, secure and decent place to work. HR is an comprehensive area spanning from recruitment through anti-discrimination and work environment issues, to personal health. It is incredibly important for our managers to follow how our staff are doing, not least during a pandemic when many were working remotely. This is why our HR department actively trains and supports all managers and supervisors in their roles. To that end, we also introduced regular employee surveys as a tool for us to address commitment, job satisfaction, and well-being at work.

Diversity and gender equality

Our business is permeated by the recognition that everyone has and is to be ensured equal rights regardless of 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 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 item at departmental meetings and as a component of management training.

We work actively to continuously improve our skills-based recruitment process and to train our managers in how we recruit. With a systematic approach to skills-based recruitment, we aim to counteract decisions based on unconscious prejudice or arbitrary assessments. All candidates are assessed in the same way and this allows us to invite in more applicants and promotes diversity. We are also working to counteract and prevent sexual harassment based on our goal for everyone to feel secure when they come in to do their job at Panduro.

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



Composition of the Board of Directors 2021/22:

1 woman and 7 men

Composition of the Executive Group 2021/22:

2 women and 5 men





Training and development

We are committed to ensuring sustained employee development and the opportunity to participate in courses and seminars. To that end, we gather all our staff in managerial roles twice a year. On these days, talks are given 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. All employees at the headquarters and warehouse also have the opportunity to attend in-house environmental and sustainability training.

In recent years, we have invested heavily in training for store staff via in-house video tutorials in a project called Explore Creativity. The concept is simple; the staff watch video tutorials, complete challenges and finally test their skills. This fast-track scheme rapidly upskills staff in providing the best possible service to customers. In the time ahead, we will be making more video tutorials on other product areas to further boost their skills. 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. Our store managers are kept informed about sustainability and Panduro's performance in this area to ensure that they can communicate this information to store assistants. In 2022, we will be continuing our efforts focusing on foundation training and competence development for staff at our stores.

We are aiming to digitalise these training modules as well to make it even easier to benefit from the information.

Officespace enhancement

In 2021, we remodelling and refurbished the premises at our headquarters in Malmö, Sweden. The new officespaces are open-plan, and light and airy to inspire creativity. The office contains multiple spaces for meetings and interaction as we aim to promote team play, which is one of core values (see page 26). Like so many others during the pandemic, we made a rapid transition to working digitally. Going forward, we will be identifying ways of continuing to offer our employees greater flexibility, and also see immense value in the socialisation benefits of our shared officespaces.



Fia Collin

Warehouse and Production Manager

How has the production department contributed to Panduro's sustainability work?

In Sweden, we have had a long-standing arrangement with the Public Employment Service and the Social Insurance Agency to offer work experience training for people who need help in returning to work after extended sick leave, for example. With us, the work trainees can re-adjust to working life and to performing tasks without productivity requirements. The work tasks are individualised for differing capacities and may consist of packing crafts or picking items at the warehouse. Several individuals who have been on our work experience scheme have subsequently gained full employment with us, which is a great benefit all round.

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 our 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.

ENTREPRENEURSHIP



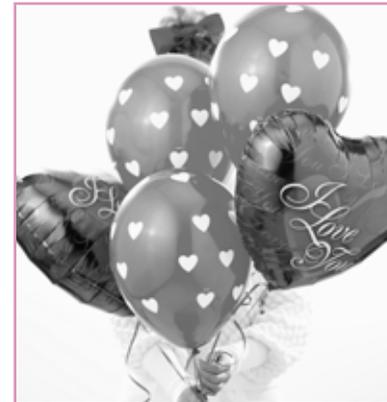
HAVE FUN



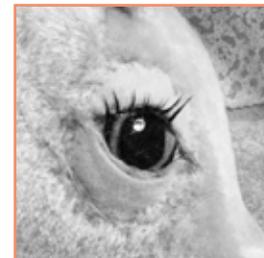
TEAM PLAY



PASSION



PROFIT



FOCUS

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 3 million for the crucial activities of SOS Children's Villages.

Panduro has opted to concentrate its long-term donations on SOS Children's Villages' programmes in Bolivia, one of the poorest countries in South America. Many of the children live in poverty, and there are major problems with child labour and children living on the streets. When the crisis arose in Ukraine in early 2022, we also opted to make an extra donation in support of SOS Children's Villages initiatives for children there.



Photo: SOS Children's Villages, Alejandra Kaiser

Our donations to SOS Children's Villages' programmes in Bolivia benefit children and families in Santa Cruz. In the SOS Children's Village Santa Cruz Plan 4000, children who otherwise risk finding 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.

Under the pandemic, children in deprived regions were even more at risk. With the help of our support, SOS Children's Villages worked with more dedication than ever to reverse the dire situation in Bolivia. By digitalising parts of the organisation, it has been possible to continue to meet demand on the same scale, and in 2021, the crucial vaccination process also got underway.

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.



Photo: Louisiana

Henie Onstad Art Center

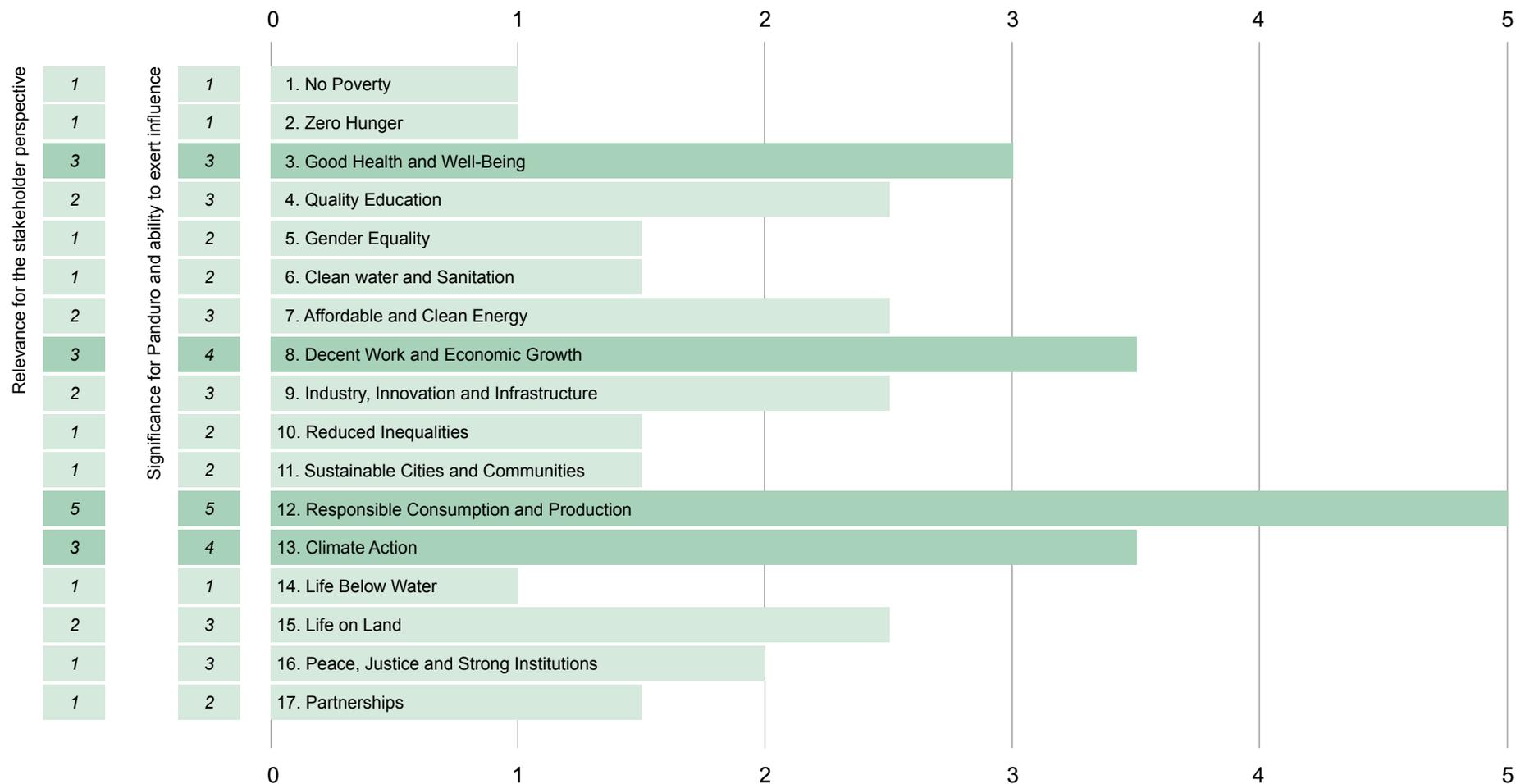
Since 2017, Panduro has sponsored the Labben children's art workshops at Henie Onstad Art Center outside Oslo, Norway. At the Art Centre, adults and children are encouraged to explore art and creativity together. The Labben workshop focuses on individual creativity, giving children the chance to paint and create freely. Panduro sponsors the art supplies used by children, schools and pre-schools visiting the workshop.

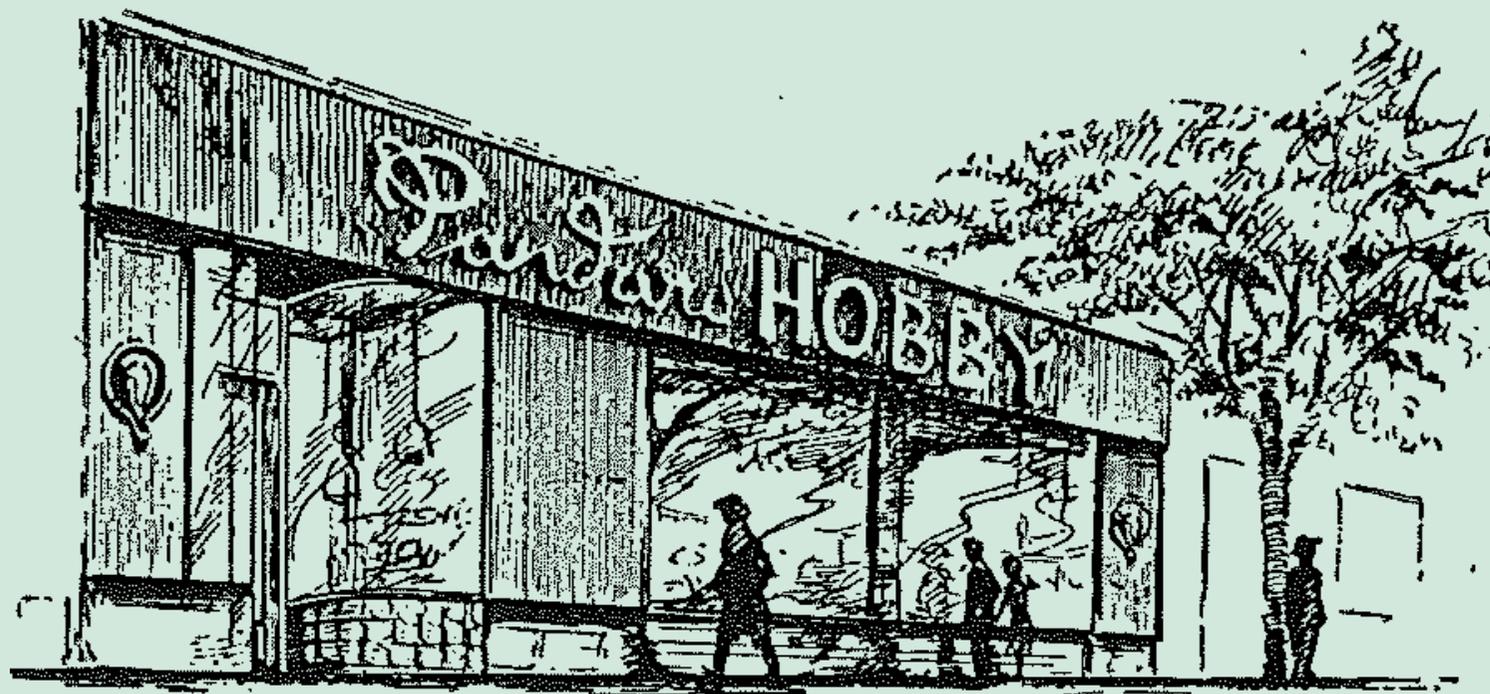


Photo: Henie Onstad

Appendix I – Materiality analysis

We conducted a materiality analysis founded on Agenda 2030 and its 17 Sustainable Development 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 2021 to 30 April 2022 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 July 7 2022

PricewaterhouseCoopers AB

Vicky Johansson

Authorised Public Accountant