



Due diligence for responsible business conduct with regards to people, animals, society and the environment

# Account reporting year 2023

for Lekolar AB

**lekolar**<sup>®</sup>

*Ethical Trade Norway has assessed the report of Lekolar AB to meet the criteria of our Base Level. More information about our Base Level can be found **here**.*

# SUSTAINABLE DEVELOPMENT GOALS



## To Readers Of The Report

Enterprises and the public sector have a great impact on people, society, the environment, climate, and animals and can both contribute positively to development, or negatively by causing harm. Enterprises therefore hold a central role in achieving UN's Sustainable Development Goals (SDGs) and the Paris Agreement's 1,5-degree target.

This report can be used as an account for the Transparency Act, but it has a broader scope with climate and the environment, circular economy, and anti-corruption indicators also being included. Our members are obligated to carry out due diligence and report annually on their work. Base level1 members also meet the Transparency Act's due diligence duty, and partially the Act's information duty.

Ethical Trade Norway's concept of responsible business conduct equals OECD's terminology and due diligence methodology. This is the systematic effort that enterprises do to identify, prevent, or mitigate adverse impacts and explain how they manage their risks of negative impact, as well as provide remediation to people, animals, society, and the environment where this is required – is called due diligence. Norwegian authorities expect all enterprises, regardless of their size, to carry out due diligence on society, the environment, and animals in accordance with the UN's Guiding Principles for Business and Human Rights (UNGPs) and OECD's Guidelines for Multinational Enterprises. This applies to enterprises, the public sector, and organisations.

Ethical Trade Norway's Declaration of Principles (our Code of Conduct) for Responsible Business Conduct covers the areas of decent work, human rights, environment/climate, anti-corruption, and animal welfare. This report is done in full transparency and in line with UNGPs and OECD's guidelines. The reports of all members are publicly accessible on Ethical Trade Norway's website.

**Heidi Furustøl**

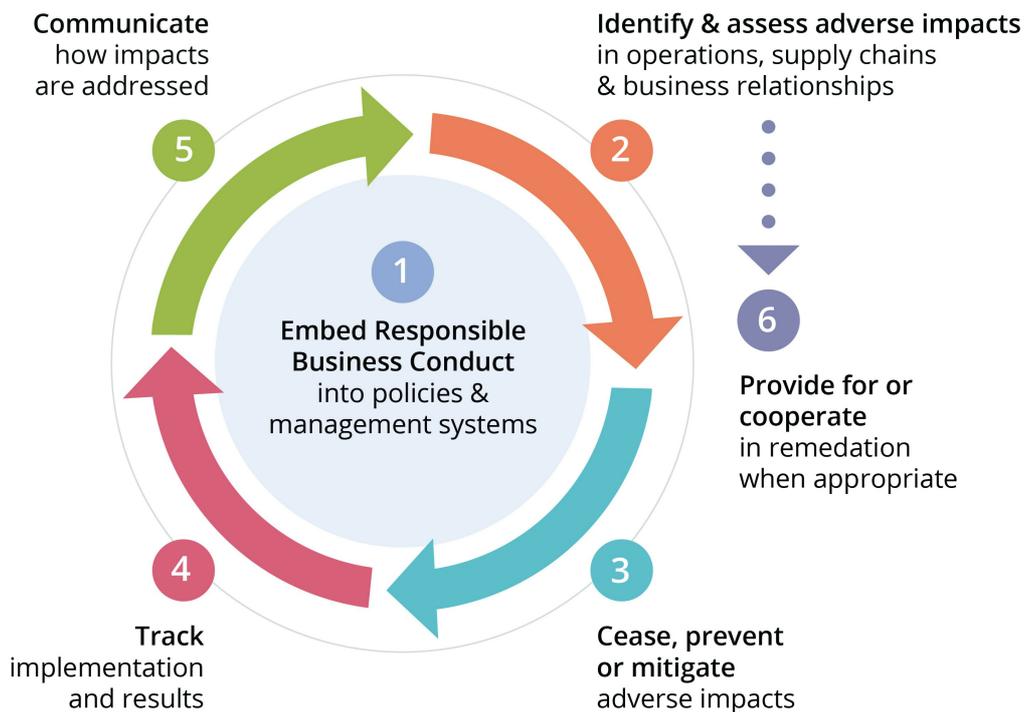
*Executive Director*

Ethical Trade Norway

# Due diligence

This report is based on the UN Guiding Principles on Business and Human Rights and the OECD model for Due Diligence for Responsible Business Conduct.

The model has six steps that describe how companies can work for more responsible and sustainable business practice. However, being good at due diligence does not mean no negative impact on people, planet and the society. It means that the company is open and honest about challenges faced and shows how this is managed in the best possible way in collaboration with its stakeholders. This report is divided in chapters following the OECD model.



# Preface From CEO

For us at Lekolar, it is essential to ensure that we conduct our business responsibly. Responsible business practices and sustainability initiatives are key to our business success. Therefore, we are constantly re-evaluating our purchasing practices and are annually following up on our goals set for 2030, in line with the Sustainable Development Goals.

During 2023, we have continued our work to enable better transparency, working conditions and environmental footprint in our supply chain. We have also taken big steps forward when it comes to measuring and understanding the climate impact from the products we sell, not solely on an aggregated level, but through Environmental Product Declarations (EPDs) and Life cycle assessments (LCAs) for specific products. Furthermore, we have seen good results of our work to implement circular solutions in product development for our furniture range. We are also working together with our suppliers of toys and educational tools to map and develop the circular properties of the products.

The global situation, with conflicts and rising costs and inflation, have made 2023 a challenging business year. Not only for us, but also for our suppliers and customers. However, we work proactively together with both suppliers and customers to find sustainable and responsible business solutions, in line with our ambitions and goals. This means, for example, that we are in dialogue with suppliers regarding alternative materials and sourcing possibilities. Our due diligence assessments have informed us of where the prioritized risks are in our supply chain and having these dialogues with suppliers also enable us to understand how the specific risks are handled at the production sites.

In 2024, we will continue to analyze human rights and business risks, as well as opportunities, in our value chain, as part of a double materiality assessment that will be conducted during the year. As we strive to continuously improve our purchasing practices, close collaboration with important suppliers will continue to be in focus.

**" Responsible business practices and sustainability initiatives are key to our business success "**



Mattias Johansson  
*Lekolar AB*

# Board Signature

Handwritten signature in blue ink, appearing to read "Kim Heide".Handwritten signature in blue ink, appearing to be a stylized name.

Stockholm  
09.02.2024

# Enterprise information and enterprise context

## Key enterprise information

### Enterprise name

Lekolar AB

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### Head office address

Hallarydsvägen 8, 28336, Osby, Sverige

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### Main brands, products and services offered by the enterprise

Furniture, toys, educational tools, arts

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### Description of enterprise structure

Lekolar provides product solutions and services for mainly schools and pre-schools. The head office is situated in Osby including warehouse, product development, customer service, purchasing, tender, management and sustainability and compliance. We are operating in the four nordic countries; Denmark, Finland, Sweden and Norway. We conduct business almost exclusively via tender agreements with municipalities in the Nordic countries. Lekolar is owned by Nalka Investment AB.

Around 7% of our total purchase value originate from Asia. Therefore we have our own purchasing office in Hangzhou, China. The rest of the products are mainly supplied from Europe.

Lekolar has a sustainability & compliance team including six people responsible for sustainability questions. Sustainability manager reports directly to the CEO and is also a member of the Nordic management team.

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### Turnover in reporting year (NOK)

1 620 665

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### Number of employees

349

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### Is the enterprise covered by the Transparency Act?

Yes

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### Major changes to the enterprise since last and current reporting period

Mattias Johansson took over as CEO April 1st 2023. No other major changes to be reported for the period 1 January 2023 - 31 December 2023.

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**Contact person for the report (name and title)**

Hanna Bremander, Sustainability specialist

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**Email for contact person for the report**

hanna.bremander@lekolar.com

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## Supply chain information

### General description of the enterprise's sourcing model and supply chain

Lekolar buys ready-made products directly from suppliers, both branded and unbranded. We also develop our own furniture range which appointed suppliers produce, mostly in Eastern and Northern Europe. Toys, arts and crafts, sensoric material etc are purchased either directly from producers or from distributors/agents. We have a purchasing office in Hangzhou, China, with 15 employees.

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### Number of suppliers with which the enterprise has had commercial relations in the reporting year

723

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### Comments

Represents number of suppliers where Lekolar have done purchases 2023

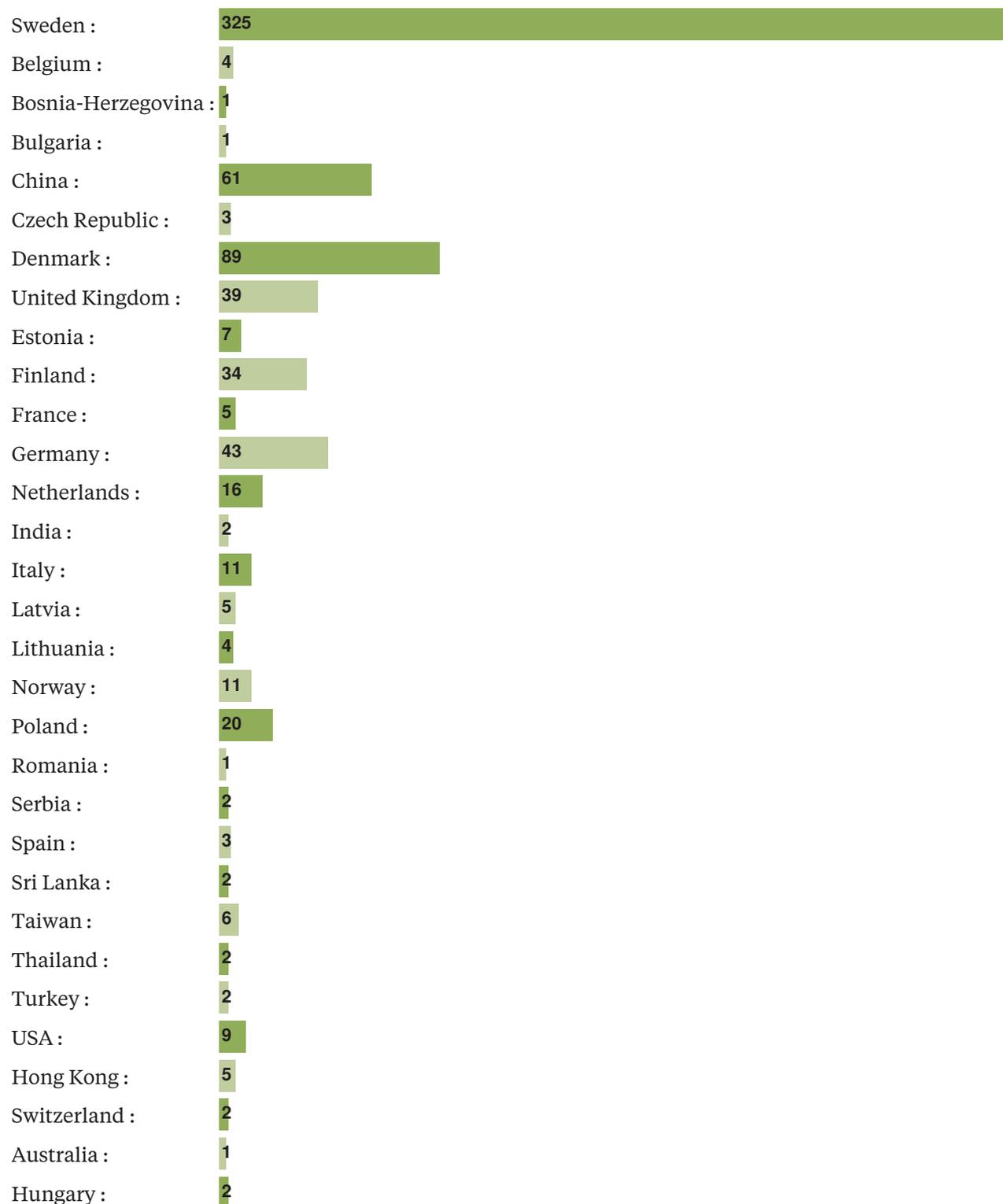
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### Type of purchasing/ suppliers relationships



The majority of purchases are today made directly from the producing unit/factory. A small part is purchased through distributors and only approx. 5% of purchases are classified as own production, where Lekolar is the producer.

### List of first tier suppliers (producers) by country



Based on Lekolar's first tier suppliers where purchases have been made 2023.

**State the number of workers at first tier producers that the enterprise has an overview of, and the number of suppliers this overview is based on:**

**Number of workers**

29 685

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**Number of suppliers this overview is based on**

142

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**Numbers of workers per supplier (calculated average)**

210

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**Comments to number of workers**

We ask the question in our self-assessment survey for all new suppliers and have quantified the responses for 142 suppliers 2021-2023.

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**Key inputs/raw materials for products or services and associated geographies**

<b>Wood, plywood</b>	Estonia Finland Poland
<b>Textiles/fabric</b>	Spain
<b>Steel</b>	Hungary Poland
<b>Plastics</b>	China
<b>Bio-based plastic</b>	Brazil
<b>Paper</b>	China Germany

In our due diligence mapping, we have identified the above key raw materials for products and the geographies they are generally sourced from.

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**Is the enterprise a supplier to the public sector?**

Yes

## Goals and progress

### Process goals and progress for the reporting year

1

**Goal:** Have a documented overview of prioritized risk in our supply chain and an action plan to handle identified prioritized risks.

**Status:** In place, to be updated yearly.

2

**Goal:** Launch plan for employee training including relevant sustainability topics and conduct trainings according to plan.

**Status:** Ongoing. E-learning platform created, first training session conducted December 2023 for all employees.

3

**Goal:** Conduct full mapping of climate emissions in scope 1,2 and 3.

**Status:** Done.

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## Goal for coming years

1

2030 goal: 80% of Lekolar range to be circular by 2030.

2

2030 goal: By 2030, 80% of identified medium and high-risk suppliers are to be covered by a third-party audit within the last 5 years (100% signed CoC).

3

2030 goal: 50% decrease of Lekolar's CO<sub>2</sub>e emissions by 2030 (Scope 1, 2 and 3 compared to 2019).

4

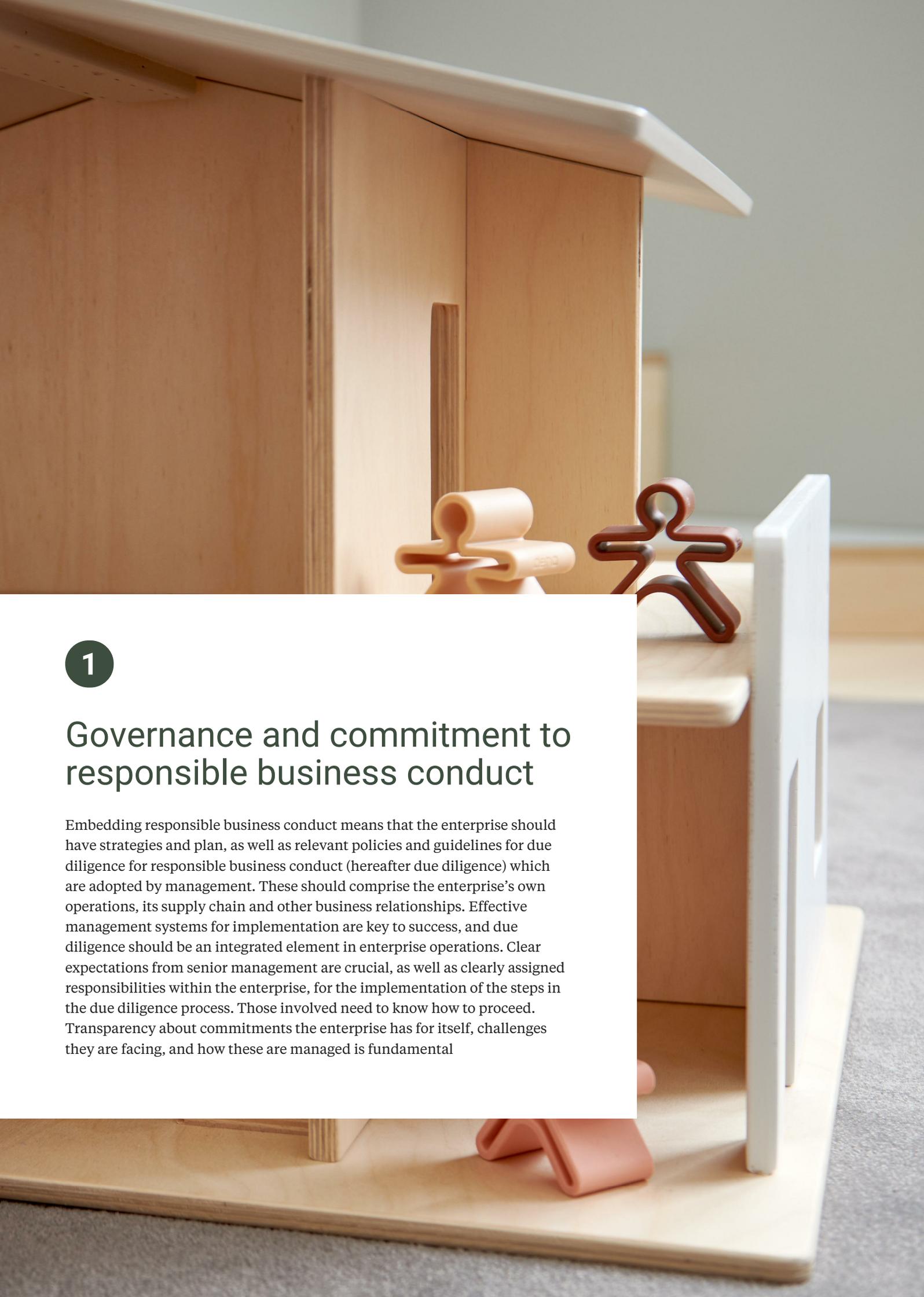
2030 goal: 100% of Lekolar's wood-based materials to be FSC/PEFC certified by 2030.

5

2030 goal: No PVC in Lekolar range for children up to 3 years, latest by 2024 (No PVC in Lekolar range by 2030).

6

2024 target: Due diligence process implemented and fully anchored in the company

A photograph of a light-colored wooden cabinet with a white top. On the cabinet, there are two stylized human figures made of wood. One is light-colored and the other is dark-colored. The figures are positioned on the cabinet's surface. The background is a plain, light-colored wall.

# 1

## Governance and commitment to responsible business conduct

Embedding responsible business conduct means that the enterprise should have strategies and plan, as well as relevant policies and guidelines for due diligence for responsible business conduct (hereafter due diligence) which are adopted by management. These should comprise the enterprise's own operations, its supply chain and other business relationships. Effective management systems for implementation are key to success, and due diligence should be an integrated element in enterprise operations. Clear expectations from senior management are crucial, as well as clearly assigned responsibilities within the enterprise, for the implementation of the steps in the due diligence process. Those involved need to know how to proceed. Transparency about commitments the enterprise has for itself, challenges they are facing, and how these are managed is fundamental

## 1.A Policy\* for own enterprise

### 1.A.1 Link to publicly accessible policy for own enterprise

<https://www.lekolar.no/om-lekolar2/etisk-handel/>

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### 1.A.2 What does the enterprise say publicly about its commitments to respect people, animals, society, the environment and climate?

Due diligence is one of the key tools in Lekolar's overall risk management framework to help identify and manage risks for the environment, society and our business. It allows us to identify and understand potential risks faced when working with third parties and ascertain if those risks can be managed to ensure our protection as well as ascertain responsible business practices to avoid negatively impacting stakeholders.

Our vision for our work with social and ethical responsibility in the supply chain is to support and encourage our suppliers to at least comply with the terms of the Lekolar Supplier Code of Conduct or equal policies used by Lekolar subsidiaries. Through this, Lekolar wants to take responsibility for ensuring that basic human rights, healthy working conditions and environmental considerations are respected by our suppliers and their subcontractors. Terms and conditions for suppliers are outlined in the Lekolar Supplier Code of Conduct and our Policy for Responsible Business Practices as well as the Lekolar Internal Code of Conduct govern our own work within this area.

Lekolar acknowledges that our business practices can have a potential negative impact on people, society and the environment. At the same time, we see our potential to contribute to positive development in the supply chain.

Lekolar takes a proactive approach to its corporate responsibilities and seeks to promote sustainable development, both internally and externally. Lekolar upholds high moral and ethical standards as a natural part of the company's business activities. We are mindful of our co-workers and their well-being, and we always make every effort to comply with our policies concerning equality in the workplace, the working environment and workplace victimisation. We advocate the principle of personal responsibility, both with regard to working tasks and in our relations with one another. We do not tolerate any form of discrimination, and we work and live according to our corporate values. Knowledge, awareness and the sense of commitment shared by all Lekolar employees form the foundation on which we build for success in our sustainability work.

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### 1.A.3 How has the policy/commitment been developed and how is it embedded in the enterprise?

Lekolar has a Policy for Responsible Business Conduct, as well as an Internal Code of Conduct. The former specifies our obligation and intent to conduct business responsibly, conducting due diligence assessments and adapting our purchasing practices to strengthen, and not undermine, suppliers' ability to deliver on the requirements we set in order to ensure good conditions for people, society and the environment. The Policy for Responsible Business Conduct was revised 2023, together with board representatives of Lekolar Group. The Policy is publicly available via the Lekolar web: Etisk handel - Lekolar Norge.

The Lekolar Internal Code of Conduct is a guiding document for employees, describing what responsible business practices mean in practice. An e-learning was launched in 2023 and all employees will conduct this training yearly, and sign the Internal Code of Conduct as part of the yearly training. Completion and sign-off is monitored by HR.

Requirements for suppliers are set in a third policy; the Lekolar Supplier Code of Conduct. Due diligence assessment requirement for suppliers is included in the policy, which is communicated to all new suppliers and digitally signed-off on. When updates are made to the policy, all suppliers have to re-sign. Purchasing departments are responsible for supplier signatures of the supplier CoC, while the sustainability and compliance department conducts dialogues with suppliers and monitor compliance with the Code.

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## 1.B Organisation and internal communication

### 1.B.1 How is the due diligence work organised within the enterprise, embedded in internal guidelines and routines, and why?

Management level responsibility for due diligence and responsible business conduct is divided between our CEO, HR manager and Sustainability manager, where sustainability manager is responsible for due diligence in the supply chain. Day-to-day responsibility is delegated to the Sustainability & Compliance team, working together with product managers and buyers. Sustainability specialist coordinates due diligence assessments and is responsible for the due diligence process implementation.

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### 1.B.2 How is the significance of the enterprise's due diligence work defined and clarified for the employees through their job description (or the like), work tasks and incentive structures?

All employees receive yearly e-learning on the policy for responsible business practices and Code of Conduct. First time this training was conducted digitally was 2023. Employees involved in the due diligence work have received specific training on due diligence; a mix of external and internal training.

Through internal audits, as well as external audits conducted by ecolabel certification bodies, our risk assessments and due diligence process are reviewed at least once a year. Through our membership in Ethical Trading Initiative, our due diligence practices are reviewed once per year and feedback is received regarding possible improvements.

For relevant functions, due diligence/risk assessments are included in the personal working goals that the employee and closest manager set and follow up on at least yearly, during the performance review.

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### 1.B.3 How does the enterprise make sure employees have adequate competence to work on due diligence for responsible business conduct?

Managers are responsible for making sure that employees have adequate competencies. Sustainability specialist, responsible for conducting due diligence assessments and implementing the due diligence process, underwent training in due diligence human rights in 2022.

A training plan is updated yearly, to establish prioritized functions/roles to receive internal due diligence trainings. Several trainings have been held since 2021, specifically for product managers and buyers. For 2024, further training of management team and product managers/buyers is planned.

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## 1.C. Plans and resources

### **1.C.1 How are the enterprise's commitments to respect people, animals, society and the environment embedded in strategies and action plans?**

The Lekolar sustainable business goals 2030 include the respect for people, society and the environment. These goals were approved by the board in 2019. In connection to review of the overall business plan 2022-2026, sustainability priorities based on the 2030 goals were derived for each business area. In 2022, the goal including human rights was reformulated to include risk assessments as basis for audit priority. Follow-up is done yearly for all targets. 2023, specific actions related to Due Diligence were updated.

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### **1.C.2 How is the enterprise's strategies and action plans to work towards being responsible and sustainable followed up by senior management and the board?**

A yearly business plan review is conducted with the board and the management team, including responsible business conduct. Each business area manager is responsible for incorporating relevant sustainability initiatives into their business plan, while the sustainability & compliance function is responsible for the Nordic sustainability business plan.

In accordance with our internal audit plan, follow-up of company processes is conducted and relevant findings reported to the management team.

The Board conducts a yearly follow up of selected ESG targets, along with a wider range of ESG data/information. Progress towards the 2030 goals are part of the ESG target follow up.

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## 1.D Partnerships and collaboration with business relationships, suppliers in particular

### 1.D.1 How does the enterprise emphasise the importance of responsible and sustainable business conduct in its business relationships, particularly in the supply chain?

As part of the minimum criteria for suppliers, all suppliers are to sign the Lekolar Supplier Code of Conduct (latest version available here: <https://www.lekolar.no/om-lekolar2/etisk-handel/>). This CoC is since 2022 distributed digitally to suppliers for signature. If a supplier has questions about the contents of the CoC, the sustainability department together with the responsible buyer engage in specific dialogue with that supplier. Responsible business practices are part of pre-contractual discussions with suppliers and all potential suppliers fill out a self-assessment together with the signature of the CoC. The self-assessment includes questions regarding production sites, other policy obligations, audits and certifications, as well as OHS risk assessments carried out and environmental management processes in place. In China, visits by China office staff are carried out before signing with a new supplier. A so called sustainability checklist is filled out by the Lekolar representative, during the visual inspection of the production site. Furthermore, all Chinese suppliers should be audited by amfori BSCI/ RBA/SA 8000/ ICTI/Sedex and such audits are conducted as regularly as determined by the relevant audit standard.

The Lekolar purchasing departments are in constant dialogue with suppliers and emphasise the importance of sustainable business practices as part of this dialogue, as well as quality and price. During factory visits and business reviews with suppliers, purchasers and technicians carry out visual inspections of working conditions, fire hazards etc, and fill out the sustainability checklist. Discussions are also held regarding sustainable sourcing practices, for example of raw material.

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### Indicator

#### Percentage of the company's suppliers that have accepted guidelines for suppliers



Number for 2023 shows the percentage of suppliers, based on purchase value, that have signed the Lekolar Supplier CoC version 2022 (latest version).

Number for 2022 shows the percentage of suppliers, based on purchase value, that have signed the 2019 or 2022 version of Lekolar CoC. Number for 2021 shows the percentage of suppliers, based on purchase value, that have signed the 2019 version of Lekolar CoC.

## 1.E Experiences and changes

### **1.E.1 What experiences have the enterprise encountered during the reporting period concerning responsible business conduct, and what has changed as a result of this?**

During 2023, Lekolar suppliers have signed the latest version of the Supplier CoC, which includes due diligence requirements for the supplier and a transparency requirement regarding where the raw material used comes from. In dialogue with suppliers about the contents of the CoC, we see that there are still constraints regarding transparency in the supply chain. We are engaging in dialogue with suppliers on the importance of transparency and why the information is needed in order to manage risks and secure responsible, long-term, business. However, for many suppliers, especially distributors, information regarding name and address to specific production sites is considered confidential business information. Our understanding is that this will shift gradually, as more buyers ask for the information, and as the legal framework on an EU level incorporates due diligence requirements.



## 2

### Defining the focus for reporting

# Identify and assess the enterprise's impact on people, animals, society and the environment

“Identify and assess” is about identifying the enterprises's risk for, and actual negative impact on, people, animals, society and the environment, including in the supply chain and through business relationships. As a first step the enterprise should get an overall risk picture, before subsequently prioritising further mapping and measures where the risk of negative impact is the greatest, i.e. salient issues. The enterprises's involvement in the negative impact on people, animals, society and the environment is central to determine which measures the enterprise should implement in the next step of the due diligence model. Involvement of stakeholders, especially those affected, is central when assessing risks. It is also important to consult with stakeholders when implementing measures to manage the negative impact.

## 2.A Mapping and prioritising

### PRIORITISED ACTUAL OR POTENTIAL NEGATIVE IMPACT ON PEOPLE, ANIMALS, SOCIETY, AND THE ENVIRONMENT

*Prioritising one or more risk areas on the basis of severity does not mean that some risks are more important than others, or that the company should not take action on other risks, but that risks with the greatest negative impact are prioritised first. Mapping and prioritisation are a continuous process.*

**2.A.1 List the enterprises's actual negative impacts and/or prioritized significant risks of negative impact/harm on people, animals, society and the environment. Take note that the prioritized risk that you list in the table below will be exported to step 3 of this report, where you will be asked to answer how you work with stopping, preventing, or reducing the negative impact.**

Salient issue	Related topic	Geography
Forced labour in China	Forced labour	China
No freedom of association and lack of right to strike in China	Freedom of association and collective bargaining	China
Extensive overtime, China	Working hours	China
Workers rights in Brazil	Working hours Regular employment	Brazil
Forced labour in Brazil	Forced labour	Brazil

### JUSTIFICATION FOR THE PRIORITISATION OF RISKS OF NEGATIVE IMPACT ON PEOPLE, ANIMALS, SOCIETY, AND THE ENVIRONMENT

**2.A.2 Describe: a) the enterprise's routines for mapping and identifying risk and show how the negative impact was identified and prioritised in this period: b) eventual aspects of the enterprise that have not been covered in this report (product groups, own products, departments etc.) and why you not chose to prioritize these in the continued work: c) how information was gathered, what sources were used, and which stakeholders have been involved/consulted: d) whether you have identified areas where information is lacking in order to get an overview, and how you are planning to proceed to collect more information/handle this.**

a) Lekolar has conducted an overall risk assessment, covering all product categories in our range, including sub categories. The assessment will be updated at least yearly, or when major events occur which impact raw material sourcing or supplier situations. This is included in our Routine for due diligence and supplier assessment. We have used the Salient risk tool provided by Ethical Trade Initiative Norway as template for our overall risk assessment. The prioritized risks stem from our overall risk assessment, based on product categories and sub product categories, where country of production for the products, or country of origin for the raw

material used, has been identified. General risk indices and publically available sector specific risk assessments have served as the main basis for risk identification and analysis.

b) We have included 100% of our product categories in the assessment, although the assessment is not done for every product in our range (approximately 25 000 products). The mapping conducted gives us a good foundation and overview to address the most salient risks in our supply chain.

In 2020, we started working with structured risk assessments for specific products that are considered to have a higher inherent risk. The plan is to continue to prioritize our product-specific risk assessments based on this overall product category risk assessment, and to address prioritized salient issues on an aggregated level, instead of on a product-by-product basis.

For the overall risk assessment, we have chosen to do the mapping based on "worst case" for each product sub category, when it comes to country of production or raw material. Meaning, that if the wood raw material for products within one product category is sourced both from Estonia and China, the country chosen for the risk assessment is China. Thereby, we cover salient issues, despite the assessment not being done for each product.

c) Information for the risk assessment's first step (to map and prioritize risks for further analysis) is gathered by using publically available risk indices, such as the Global slavery index, ITUC global rights index, as well as Transparency International's Corruption Perception Index. Country of production or raw material guides a collective index score for each identified product sub category. The collective index risk score is 1-5, where 1 is best and 5 is worst. The threshold chosen for further prioritization is  $\geq 3$ . For 2024, the ambition is to also include the EPI Yale Environmental Risk Index in the collective index risk score to better take into account environmental risks.

For product sub categories that are chosen for further prioritization, step 2 of the assessment includes analysis and identification of salient issues. For this further risk investigation, publically available risk tools are used. Sector risk assessments made by the Norwegian Public Procurement Agency (DFØ) as well as the US Labour Department's list of forced and child labour were used to inform our analysis. A brief assessment of labour intensity for the specific product sub category was also performed, as risk of poor labour practices increases with labour intensivity.

Stakeholder dialogue has, to an extent, been conducted for almost all the identified product risks chosen for further investigation. In most cases, the stakeholder dialogue so far consists of dialogue with suppliers regarding sustainable and responsible business practices, as well as audit reports and sector reports made by NGOs and trade organizations. Lekolar does generally not engage directly with production workers at suppliers, unless we conduct an audit against the Lekolar Supplier Code of Conduct or we make a factory visit and tour. This also depends on whether the production unit is a direct supplier of ours, or if it is a sub-supplier to a distributor. A stakeholder checklist for due diligence has been made, including the involvement of both internal and external stakeholders.

As part of this further analysis to identify salient issues, actions taken to reduce the identified risks are noted, when such actions have been taken. Such actions are for example conducted third party audits, factory visits, and supplier dialogue where actions to reduce risk have been agreed upon. The collective index risk score, identified in step 1, is thereafter adjusted based on actions taken to reduce risks. The adjusted total risk score can either be lower, higher, or the same as the collective index risk score, depending on actions taken (or not) to reduce the risk. Risks are then prioritized based on salience (Scale, Scope, Remediability).

d) One specific part of our continued work during 2024 is to conduct stakeholder dialogue regarding working rights and risk of forced labour in Brazil, where bio-based plastic raw material is sourced by our supplier, as existing information is deemed insufficient to complete the analysis.

## ADDITIONAL SEVERE IMPACTS

### **2.A.3 Describe any other negative impacts on people, animals, society and the environment that were identified in the mapping of the enterprise, supply chain or other business relationships during the reporting period and how these have been handled.**

During the overall risk mapping, we also noted general environmental risks for each product sub category. These risks are for example pollution to air and water, and biodiversity loss. These risks are not further analyzed according to the same method as for social and corruption risks. However, when we conduct risk assessments for specific products (for example as part of Swedish Möbelfakta Ecolabel (Type 1), we also look at environmental risks and set up actions for handling those risks together with suppliers. Also, as we conduct environmental product declarations and life cycle assessment of products, we get more and more information regarding actual negative impact. Further impact analyses for environmental, social and corruption will be conducted during the double materiality assessment in 2024, according to CSRD ESRS.



### 3

#### Management of salient issues

## Cease, prevent or mitigate negative impacts

“Cease, prevent and mitigate” is about managing findings from the risk assessment in a good way. The most salient negative impact on people, animals, society and the environment should be prioritised first. This does not mean that other risks are insignificant or that they are not handled. The way the enterprise is involved in the negative impact is key to taking the appropriate action. Negative impact that the enterprise causes or contributes to must cease, be prevented and be reduced. To address negative impact directly linked to the enterprise, e.g. in the supply chain, the business must use its leverage to influence the entity causing the negative impact to cease, prevent or mitigate it. This involves developing and implementing plans and routines to manage risk and may require changes to the enterprise’s own policy documents and management systems. Effective management of the negative impact on people, animals, society, and the environment is a major contribution to the achievement of the Sustainable Development Goals (SDGs).

### 3. A Cease, prevent or mitigate

**3.A.1 For each salient risk, add a goal, progress status and describe the measures you have implemented to handle the enterprise’s prioritized negative impact on people, animals, society, and the environment**

<b>Salient issue</b>	<b>Forced labour in China</b>
<b>Goal :</b>	Investigate opportunity for sector collaboration with business colleagues/competitors during 2024.
<b>Status :</b>	To be initiated
<b>Goals in reporting year :</b>	Investigate sourcing alternatives, for example from Europe instead of China. (Ongoing)

**Describe already implemented or planned measures to cease, prevent or mitigate negative impacts and reasoning behind the selected measures :**

Lekolar is not found to be directly linked to forced labour at supplier factories in China, nor has any instances of forced labour been found at supplier factories. We are trying to establish the best actions forward in order to reduce the risk for and mitigating the negative impacts of forced labour in China. In 2024 we will investigate sourcing alternatives, from example from Europe instead of China.

**Describe actual or expected results of measures mentioned above, as well as goals and activities for the coming reporting year :**

We expect the actions ongoing and planned for 2024 to give us a more in-depth understanding of the actual risk for forced labour at suppliers in China, as well as the possibility to make a positive impact. This, through sector collaboration and possibly altered purchasing practices. These actions are expected to lead to reducing the risk of forced labour in our supply chain in China.

<b>Salient issue</b>	<b>No freedom of association and lack of right to strike in China</b>
<b>Goal :</b>	Investigate opportunity for sector collaboration with business colleagues/competitors during 2024.
<b>Status :</b>	To be initiated
<b>Goals in reporting year :</b>	Investigate sourcing alternatives, for example from Europe instead of China. (Ongoing)

**Describe already implemented or planned measures to cease, prevent or mitigate negative impacts and reasoning behind the selected measures :**

Discussions regarding sourcing possibilities are ongoing. Lekolar is not found to contribute to this salient issue, however we recognize the risk and the fact that our purchasing presence make us linked to this issue. In 2024 we will investigate sourcing alternatives, from example from Europe instead of China. We consider the presented measures the best way forward.

**Describe actual or expected results of measures mentioned above, as well as goals and activities for the coming reporting year :**

Due to the complexity of the salient issue, as well as the complexity in choosing long-term sourcing partners, we expect the discussions during the year regarding possible sourcing alternatives, for example sourcing from Europe instead of China, to lead to further actions defined. As well as reducing the risk of negative impact on workers in our supply chain.

<b>Salient issue</b>	<b>Extensive overtime, China</b>
<b>Goal :</b>	Examine root causes and the potential impact of our purchasing practices on use of overtime in dialogue with suppliers. Review own purchasing practices and adapt where necessary, i.e. increased lead times and more collaborative production planning, to ensure that our purchasing practices strengthen, rather than undermine, our suppliers' ability to deliver on our requirements for responsible business conduct (decent working hours).
<b>Status :</b>	To be initiated
<b>Goals in reporting year :</b>	No specific goal or measure was been specified for 2023.

**Describe already implemented or planned measures to cease, prevent or mitigate negative impacts and reasoning behind the selected measures :**

Our purchasing practices are continuously reviewed, for example regarding lead times. Lekolar is at this time not found to contribute to this salient issue, but we recognize the risk and the fact that our purchasing presence make us linked to this issue. In 2024 we will examine root causes and the potential impact of our purchasing practices on use of overtime in dialogue with suppliers. As well as review own purchasing practices and adapt where necessary, i.e. increased lead times and more collaborative production planning, to ensure that our purchasing practices strengthen, rather than undermine, our suppliers' ability to deliver on our requirements for responsible business conduct (decent working hours).

**Describe actual or expected results of measures mentioned above, as well as goals and activities for the coming reporting year :**

We believe that a more thorough discussion regarding our purchasing practices might identify more possible actions to address this salient issue. Such discussions will take place during 2024. This action is expected to lead to reducing the risk of negative impact from extensive overtime on workers in our supply chain.

<b>Salient issue</b>	<b>Workers rights in Brazil</b>
<b>Goal :</b>	Initiate stakeholder dialogue to inform Lekolar on root causes and effects regarding this salient issue.
<b>Status :</b>	To be initiated.
<b>Goals in reporting year :</b>	No specific goal or measure was been specified for 2023.

**Describe already implemented or planned measures to cease, prevent or mitigate negative impacts and reasoning behind the selected measures :**

Lekolar is not found to be directly linked to negative effects on workers' rights in Brazil. However, we recognize the need to further investigate this issue and identify relevant actions. in 2024 we will initiate stakeholder dialogue to inform Lekolar on root causes and effects regarding this salient issue.

**Describe actual or expected results of measures mentioned above, as well as goals and activities for the coming reporting year :**

During 2024, we are to initiate stakeholder dialogue to inform our analysis about root causes and effects regarding this salient issue. We expect to get more in-depth understanding of the situation and will formulate further relevant actions after the investigation. The stakeholder dialogue and following actions to be defined are expected to reduce the risk of negative impact for workers in our supply chain connected to workers rights in Brazil.

<b>Salient issue</b>	<b>Forced labour in Brazil</b>
<b>Goal :</b>	Initiate stakeholder dialogue to inform Lekolar on root causes and effects regarding this salient issue.
<b>Status :</b>	To be initiated.
<b>Goals in reporting year :</b>	No specific goal or measure was been specified for 2023.

**Describe already implemented or planned measures to cease, prevent or mitigate negative impacts and reasoning behind the selected measures :**

Lekolar is not found to be directly linked to forced labour in Brazil. However, we recognize the need to further investigate this issue and identify relevant actions. In 2024, we will initiate stakeholder dialogue to inform Lekolar on root causes and effects regarding this salient issue.

**Describe actual or expected results of measures mentioned above, as well as goals and activities for the coming reporting year :**

During 2024, we are to initiate stakeholder dialogue to inform our analysis about root causes and effects regarding this salient issue. We expect to get more in-depth understanding of the situation and will formulate further relevant actions after the investigation. The stakeholder dialogue and following actions to be defined are expected to reduce the risk of negative impact for workers in our supply chain connected to forced labour in Brazil.

## OTHER ACTIONS RELATED TO MANAGEMENT OF NEGATIVE IMPACTS

**Describe the enterprise's general measures to cease, prevent or mitigate negative impacts, including in the supply chain.**

### **3.B.1 Reduction of nature- and environmental impact**

Results from environmental product declarations (EPD:s) and life cycle assessments (LCA:s) inform us about where the most negative impacts occur in the life cycle of a product. Thus informing us about where and what measures would contribute to prevent or mitigate the negative impact. This has led to changes in materials used, for example changing to dry-died textile options for furniture fabrics, or changing plastic raw material from fossil-based to bio-based plastic.

In addition, our circularity initiatives serve to reduce the negative impact on nature and the environment. Please read more under 3.B.8 about C-key, our circularity symbol for furniture, a key to each product's circularity profile.

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### **3.B.2 Reduction of greenhouse gas emissions**

In addition to EPD:s and LCA:s, calculating our products' aggregated climate impact through material mapping, per product sub-category, has helped us to get a specific understanding of the effect of changing input materials, for example from PVC plastic to TPE plastic or bio-based plastic. This has led to changes in material composition for part of our range. However, there are challenges related to switching input materials, as products need to be safe for children to use and play with. Recycled plastic is one such challenge, when it comes to products for young children, due to the limited possibility of ensuring chemical compliance for recycled plastic.

In addition, our circularity initiatives serve to reduce the negative impact on GHG emissions.

Our emissions in scope 1,2 and 3 are yearly calculated according to the GHG protocol and reported in our annual sustainability report, latest version available here: <https://www.lekolar.no/csr/>.

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### **3.B.3 Adapting own purchasing practices (sourcing)**

Our purchasing practices are continuously reviewed, for example regarding lead times, but we will look into and discuss purchasing practices' effect on suppliers in 2024 to be able to formulate relevant actions.

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### **3.B.4 Choice of products and certifications**

We work with environmental certification schemes, for example Nordic Ecolabel and Möbelfakta Sweden (Type 1 Ecolabels), where tough chemical requirements are applied to certified products and verified through document assessments and audits. We also have strict requirements for product chemical content in our Supplier Code of Conduct (different requirements for different product types). In addition, we have the ambition to only source FSC/PEFC certified wood and packaging, in order to have raw material traceability and limit the negative impact from forestry practices.

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### **3.B.5 Actively support free trade union organisation and collective bargaining, or where the law does not allow it, actively support other forms of democratically elected worker representation**

Lekolar supports free trade union organization and the right to collective bargaining, and this is reflected in our policies. We recognize, however, that this right is not being upheld throughout our supply chain due to systemic constraints. Therefore, we have addressed this in our action plan for due diligence and will investigate opportunity for sector collaboration with business colleagues/competitors.

### **3.B.6 Contribution to development, capacity building and training internally and of suppliers and workers in the supply chain**

We have identified the need for internal training of employees regarding due diligence procedures and have formulated a training plan for this. Trainings will be held during 2024. For supplier training on due diligence procedures, we are in dialogue with suppliers regarding what due diligence is and what is expected from them, as part of signing the Supplier Code of Conduct, where this is a requirement. Further in-depth training is not scheduled at the moment, but we will evaluate the need and possible format for this during supplier discussions.

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### **3.B.7 Combatting corruption and bribery in own enterprise and supply chain.**

To mitigate the risk of corruption in our own enterprise, we have developed a policy on anti-corruption and business ethics, included in the Lekolar Internal Code of Conduct. All employees have in 2023 undergone e-learning where they were tested on their understanding of what the policy means in typical everyday situations. The training also includes signing the Code digitally. According to our hierarchy of responsibility for anti-corruption, the responsibility internally for this issue is documented, and prioritized activities for anti-corruption have been formulated.

Regarding mitigating the risk of corruption and bribery in our supply chain, we have included policy requirements in our Supplier Code of Conduct, which is mandatory to sign for all suppliers. These requirements include providing awareness to workers about the policies, controls, programmes and measures against unethical behaviour, and promoting compliance within the company through trainings and communication.

Anti-corruption and business ethics is also part of our dialogue with suppliers during audits against the supplier CoC and during factory visits. However, we recognize the complexity this issue entails and understand the need to further analyze and address it throughout our value chain.

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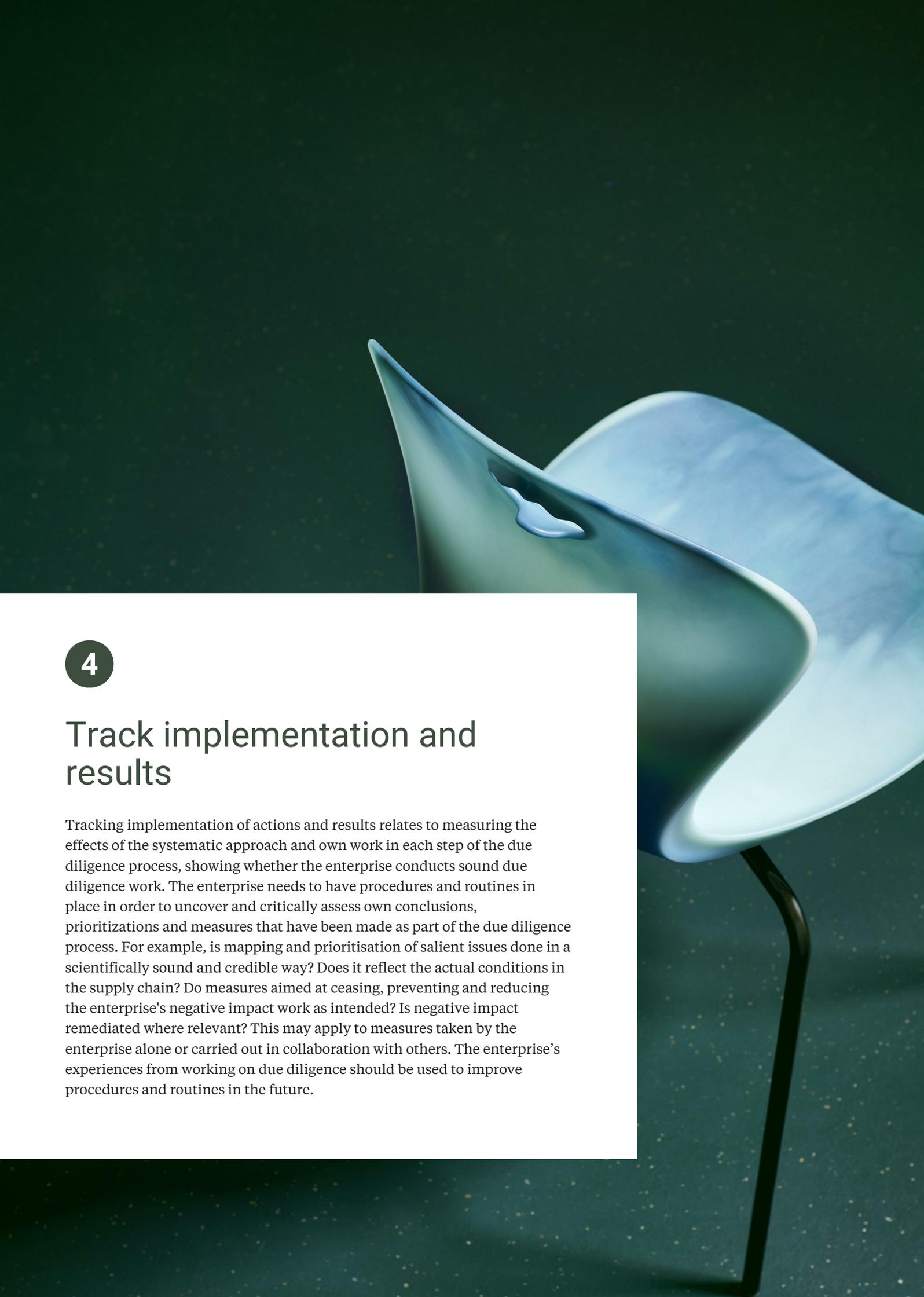
### **3.B.8 Other relevant information concerning the enterprise's work to reduce, prevent, and manage negative impact on people, animals, society and the environment**

One of the most important topics for Lekolar to address when it comes to environmental sustainability is circularity. C-key is Lekolar's circularity symbol for furniture, a key to each product's circularity profile. Our products are assessed given five strict circularity criteria that are widely accepted for the furniture industry (based on the Nordic Ecolabel circular criteria). Products must meet at least two criteria to be called circular. After the assessment, products are clearly labelled, so that you can see in what respect they fulfill defined circularity criteria, including the use of recycled and renewable materials, circular design, and recycling and reuse. In this way, C-key can be used as a guide to increase sustainability when planning preschool and school furniture purchases.

C-key is not a label or a third party verified certification scheme, but it has been developed in order to further assist schools to make more sustainable choices when purchasing classroom solutions. Apart from that, the assessments give us an understanding of what circular characteristics can be improved for each product. This is invaluable for not only limiting the amount of virgin raw material in our furniture, but also for lowering the climate emissions from the products that we sell.

More information about C-key and the criteria used can be found here (in Swedish): <https://www.lekolar.se/om-lekolar/miljo-och-hallbar-utveckling/c-key/>

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## 4

# Track implementation and results

Tracking implementation of actions and results relates to measuring the effects of the systematic approach and own work in each step of the due diligence process, showing whether the enterprise conducts sound due diligence work. The enterprise needs to have procedures and routines in place in order to uncover and critically assess own conclusions, prioritizations and measures that have been made as part of the due diligence process. For example, is mapping and prioritisation of salient issues done in a scientifically sound and credible way? Does it reflect the actual conditions in the supply chain? Do measures aimed at ceasing, preventing and reducing the enterprise's negative impact work as intended? Is negative impact remediated where relevant? This may apply to measures taken by the enterprise alone or carried out in collaboration with others. The enterprise's experiences from working on due diligence should be used to improve procedures and routines in the future.

## 4.A. Track and assess

**4.A.1 Describe the a) assignment of responsibility for tracking the effect and result of measures implemented to cease/prevent/mitigate salient risks of negative impact on people, animals, society and the environment, as well as how the tracking is done in practice, b) who is responsible for evaluating the enterprise's implementation and work with due diligence, and how the evaluation is done in practice.**

Sustainability manager, part of the management team, is responsible for due diligence in the supply chain. This includes tracking the effect and result of measures implemented to cease/prevent/mitigate salient risks. More on this can be found under section 1.B.1 in this report.

Evaluation of Lekolar's implementation and work with due diligence is done as part of general a yearly management performance evaluation, as well as through external and internal audits. A due diligence group has been formed and the work to collect information from different stakeholders and further implement the due diligence assessment process will continue during 2024. Communication internally and externally will also be part of the group's agenda during 2024.

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**4.A.2 Describe how the enterprise ensures that measures taken to identify, prevent and reduce negative impact actually work**

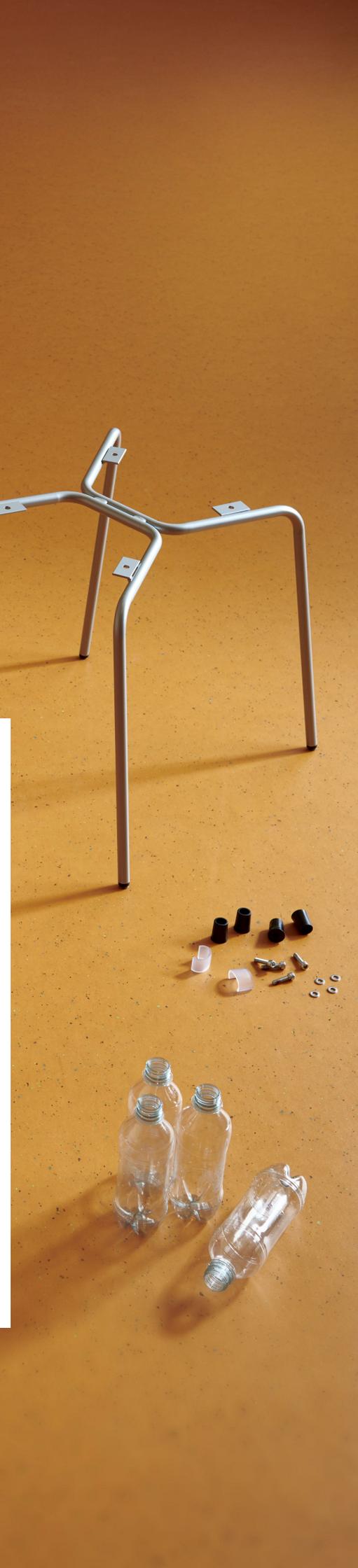
As part of our actions to prevent and reduce negative impacts on people, the environment and society, we conducted an audit against the Lekolar Supplier Code of Conduct during 2023 at one of our strategic suppliers in Poland. Zero critical non-compliances were found, but 5 major and 7 minor non-compliances were noted during the audit. The supplier got 60 days to set up an action plan with adequate corrective actions that are approved by Lekolar. The supplier was able to verify that some non-compliances had been addressed already prior to the 60 day limit and thus mitigating safety risks for workers. As standard, we have a pre-audit meeting and a post-audit meeting with the supplier, when we go through the corrected non-compliances together. Further post-audit meetings are arranged if called for by either Lekolar or the supplier.



## 5

# Communicate how negative impacts are addressed

A prerequisite for good external communication on due diligence for responsible business conduct is that it builds on concrete activities and results. Enterprises should make relevant documents concerning due diligence publicly accessible, i.e. policies, codes of conduct, guidelines, processes and activities related to identifying and handling the enterprise's actual and potential negative impacts on people, animals, society and environment. Communication should include information about how the risks have been identified and handled, as well as the effect of the measures/activities. The Transparency Act (Åpenhetsloven) §5 requires companies to publicly account for their human rights due diligence on an annual basis.



## 5.A External communication

### 5.A.1 Describe how the enterprise communicates with affected stakeholders about managing negative impact

We have specified our expectations for how negative impact in our supply chain should be managed in our Supplier Code of Conduct. If we find cases of negative impact on people, the environment or society at once of our suppliers' that are not in line with our specified managing practices, we will work together with the supplier in order to manage the impact swiftly, given the severity of the breach. According to our routine for Code of Conduct Breach and Remediation, if the breach is found to be severe, we stop orders immediately and the supplier is to be audited through a third party within 1 month, in order to set up a corrective action plan.

If the breach is assessed to be moderate, we initiate dialogue with the supplier and the supplier is to be audited through a third party within 3 months. Given a minor breach, we initiate dialogue with the supplier which might suffice. If the dialogue is not satisfactory, the supplier is to be third party audited within 6 months.

To continue working with the supplier, they must always be able to document fulfilment of the corrective action plan.

If the supplier remains unwilling to remedy the breach following repeated enquiries, Lekolar may terminate the business relation with the supplier.

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### 5.A.2 Describe how the enterprise publicly communicates its own work on identifying and managing negative impact/harm

In our yearly sustainability report, we communicate on how we work with material sustainability issues, among those limiting our climate impact. The link to the 2022 sustainability report is available here: <https://www.lekolar.no/csr/holdbarhetsrapport/>  
The 2023 report will be published in April 2024.

In our yearly Transparency Act report, derived through Ethical Trading Initiative Norway, we account more in detail for our work with identifying and managing negative impact and harm. Our work is based on due diligence assessments and a materiality analysis that will be updated in spring 2024, in line with the upcoming CSRD ESRS methodology.

The latest available report is published here: <https://www.lekolar.no/om-lekolar2/etisk-handel/>

On our webpage, we have information about how we work with sustainability from different perspectives and our Supplier Code of Conduct is available there, as well as our Policy for Responsible Business Conduct. <https://www.lekolar.no/om-lekolar2/etisk-handel/>

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### 5.A.3 Describe the enterprise's routines for maintaining and answering external inquiries related to the information requirement imposed by the Transparency Act

Requests for information (RFI) regarding supply chain transparency may be directed to either Lekolar Norway or to the Lekolar Group. After the RFI has been received in writing, Lekolar will first respond within no later than 3 weeks. If the complexity of the RFI requires more in-depth investigation by Lekolar, an adequate and comprehensible response shall be communicated no later than 2 months after the initial request.



6

## Provide for or cooperate to ensure remediation when appropriate

Once an enterprise has identified that it has caused or contributed to negative impact on people, animals, society or the environment, the enterprise must provide for, or cooperate in, remediation. Remediation may involve financial compensation, a public apology or other ways to remediate the negative impact. Another aspect of remediation is that companies should provide for, or cooperate with legitimate complaint mechanisms, to ensure that workers and/or local communities can raise complaints and be heard.

## 6.A Remediation

### **6.A.1 Describe the enterprise's policy for remediation of negative impacts on people, animals, society and the environment**

The Lekolar Supplier CoC and Policy for responsible business conduct includes measures for remediation. In the event of a breach of the Supplier Code of Conduct, Lekolar and the supplier will jointly prepare a plan for remedying the breach. Remediation must take place within a reasonable period of time. If the supplier remains unwilling to remedy the breach following repeated enquiries, Lekolar reserves the right to terminate the business relation with the supplier.

As a specific example, if any case of child labour is found, sustained efforts shall be made to redress the situation as quickly as possible. Such a procedure shall be done in the best interest of the child, ensuring adequate financial and other support to enable children to attend and remain in school.

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### **6.A.2 If relevant, describe cases of remediation in the reporting year**

Remediation has not been made during 2023.

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## 6.B. Ensure access to grievance mechanisms

### **6.B.1 Describe what the enterprise does to ensure that employees in own enterprise and other stakeholders, especially impacted workers and local communities have access to whistleblowing systems and grievance mechanisms when this is needed**

A whistleblowing channel is externally available via the Lekolar web, if whistleblowers wish to remain anonymous: <https://report.whistleb.com/en/lekolar>

Lekolar employees can also access the whistleblowing channel via the intranet. Whistleblowing reports are filtered through a third party, before presented to the Lekolar Ethical board.

Apart from this, we will take action to investigate opportunity for sector collaboration with business colleagues/competitors regarding freedom of association in China.

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