

SUSTAINABLE GOALS





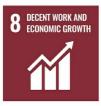
































To Readers Of The Report

Business has a major impact on people, society and the environment. It can make positive contributions to development but can also have negative impacts and cause harm. Companies therefore play a key role in achieving the UN's Sustainable Development Goals (SDGs). The Norwegian government expects all companies, regardless of size, to map, prevent, limit and communicate on how they handle risks for negative impact, as well as remediation mechanisms in cases of harm on people, societies or the environment. This is known as due diligence and applies to the private and public sector as well as organizations. As a consequence of the recently passed Transparency Act (åpenhetsloven), all larger corporations are obliged by law to conduct due diligence and show transparency in this work from 1 July 2022.

Members of Ethical Trade Norway have committed themselves to work with mandatory due diligence for responsible business practice. The foundation for this work is Ethical Trade Norway's Declaration of Principles (code of conduct) which covers the areas decent work, human rights, environment/climate, anti-corruption and animal welfare.

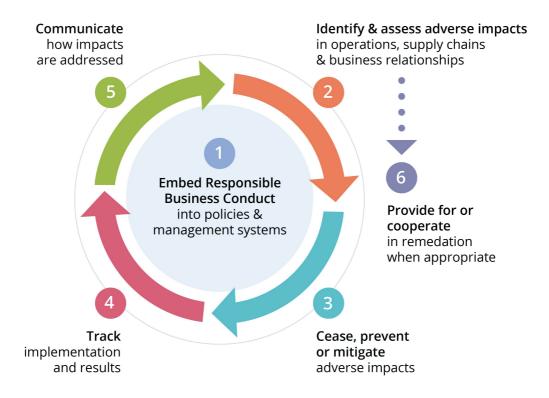
The reporting template is designed for the company to show transparency in their work on responsible and sustainable business practice, as described in the UN Guiding Principles (UNGP) and the OECD Guidelines for Multinational enterprises. The report should show how the company works with due diligence, and describe what challenges the company faces, which measures are being implemented to handle these challenges, as well as progress and results. All member reports are publicly available 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 do business responsibly. Therefore, we are constantly reevaluating our processes related to purchasing and have set long term goals linked to the Sustainable Development Goals. We are this year proud to have continued developing our work with supply chain risk assessment, and material mapping of our products in order to enable circularity insights and climate impact calculation for our products.

In order to create decent working conditions and strict environmental demands throughout our supply chain, we work closely with our suppliers. As part of this work, we use our "Code of Conduct" that describes what we expect from Lekolar suppliers. Our "Code of Conduct" covers human rights, labor law, safety, health, environment and anti-corruption. We demand from our suppliers, as well as their subcontractors, that they shall fully comply with the requirements in our "Code of Conduct". We will constantly evaluate and improve our work within this area.

"We will constantly evaluate and improve our work within this area."

David Persson

CEO

Company information and business context

Key company information

Lekolar AB	
Head office address	
Hallarydsvägen 8	
Main brands, products and	services offered by the company
Furnitures, toys, arts	
Description of company str	ucture
Osby including warehouse compliance. We are operat	solutions and services for mainly schools and pre-schools. The head office is situated in e, product development, customer service, purchasing, tender, managment and ting in the four nordic countries; Denmark, Finland, Sweden and Norway. We are only agreements with the municipalities. Lekolar is owned by Nalka Investment AB.
	urchased volumes originates from Asia. Therefore we have our own purchasing office rest of the products are mainly supplied from Europe.
	team including three people responsible for sustainability questions. Sustainability o the CEO and is also part of the management group.
Turnover in reporting year ((NOK)
Turnover in reporting year (1 385 629 503	(NOK)
	(NOK)
1 385 629 503	(NOK)
Number of employees	(NOK)
Number of employees	
Number of employees 330 Major changes to the comp	pany since last reporting period
Number of employees 330 Major changes to the comp N/A.	pany since last reporting period ort (name and title)
Number of employees 330 Major changes to the comp N/A. Contact person for the repo	pany since last reporting period ort (name and title) nability Specialist

Supply chain information

General description of the supply chain and the company's sourcing model

Lekolar buys ready-made products directly from suppliers, both branded and unbranded. We also develop our own furniture range which appointed suppliers get to 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.

Number of suppliers with which the company had commercial relations in the reporting year

757

Comments

Represents number of suppliers where Lekolar have done purchases

Approximate ratio by sourcing options



Own or joint venture production



Direct contracting/purchas



Purchases through agents/intermediary/ importers/brands



Other

List of first tier suppliers (producers) by country

List of first der supplier	
Sweden:	324
Austria:	2
Belgium:	4
Bosnia-Herzegovina	: 1
Bulgaria:	1
China:	59
Czech Republic:	4
Denmark:	93
United Kingdom:	50
Estonia:	6
Finland:	43
France:	6
Germany:	51
Netherlands:	16
India:	3
Italy:	10
Latvia:	5
Lithuania:	4
Norway:	17
Poland:	14
Romania:	h
Serbia:	5
Spain:	9
Sri Lanka :	2
Taiwan:	7
Thailand:	3
Turkey:	2
USA:	3
Vietnam:	h
Hong Kong:	9
Switzerland:	2
Paged on Labratage Cont	tior our pliors
Based on Lekolar's first	tier suppliers.

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State the number of workers at first tier producers that the company has an overview of, and the nu this overview is based on:	ımber of suppliers
Number of workers	
19 853	
Number of suppliers this overview is based on	
246	
Numbers of workers per supplier (calculated average)	
81	
Comments to number of workers	
We ask the question in our self-assessment and have quantified the responses for 246 suppliers $\frac{1}{2}$	
Key inputs/raw materials and associated geographies	
wood-based, textiles, steel, electronics, plastics	Global
Raw materials are sourced from many different countries/regions.	
Is the company a supplier to the public sector?	

Goals and progress

Goals and progress for the reporting year

100% percent of suppliers (based on purchasing volume) that have signed the new Lekolar Code of Goal:

Status: 69%

2

Goal: all employees to receive information about anti-corruption policy and whistleblower channel

Status: 100%

Goal for coming years



All employees to receive sustainability training

2

All employees to receive training on anti-corruption



1.A Policy* for own business

1.A.1 Link to publicly available policy for own business

https://www.lekolar.se/om-lekolar/Etisk-handel/

1.A.2 What does the company say publicly about its commitment to respect people, society and the environment?

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.

Our vision for the work we do on social and ethical responsibility throughout the supply chain is to support and encourage our suppliers to comply with the principles of the Lekolar Code of Conduct as a baseline requirement. By doing this Lekolar seeks to take its share of responsibility for ensuring that its suppliers and their sub-contractors pay due regard to basic human rights, healthy working conditions and concern for the environment. We do not tolerate child labour or any form of forced labour, and we demand a good working environment for all those employed by our business partners. The Lekolar Code of Conduct is based on the core conventions and documents of the United Nations and the ILO. All suppliers, manufacturers and other partners with whom Lekolar does business must, as a minimum requirement, comply with local and national laws in their respective countries, as well as international rules and regulations, and sign the Lekolar Code of Conduct.

1.A.3 How has the policy/commitment been developed and how is it anchored in the company?

We have a supplier code of conduct and an internal code of conduct.

Policys are developed with stakeholder interest and best practice in mind and are approved by the management team. Policy-training for employees is included in the on-boarding process as well as a when policies are updated. The policies are also part of the yearly appraisal dialogue with employees.

1.B Organisation and internal communication

1.B.1 How is the due diligence work organised within the company, and why?

Management-level responsibility for responsible business conduct is divided between our CEO, HR manager and Sustainability manager. Day-to-day responsibility is delegated to business areas, compliance team and HR team.

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

Introduction with new hires includes information on policies for responsible business conduct, the Lekolar values, information on work environment, ethical business conduct and sustainability. All new hires sign the Lekolar Code of Conduct. Managers are responsible for including relevant policies as part of the discussion in the annual staff appraisal meetings. Policies and guidelines are available to all employees through our Way of Working and everyone is encouraged to contact their manager if questions on practical implications of the policies occur.

1.B.3 How does the company 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. In 2021, training was held for product managers, on social and ethical risks in the supply chain and these trainings will be conducted for relevant employees continuously and as needed. Sustainability specialist underwent training in Due diligence human rights in January 2022.

1.C. Plans and resources

1.C.1 How are the company's commitments to respect people, society and the environment rooted 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. Working groups have made progress on especially goal 1 and 2 during 2021, as baseline for circular mapping and climate impact from products have been derived.

Result: 69% of our furniture range sales 2021 were derived from "circular products"

Result: 86% of our Scope 3 emissions stem from products purchased (GHG protocol, cat 1).

1.C.2 How is the company's strategies and action plans to work towards being responsible and sustainable followed up by senior management and in 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 sustainability into their business plan. Once a year a follow-up is conducted in the management team on environmental risk management, as part of the ISO 14001 management process.

The board does a follow-up of selected targets, including risk assessments, at least 4 times a year. Apart from that, ESG data is reported to the board yearly.

1.D Partnerships and collaboration with business associates, such as suppliers

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

It's part of pre-contractual discussions with suppliers as self-assessment is carried out. In China, visits by China office staff are carried out before signing with a new supplier. The purchasing department is in constant dialogue with suppliers and emphazises the importance of sustainable business practices as part of this dialogue, as well as quality and price.

As an addition 2021, we implemented sustainability factory checks made by CHina office staff during quality checks. Also, we have asked all Chinese suppliers to engage in amfori BSCI, RBA, SA 8000, ICTI, Sedex/SMETA.

Indicator

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



Number for 2021 shows the percentage of suppliers based on purchase value that have signed the new Lekolar CoC.

Number for 2020 show the percentage of total suppliers that have signed the new Lekolar code of conduct thus far (roll out started spring 2020). The code is sent out to all suppliers for signature. The old version of the code is valid as part of the supplier contract until implementation of the new code is completed.

1.E Lessons learned and changes in the reporting period

1.E.1 What lessons has the company learned during the reporting period concerning responsible business conduct, and what has changed as a result of this?

In 2021, we implemented sustainability factory checks made by China office staff during quality checks. Also, we have asked all Chinese suppliers to engage in amfori BSCI, RBA, SA 8000, ICTI, Sedex/SMETA and receive audit reports from these suppliers to support the risk assessment.



2.A Mapping and prioritising

STATEMENT ON SALIENT ISSUES

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 company's prioritised risk of negative impact on people, society and environment.

Salient issue	Related topic	Geo grap hy
Forced labour of ethnic minorities (withholding of ID papers or migration fees)	Forced labour	Chi na Th ail an d
Soil and water contamination (heavy metals)	Environment	Glo bal
Health and safety of steel manufacturing employees in factories (lack of safety training, fires in factories, occupational accidents and deaths)	Occupational Health and safety	Chi na Th ail an d

These are a selection of the most salient issues known to take place in connection to the type of production related to our products. We do not have any such confirmed cases in relation to our suppliers. These issues are currently handled through risk assessment procedures, dialogue with suppliers and through audits. However, we recognize the importance and difficulty to solve the issues mentioned.

DETERMINATION OF SALIENT ISSUES

2.A.2 Describe in short the company's routines for mapping and identifying risk and show how the negative impact was identified and prioritised in this period. Describe how information was gathered, what sources were used, and which stakeholders have been involved/consulted. Further, describe 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.

Through publicly available sources, self-assessments and audits performed. With a diverse supplier base, critical issues differ between geographic areas and sectors.

ADDITIONAL SEVERE IMPACTS

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

The most common non-compliances found in audits relate to fire hazards, lack of safety equipment/safety equipment not in use, excessive overtime and delayed overtime payment. These are handled in dialogue with the supplier. The issue in China concerning the lack of freedom of association is a difficult issue and is not addressed directly by Lekolar, but rather through our membership in Ethical Trade Initiative.



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 company's prioritized negative impact on people, society and the environment

Salient issue	Forced labour of ethnic minorities (withholding of ID papers or migration fees)
Goal:	We have not set a specific goal for this salient issue. However, it falls under the overarching goal of having audited 80% of our suppliers (based on purchased value. Audits in turn will be prioritized based on a supplier risk assessment.
Status :	
Objectives in reporting year :	

Actions:

We have initiated discussion with a main supplier in Asia regarding the management of this salient issue, among other human rights issues.

Salient issue	Soil and water contamination (heavy metals)
Goal:	We have not set a specific goal for this salient issue. However, we aim for all suppliers to work systematically with environmental management and to encourage their own suppliers to do the same.
Status :	N/A
Objectives in reporting year :	N/A

Actions:

We highly encourage our suppliers to adopt a formalized environmental management system, such as the ISO 14001 or EMAS.

Salient issue	Health and safety of steel manufacturing employees in factories (lack of safety training, fires in factories, occupational accidents and deaths)
Goal:	No specific goal is set for this salient issue. However, it is addressed in dialogue with suppliers and through audits. Also relates to the overarching goal of 80% of suppliers having been audited by 2030 (based on purchase value). Risk assessment will form a basis for prioritized audits.
Status:	N/A
Objectives in reporting year :	

Actions:			

Salient issue	
Goal:	
Status:	
Objectives in reporting year :	
Actions:	

OTHER ACTIONS RELATED TO MANAGEMENT OF NEGATIVE IMPACTS

Describe cross-cutting actions to cease, prevent or mitigate negative impacts, including in your supply chain

3.B.1 Reduction of environmental and climate footprint

We have set 2030 goals in 4 areas that aim to lower our negative impact. The goals address: Lowering CO2 emissions, audits at high-risk suppliers, no PVC in products, FSC/PEFC certified wood-based products and packaging, and a move towards a more circular approach and environmentally better materials in our products.

3.B.2 Adapting own purchasing practices (sourcing)

Continuous dialogue with strategic suppliers (that constitute 80% of the Lekolar purchase volume) on possible issues/complications for suppliers connected to Lekolar orders. Active management of lead times, prices and quality issues. Continuous compliance efforts with focus on chemical management and electronics. Staff in China carry out supplier visits and sustainability factory checks in connection to shipments and new suppliers.

3.B.3 Choice of product design and raw materials

We are working to further implement circular economy related aspects in our product design process as part of the ongoing circular economy project.

3.B.4 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.

Expressed in Lekolar supplier code of conduct. Focus in audits. No other direct dialogues.

3.B.5 Contribution to development, capacity building and training internally and of suppliers and workers in the supply chain

No current capacity building program in place.

3.B.6 Other relevant information concerning the company's work to cease, reduce and handle negative impact on people, society and environment



4.A. Track and assess

4.A.1 Describe the assignment of responsibility for tracking the effect of measures implemented to cease/prevent/mitigate salient risks of negative impact on people, society and the environment, as well as how the tracking is done in practice

General management performance evaluation and follow-up done in management team.

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

As part of ISO 14001 certification and management review twice yearly. As part of our internal audits, we aim to incoporate this as well.



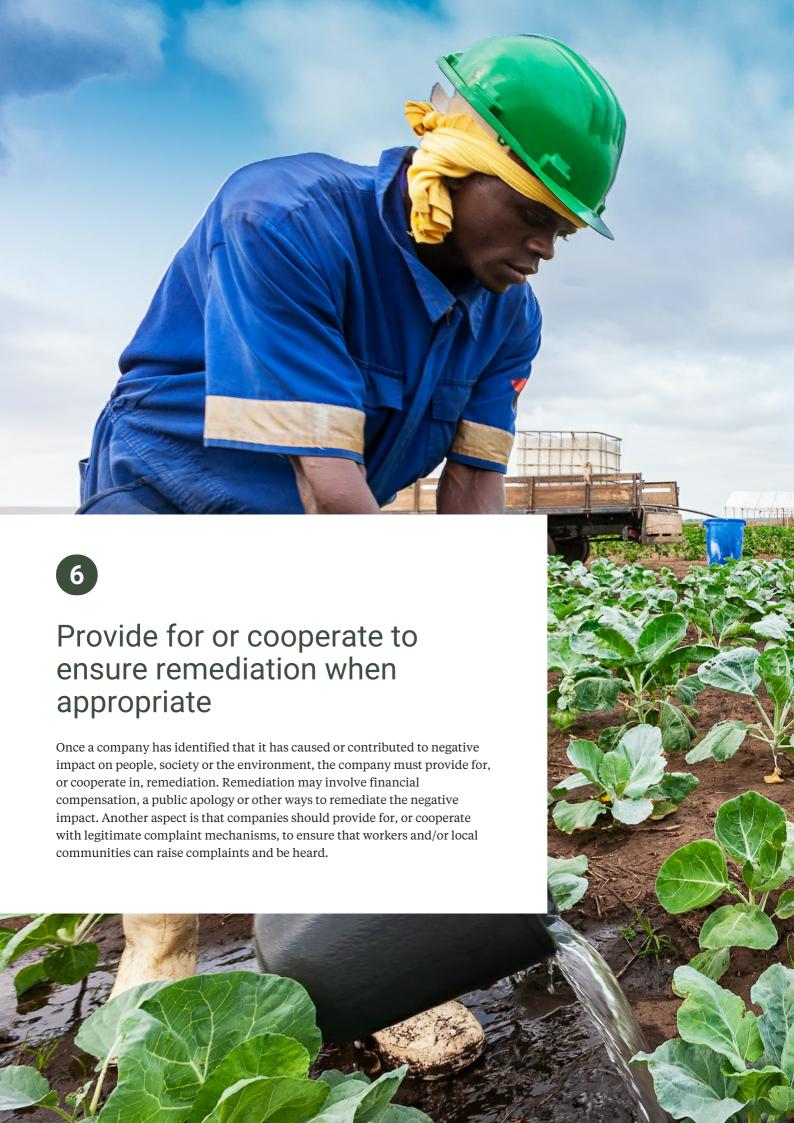
5.A External communication

5.A.1 Describe how the company communicates with affected stakeholders when managing negative impact

The implementation of the supplier code of conduct is one step we are taking to inform our suppliers of the level of responsible business practice we expect. Our purchasing department is in constant contact with suppliers and for those suppliers where audits have been performed, we have talked with the supplier about managing salient issues, based on the supplier's specific situation.

5.A.2 Describe how the company communicates publicly about its own work on identifying and managing salient

As part of our yearly sustainability report we have included some information on our supplier assessment process but not yet communicated in-depth about identification and management of salient issues.



6.A Remediation

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

The Lekolar supplier code of conduct includes measures for remediation.

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

Remediation has not been made during 2021. Climate compensation has been discussed as one remediation tool but only as a complement to lowering our absolute CO2 emissions.

6.B. Ensure access to grievance mechanisms mechanisms
6.B.1 Describe what the company does to ensure that workers and local communities have access to effective grievance mechanisms when this is appropriate
We are in the process of reviewing our due diligence process, specifically when it comes to remeditation.

Contact details:

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