

# Kjell & Company

## ESG impacts through the value chain

Kjell & Company (“Kjell”) is a leading Consumer Electronic Accessories firm with 105 stores in Sweden, 19 in Norway, and an e-commerce offering in both markets. The company also runs a purchasing office in Shanghai, China, and its headquarters and central warehouse in Malmö, Sweden. Kjell employs 1146 people, distributed among 81% men and 19% women. The company has a very high customer satisfaction and is an industry leader with an NPS of 71.

The most significant environmental impact in the value chain is in materials used in the home electronics products, transportation from Asia to Europe, and in the electronic- as well as packaging waste connected to the end products.

Social impacts in Kjell’s supply chain include labor and human rights, in particular in Asia, but also within the company’s stores and operations. Since Asia is a big part of the product origin, Kjell must be aware of risks related to anti-corruption and integrity.

 Raw materials	 Suppliers and retail	 Management and marketing	 Customers and end-use
<ul style="list-style-type: none"> <li>▶ Climate impact of raw material sourcing</li> <li>▶ Conflict minerals in electronics</li> <li>▶ Sanctioned countries</li> </ul>	<ul style="list-style-type: none"> <li>▶ Electronic waste (WEEE)</li> <li>▶ Climate impact of logistics and own operations</li> <li>▶ Chemical use and pollution</li> <li>▶ Sustainable packaging</li> <li>▶ Supplier labor conditions and human rights</li> <li>▶ Supplier health and safety</li> <li>▶ Labor conditions and culture of own operations</li> <li>▶ Employee health and safety</li> <li>▶ Internal waste</li> </ul>	<ul style="list-style-type: none"> <li>▶ Anti-Corruption and integrity</li> <li>▶ Diversity</li> <li>▶ Sustainable stock management</li> <li>▶ Product offering to enhance energy efficiency and electronics’ longevity</li> <li>▶ Attracting and retaining employees</li> <li>▶ Tax policies</li> </ul>	<ul style="list-style-type: none"> <li>▶ Product quality and safety</li> <li>▶ Product take-back, recycling and reuse</li> <li>▶ Sustainable brand positioning</li> <li>▶ Product labelling and transparency</li> <li>▶ Dual use</li> <li>▶ Data security and privacy</li> </ul>

## ESG risks and opportunities

The nature of the products Kjell provides demands a high level of quality and safety practices, primarily with regards to materials and production, but also concerning end-consumers usage of the products. As such, Kjell’s requirements on private label production practices and quality controls, as well as staff knowledge and education, are both thorough and stringent. Transparency in communication, responsible and ethical sourcing, as well as product adherence to relevant laws and regulations, increase in relevance proportionally to customer awareness, and consequently demands, of safety and quality in the market.

Through their knowledgeable sales staff, Kjell has a unique opportunity to supply new products that are inherently energy-efficient, or, in other ways, help reduce energy usage to its customers. As a retailer of accessories, and to some extent, spare parts, a replacement power adaptor sold by Kjell would elongate the longevity of the main product and generate less waste than if the customer were to buy a new product.

Environmental risks include weather events; above average heat and precipitation as well as catastrophic changes in climate, which have the possibility to affect operations. Kjell continues to monitor carbon footprint from transports, both domestic and international, and looks to use their nationwide store network as e-commerce hubs to reduce both lead time and emissions. Vulnerabilities to weather changes are recognized within the company and risk is being mitigated by geographical diversification. These activities are believed to attract the aware customers of the future as they strengthen the perception of Kjell as a sustainable brand.

<i>important</i>	<i>crucial</i>	<b>Importance to Stakeholders</b>	<ul style="list-style-type: none"> <li>▶ Product offering to enhance end-use energy efficiency</li> <li>▶ Product offering to enhance electronics’ longevity</li> <li>▶ Data security and privacy</li> <li>▶ Supplier health and safety</li> </ul>	<ul style="list-style-type: none"> <li>▶ Product quality and safety</li> <li>▶ Anti-corruption and integrity</li> <li>▶ Labor conditions, health and safety in own operations</li> <li>▶ Supplier labor conditions and human rights</li> <li>▶ Attracting and retaining employees</li> </ul>	
			<ul style="list-style-type: none"> <li>▶ Product take-back, recycling and reuse</li> <li>▶ Sanctioned countries</li> </ul>	<ul style="list-style-type: none"> <li>▶ Product labelling and transparency</li> <li>▶ Diversity</li> <li>▶ Chemical use and pollution in production</li> <li>▶ Climate impact logistics</li> <li>▶ Sustainable packaging</li> </ul>	<ul style="list-style-type: none"> <li>▶ Electronic waste (WEEE) through the value chain</li> <li>▶ Conflict minerals in electronics</li> <li>▶ Climate impact of own operations (retail)</li> <li>▶ Tax policies</li> </ul>
			<ul style="list-style-type: none"> <li>▶ Climate impact of raw material sourcing</li> <li>▶ Internal waste</li> </ul>	<ul style="list-style-type: none"> <li>▶ Sustainable brand positioning</li> <li>▶ Dual use</li> </ul>	<ul style="list-style-type: none"> <li>▶ Sustainable stock management</li> </ul>
			<b>Importance to Company</b>	<i>crucial</i>	

## Company ESG performance 2019

<b>KEY ESG GOALS</b>	<b>EFFORTS 2019</b>	<b>PERFORMANCE 2019</b>	<b>AMBITIONS 2020</b>
<b>1. Consumption: Product quality and safety</b>	Ambitions were to hold all documents verifying private label compliance and inspect all shipments leaving China.	During 2019, 3039 unique private label items were shipped, of which Kjell held 100% (2018: 84%) of the relevant compliance documents.	Analyze returns of private label assortment and implement corrective actions to decrease return rate to 1,5% (2019: 1,67%) in ambition reduce waste.
	One additional inspector was hired, and an online inspection tool was implemented to streamline the inspection process.	Kjell inspected 90% (2018: 76%) of private label order value in 2019.	Verify documentation of 100% of new items, regardless of origin, for compliance.
<b>2. Production: Labour conditions and human rights in the supply chain</b>	Ambitions were to have 98% and 50% of active Chinese and other suppliers respectively sign the Code of Conduct as well as to define remediation plans for all non-compliance.	100% (2018: 81%) of private label and 61% (2018: 0%) of other suppliers signed the Code of Conduct in 2019.	Audit all new private label suppliers for compliance against the Code of Conduct and follow up on 100% of the existing suppliers' corrective action plans.
	Implemented online audit tool to streamline the audit process. Utilized own staff (50%) as well as third party (50%) to perform 211 audits. Included items regarding quality management in audit.	According to our remediation procedures 211 audits resulted in 24859 check items and 3079 corrective action plans. No supplier was disqualified during 2019.	Have 90% of active European suppliers sign the Code of Conduct (2019: 61%).
<b>3. Production: Reduce environmental footprint</b>	Ambitions were to decrease air freight to 4% of total volume and plastic bag usage by 40% YoY.	1,28% (2018: 5%) of total volume was shipped by air in 2019.	Increase share of climate compensated e-commerce shipments to 100% (2019: 15%).
	Forecast orders were created for items recurringly shipped by air. Kjell started charging SEK2 for each plastic bag. Completed climate risk assessment and GHG accounting.	During 2019 Kjell purchased 250k (2018: 1 066k) plastic bags.	Start measuring private label materials used in packaging to minimize use of plastic in production.
<b>4. Relationships: Motivated and satisfied employees in a diverse environment</b>	Ambitions were to increase eNPS to 60 and contribute to diversity in the workplace by increasing the share of female leaders to 20%.	Kjell closed 2019 with a share of female leaders at 15% (2018: 14%) and female employees at 19% (2018: 17%).	Through a new platform for education and career path Kjell continues their work on increasing eNPS to 60 and share of female employees to 21%.
	During the year, Kjell has enhanced job listings and refined the recruitment process to attract women. Investments in staff were made through various forms of forums to encourage participation in decisions.	eNPS decreased to 44 (2018: 57) in 2019. The decrease links to a change in the bonus system for salespeople.	In addition, absenteeism is to be maintained at 3% (2018: 3%, 2019: 3%)
<b>5. Relationships: Business integrity and transparency</b>	Ambitions were to maintain 100% of employee Code of Conduct and Whistle-blower policy signage and to perform a yearly review of business ethics materials.	100% of employees had signed the internal Code of Conduct and Whistle-blower policy in 2019.	In 2020, we will put effort into improving the relationship with our customers by implementing a new way to measure customer satisfaction in all channels
	The business ethics materials were reviewed 2020-01-23 by the board.		