

Kjell & Company

ESG impacts through the value chain

Kjell & Company (“Kjell”) is a leading Consumer Electronic Accessories firm with 106 stores in Sweden, 22 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 1163 people, distributed among 80% (2019: 81%) men and 20% (2019: 19%) women. The company has a very high customer satisfaction and is an industry leader with an NPS of 74 (2019: 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"> ▶ Climate impact of raw material sourcing ▶ Conflict minerals in electronics ▶ Sanctioned countries 	<ul style="list-style-type: none"> ▶ Electronic waste (WEEE) ▶ Climate impact of logistics and own operations ▶ Chemical use and pollution ▶ Sustainable packaging ▶ Supplier labor conditions and human rights ▶ Supplier health and safety ▶ Labor conditions and culture of own operations ▶ Employee health and safety ▶ Internal waste 	<ul style="list-style-type: none"> ▶ Anti-Corruption and integrity ▶ Diversity ▶ Sustainable stock management ▶ Product offering to enhance energy efficiency and electronics’ longevity ▶ Attracting and retaining employees ▶ Tax policies 	<ul style="list-style-type: none"> ▶ Product quality and safety ▶ Product take-back, recycling and reuse ▶ Sustainable brand positioning ▶ Product labelling and transparency ▶ Dual use ▶ Data security and privacy

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

Company ESG performance 2020

KEY ESG GOALS EFFORTS 2020

PERFORMANCE 2020

KEY ESG GOALS

AMBITIONS 2021

<p>1. Consumption: Product quality and safety</p>	<p>Ambitions were to decrease private label returns to 1,5% and to hold 100% of new item compliance documentation, regardless of origin.</p> <p>Stricter quality control was adopted on identified high return ranges. One FTE was assigned to devote half his time to collect and verify documents.</p>	<p>During 2020, private label returns were decreased to 0,8% (2019: 1,7%).</p> <p>1565 unique items were introduced to our range, of which Kjell held 89% (2019: 58%) of the relevant compliance documents.</p>	<p>1. Environmental: Reduce CO_{2e} emissions with 50% by 2030</p>	<p>Evaluate opportunities to recycle in all locations (2019: N/A)</p> <p>Reduce energy consumption by 5% by upgrading lightning in 95% (2019: N/A) of locations to LED.</p> <p>Reduce the amount of plastics used in private label packaging to 5% (2019: 13%).</p>
<p>2. Production: Labour conditions and human rights in the supply chain</p>	<p>Ambitions were to audit all new private label suppliers for compliance against the Code of Conduct, to follow up on all existing suppliers' corrective action plans and have 90% of active European suppliers sign a Code of Conduct.</p> <p>80 man-days spread over four inspectors was allocated to auditing. One FTE devoted one third of his time to have the Code of Conduct signed.</p>	<p>100% (2019: 100%) of private label suppliers and 93% (2019: 61%) of other suppliers signed the Code of Conduct in 2020.</p> <p>All 38 new suppliers were audited in 2020. 134 items required follow up on the remediation plan but due to the pandemic we were only able to verify 111.</p>		
<p>3. Production: Reduce environmental footprint</p>	<p>Ambitions were to increase share of climate compensated e-commerce shipments to 100% and to start measuring material usage in private label packaging in an effort to reduce the use of plastics.</p> <p>Agreements with last mile forwarders were made to have them compensate on our behalf. For the one forwarder which was unable to do so Kjell purchased the equivalent amount of climate compensation from Vi-skogen. No plastic was allowed in new item packaging production and repeat order packages were revised to the extent it was financially viable.</p>	<p>In 2020 100% (2019: 15%) of outgoing e-commerce shipments were climate compensated.</p> <p>Furthermore, the usage of plastics in private label packaging was decreased to 13% (2019: 22%).</p>	<p>2. Social: Fair and safe employer offering opportunities for career as well as personal growth</p>	<p>Increase eNPS to 60 (2019: 47).</p> <p>Increase the share of employees originating from another country than the one they are currently working in to 10% (2019: N/A).</p> <p>Increase share of female leaders to 25% (2019: XX%).</p>
<p>4. Relationships: Motivated and satisfied employees in a diverse environment</p>	<p>Ambitions were to increase eNPS to 60 and contribute to diversity in the workplace by increasing the share of female employees to 21%. Furthermore, absenteeism was to be maintained at 3%.</p> <p>Due to the pandemic focus was shifted from launching new initiatives to ensure staff and consumer safety in store. Given the increased uncertainty faced throughout the year safeguarding the company future became essential.</p>	<p>eNPS increased to 47 (2019: 44) in 2020.</p> <p>Kjell closed 2020 with a share of female employees at 20% (2020: 19%).</p> <p>Due to stricter rules regarding sick leave absenteeism increased to 5% (2019: 3%).</p>		
<p>5. Relationships: Business integrity and transparency</p>	<p>Ambitions were to improve the relationship with our customers by implementing a new way to measure customer satisfaction in all channels.</p>	<p>Due to the pandemic efforts to measure customer satisfaction in all channels will be resumed in 2021.</p>	<p>3. Governance: Set an example for business ethics and social responsibility</p>	<p>Conduct anti-corruption training with all staff related to assortment, sourcing, and procurement (2019: N/A).</p> <p>Ensure all suppliers (2019: 93%) have signed a Code of Conduct.</p> <p>Hold 100% of relevant compliance documentation for new items introduced to our range.</p>