

A photograph of three young children in a forest. The child in the foreground is a girl with long, wavy brown hair, wearing a light pink long-sleeved top and dark pants. She is smiling and looking towards the camera. Behind her are two other children, one in a teal shirt and another in a blue and white striped shirt with a pink turtleneck. They are all holding hands and appear to be walking or playing in a wooded area with tall trees and green undergrowth.

Sustainability Report

2019 / 2020

POLARN O. PYRET

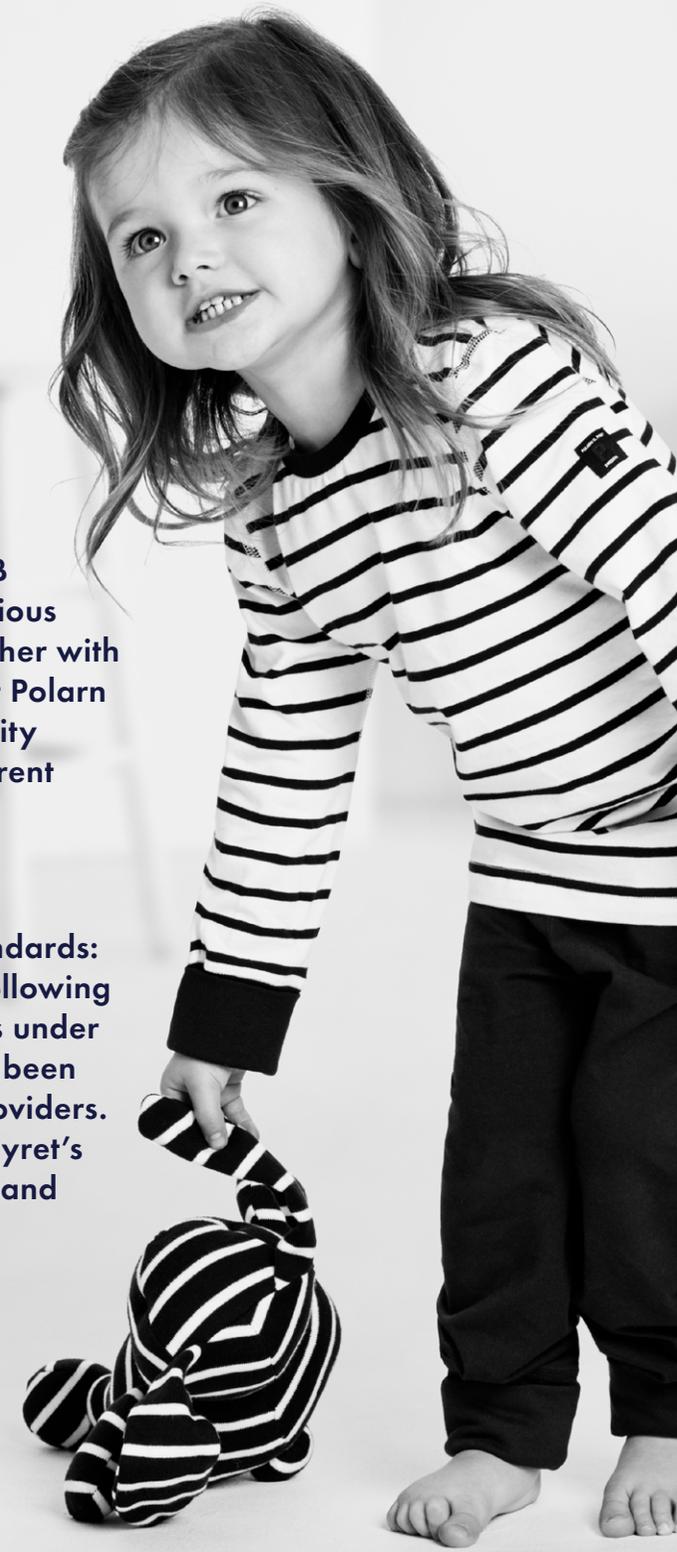
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About this report

Polarn O. Pyret is part of the RNB Retail and Brands Group. The statutory sustainability report for the financial year 1 September 2019 – 31 August 2020 can be found in the RNB Sustainability Report included in the RNB Annual Report. In previous years, Polarn O. Pyret has only reported its sustainability work together with the other subsidiaries within the RNB Group. This is the first year that Polarn O. Pyret is publishing an individual voluntary annual Sustainability Report. The aim of this Sustainability Report is to provide transparent information to the company's stakeholders.

This Sustainability Report corresponds to the financial year 1 September 2019 – 31 August 2020 in accordance with the GRI Standards: Core option. Targets set for a calendar year will be reported in the following fiscal year's sustainability report. This report is limited to operations under Polarn O. Pyret, and the information contained in the report has been obtained from internal monitoring systems and external service providers. At Polarn O. Pyret, sustainability work is governed by Polarn O. Pyret's management team and the Sustainability and Quality Manager and is based on its sustainability strategy.



LETTER FROM OUR CEO

I had the honour of joining Polarn O. Pyret in February 2020. Little did I know that the period to come would be one of the most challenging times in both my own professional life, as well as for this great company that I had just joined. Overall, the financial year of 19/20 can be characterised as a year of multiple crises: the ongoing climate crisis, the Covid-19 pandemic and, as a consequence of this, Polarn O. Pyret's corporate reorganization.

Last year Polarn O. Pyret's sustainability work was embedded into the RNB Group's common sustainability report. This year we are proud to present a freestanding sustainability report, highlighting the work we have done as an independent brand.

The climate crisis is real and together we must act in line with the Paris Agreement. The clothing industry is a highly polluting industry, partly due to the focus on rapid trends, which leads to overproduction of clothing. At the same time, we are seeing an increasingly rapid shift towards more sustainable and purpose driven consumption behaviour amongst our customers. We want to make the children's clothing market more sustainable by, among other actions, reducing the number of garments we manufacture. This means fewer new season products and a larger proportion of beloved classics. Then we, to a greater extent, can produce what is in demand. We ended the financial year with 25% fewer goods in stock, which means that we are in line to achieve our target of reducing the size of our end-of-season sales by Autumn/Winter 2020. Our customers also show a greater interest in circularity and when we launched "PO.P Second Hand" in all stores this year it immediately became a great success. Quality

has always been at the heart of our product development, which is why we are happy to see as many as 54% of our garments are worn by three children or more. We are passionately committed to continuing our work to guide and inspire our customers to make better choices – today and in the future. Because the earth is a hand me down, and our clothes should be too.

As we write this report, the terrible Coronavirus is still a part of our daily lives. The pandemic brought about a fundamental change in buying behaviours with an economic crisis as a result. We were therefore forced to enter a corporate reorganization at the end of March 2020 which also has affected our speed in implementing our sustainability goals. Despite the very turbulent times for Polarn O. Pyret during this past year, we have managed to turn the company around, thanks to all the actions and hard work during the corporate reorganization that we exited in November 2020. This has made us a stronger and more solid company than the pre-Corona period. I therefore want to thank all colleagues, customers and stakeholders for making this possible. Now we can prepare for the next step in our development as a brand and continue to drive our company forward towards our goal of making the children's clothing market more sustainable.

Yours sincerely,
Johan Munck, CEO



About **POLARN O. PYRET**

Polarn O. Pyret at a glance

Polarn O. Pyret is a fully integrated brand for baby and childrenswear, with products that are designed, produced, and distributed through proprietary stores and franchise stores in Sweden and abroad. We have always focused on what is best for children and our vision is to help make the entire childrenswear market more sustainable – because the Earth is a hand-me-down, our clothes should be handed down too.



VISION

To understand what children want and need.



SUSTAINABILITY VISION

To make the children's clothing market more sustainable



MISSION

For the love of children, provide the most relevant and attractive assortment of quality clothes. With experience and commitment we guide and inspire our customers to make better choices – today and for the future.



BUSINESS CONCEPT

What: Smart clothing for children's needs.
Who: Parents and gift purchasers, based on children's needs and wishes.

SINCE OUR ORIGINS IN 1976, we have been committed to making high-quality clothes that last a long time, so they can be worn by as many children as possible. Comfortable clothes that are durable and have features to make them last. So that our customer does not need to buy more new garments than necessary, which conserves our planet's dwindling resources. We have thereby established a position as the leading brand and store concept for childrenswear in the quality segment of the Swedish market, and our clothing is recognized for its high quality, functionality, design and sustainability. We are established on 11 markets and on 16 e-commerce platforms. Our head office is located in Stockholm and we have a production office in Hong Kong.

656
MSEK

NET SALES

-22
MSEK

OPERATING RESULT

69+21
OWN + FRANCHISE

STORES

8+8
OWN + FRANCHISE

ECOM

-4.23%

OPERATING
MARGIN

274

NUMBER OF FULL TIME
EMPLOYEES

SWEDEN 59% **FINLAND 17%**
NORWAY 15% **OTHER 8%**

SALES PER GEOGRAPHICAL MARKET

Highlights 19/20

**SECOND HAND
IN ALL STORES**

p. 22

55%

GOTS certified
assortment
p. 24

**PUBLIC
SUPPLIER
LIST**

p. 7

**100%
ORGANIC
COTTON**

p. 24

21%

improved BSCI
audit rating
p. 31

54%

of our outerwear
is worn by 3
children or more
p. 22

**LAUNCH OF "OUR
SUSTAINABILITY
PROMISE"**

p. 20

-30%

emissions in
scope 1 & 2
p. 27

-33%

decrease in number of
items going on sale
p. 27

No 1

in Differ customer
ranking 10 years
in a row
p. 21

75%

of the assortment
made from certified
sustainable fibre
p. 24



Our **SUSTAINABILITY** *work*

Sustainability development goals

In 2015, the United Nations produced its Sustainable Development Goals with the aim of moving towards a sustainable world.

By mapping out 17 social, environmental and economic goals that interact and influence one another, the idea is to ensure progress that meets the needs of the present without compromising the ability of future generations to meet their own needs. The sustainability agenda acknowledges and points out how stakeholders from multiple backgrounds play a key role in achieving sustainable growth. We recognize the complex structure of the retail industry and work towards ensuring a long-term perspective. We recognize that the agenda is interconnected, and that our work includes and influences the full range of SDG goals. Accordingly, we have identified eight goals that influence our work on a day-to-day basis.



Value chain *impact*



In the different steps of our supply chain we create social, environmental and economic impact. To create a positive change we need to understand the impact and the influence we have in each stage.





1. PLANNING

The starting point of our activities, where we update the assortment plans for the coming seasons according to the sustainability strategy, reconcile conclusions from last season and evaluate new business areas. What is set in this plan has an overall sustainability impact on the value chain.



2. DESIGN

Based on the assortment plan, designs are optimized and new products are developed based on the assortment strategies. Specifications for functions, durability and sustainable content are set, which have a great sustainability impact on the value chain.



3. PURCHASE

Supplier base strategies are updated, based on the suppliers' footprints, sustainability strategies and the assortment plan. Negotiations take place to find the best match between the product and the production under set sustainability requirements.



4. PRODUCTION

This is the main activity where design ideas are transformed into products. This stage accounts for the biggest sustainability impact. During production, we evaluate, educate and control suppliers and our own activities to optimize our impact.



5. DELIVERY

Efficient transportation from production to our customers provides a foundation for our customer's shopping experience, and serves to reduce the environmental impact and greenhouse gas emissions.



6. SALES

Developing store operations with renewable and efficient energy sources improves our environmental impact. In the stores and online we create customer value and communicate our sustainability work on a day-to-day basis.



7. USAGE

By offering options for more circular products and services, we prolong the lifespan of the products and decrease our common environmental footprint.

Stakeholder engagement

Polarn O. Pyret's business needs to be viewed in the context of our stakeholders, who both affect our business and are affected by it.

The purpose of stakeholder engagement is to identify common ground on expectations of our sustainability work in terms of its possibilities and challenges throughout the value chain. The table shows our prioritized stakeholders, and which common topics are most material.

*Design that lasts,
since 1976*



STAKEHOLDER	MATERIAL TOPICS
CUSTOMERS (end customers, franchise and master franchise)	<ul style="list-style-type: none"> • Sustainable products (durability, sustainable materials) • Product safety (child safety, chemical content) • Working conditions (child labour, fair wages) • Sustainable production (chemical management, resource management, emissions) • Transparency and communication
DECISION MAKERS (co-workers, management and investors)	<ul style="list-style-type: none"> • Sustainable products • Knowledge & training • Working conditions • Climate change
SUPPLIERS (management and employees at contracted supplier's production units)	<ul style="list-style-type: none"> • Investments in production processes • Long-term planning and acknowledgment • Working conditions • Sustainable production (chemical management, resource management, emissions) • Human rights
SOCIETY (public authorities, academia & science, non-governmental organizations)	<ul style="list-style-type: none"> • Transparency • Climate change • Circularity • Human rights • Sustainable consumption • Innovation

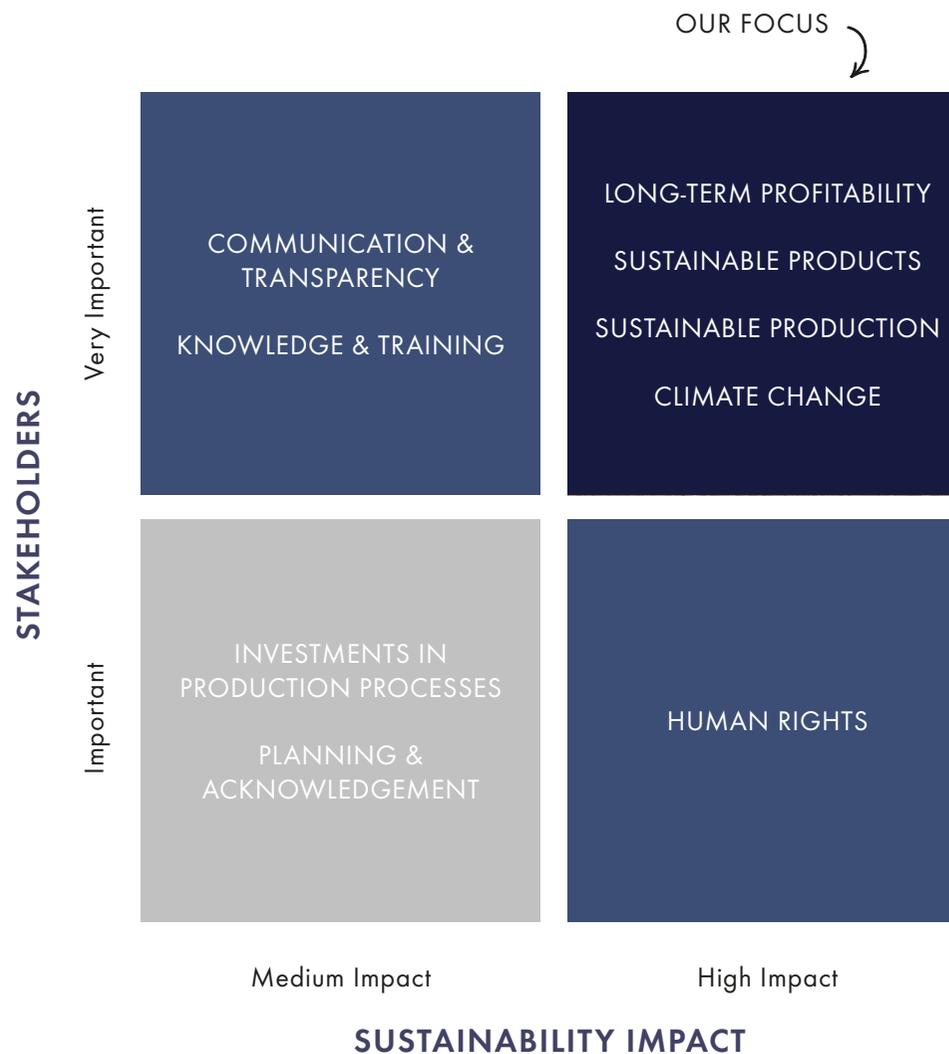
Materiality assessment

It is essential that our sustainability work reflects Polarn O. Pyret's values, principles, ambitions, and stakeholder interests.

Based on the material topics in the stakeholder engagement we ask ourselves the following questions. 1) What is the potential of each topic to impact our organization's growth, costs, or trustworthiness – positively or negatively? 2) How important is each topic to our stakeholders? In this way, we identify the topics that have the most impact and are the most important to our stakeholders. These topics are the focus of our strategy.



The Earth is a hand-me-down; our clothes should be handed down too.

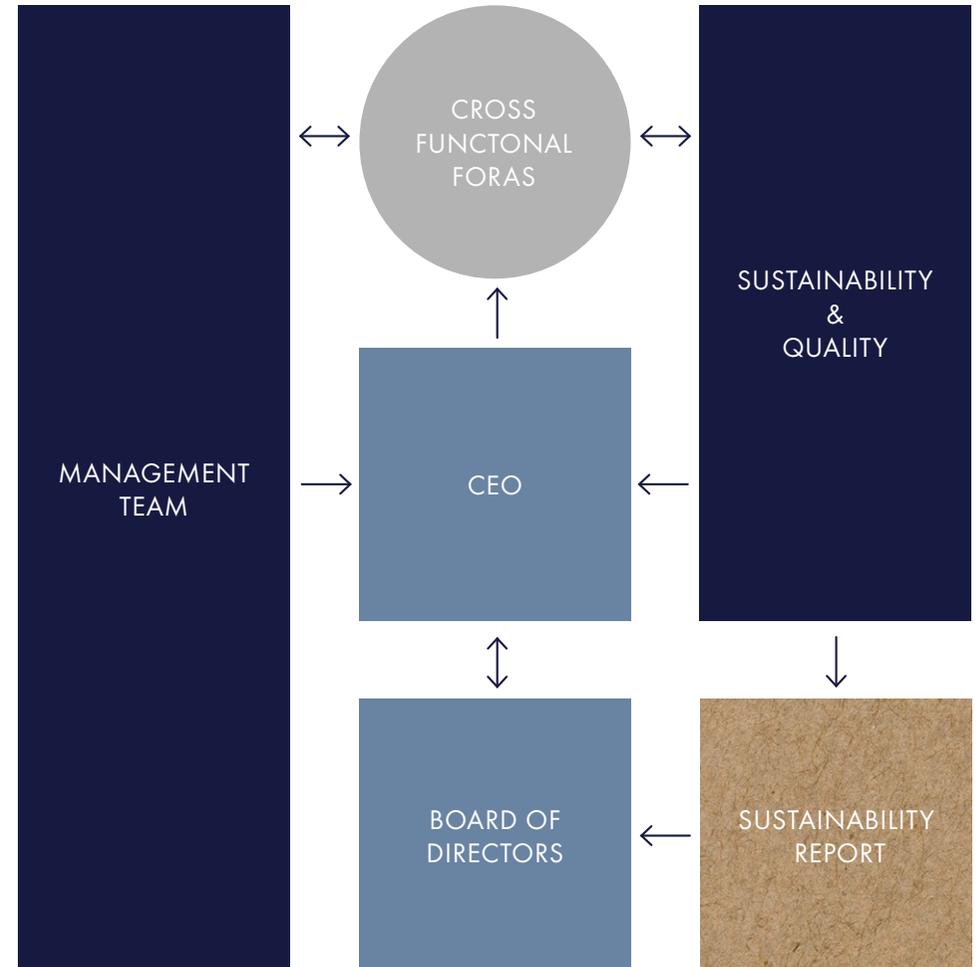


Sustainability *governance*

To create a positive impact, we turn our sustainability strategy into action through targets and action plans in different parts of our organization.

This is how this is governed:

- The Sustainability Manager, who reports directly to the CEO, sets the sustainability strategy and KPIs in consultation with the Management Team, and supports and follows-up with the members of the Management Team as they implement the strategy in line with set KPIs.
- The members of the Management Team are responsible for managing the relevant action plans for their fields of responsibility and for the sustainability KPIs in their area of operations, and reports on them to the CEO in the same manner as the financial KPIs. Key challenges and learnings are identified and acted on.
- The cross functional fora, managed by the Sustainability Manager, define priorities based on the sustainability strategy performance, business intelligence and innovation.
- The sustainability report reviews the performance of the sustainability strategies on a yearly basis. The report is presented by the Sustainability Manger to the Management Team and the Board of Directors.



Policies & requirements

The activities within our value chain are affected by legislation and industry standards. In addition, we have policies that govern the decisions taken in all operations. All new employees' introduction includes these policies, and the policies are part of our supplier's agreement.

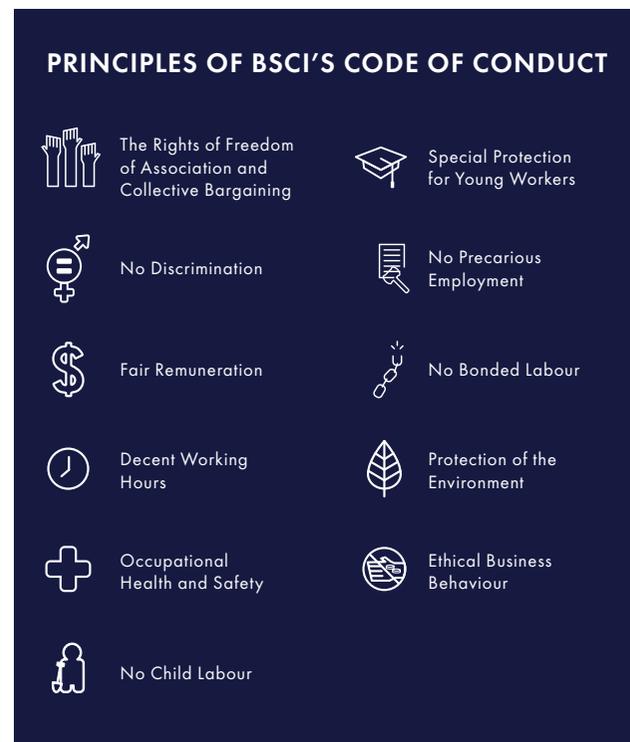
CODE OF CONDUCT The Amfori BSCI Code of Conduct involves a commitment to work systematically with risk assessment, knowledge dispersion, inspection and improvement work at suppliers and factories. All suppliers that work for us must undertake to comply with the code of conduct as an integral part of their supplier agreement. The code of conduct consists of eleven key areas in which both minimum requirements and best practice are defined. The BSCI Code of Conduct is based on the most important international labour standards protecting workers' rights: The ILO declaration on fundamental principles and rights at work, the OECD guidelines for multinational enterprises and the UN guiding principles on business and human rights. Polarn O. Pyret has participated in the Amfori BSCI initiative since 2005 through the RNB group. This year we are participating independently from RNB. Our participation has given us the tools, resources and processes to address labour issues in the supply chains.

ENVIRONMENTAL POLICY Polarn O. Pyret shall contribute to sustainable development of the children's clothing industry through active and long-term environmental efforts. We influence the environment through our daily

environmental considerations in our strategic decisions. Practical compliance with the environmental policy is implemented through purchasing requirements and procedures.

ANIMAL WELFARE POLICY Polarn O. Pyret believes that animals should be treated well and be protected from suffering and disease. If we come across any deviation from this, we investigate and prioritize alternative materials or methods. We follow and respect the "Five Freedoms" set out by the World Organization for Animal Health (OIE). Items in our assortment must not contain material from endangered species, and must comply with the CITES convention and the European legislation for protection of species and wild fauna. For all animal hair fibres, the material source must be proven by certificates. The following materials are banned in our assortment: fur and fur items, down and feather, hair from the angora rabbit, mulesed merino wool, materials that originate from animal horn, bone and shell, reptile skin, leather from cats and dogs.

PERSONNEL-RELATED POLICY At Polarn O. Pyret our employees are our most valuable resource, and Human Resource (HR) policies include a wide range of topics, such as diversity, equality, physical and mental health, and a safe working environment. By implementing HR strategies, employee surveys and a whistle blower system, we continuously evaluate and secure our employees' working conditions.



operations and the products we sell. This occurs through our consumption of natural resources, emissions and waste. We apply our knowledge of operations, and

ANTI-CORRUPTION POLICY Polarn O. Pyret has zero tolerance of bribery and corruption. We regulate this in two policies to guarantee ethical business behaviour. One policy regulates employee behaviour in interactions with suppliers to assure professionalism, integrity and transparency throughout the supply chains. The second policy focuses on employees at our supplier level and is regulated in the Amfori BSCI Code of Conduct by external audits. The audits include control of documentation, no falsification of documents and finally how suppliers handle personal information.

“Corruption is criminal, immoral, and the ultimate betrayal of public trust”

Collaborations



We believe that our targets can only be realized with strong partnerships and cooperation on all levels. This may be global, regional, national or local. Our partnerships are built on common principles and values, a shared vision, and shared goals placing people and the planet at the centre. Our collaborations are built on different aspects. This may be shared resources, technology and innovation, capacity building, trade or systematic issues.



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SUSTAINABILITY *strategy*

Our focus areas



Based on the focus in our materiality assessment we have divided our strategy into four focus areas.





SUSTAINABLE BUSINESS

Sustainable quality products at attractive prices is the framework of a sustainable business. By this we mean that the right price for the right product is a key requirement for us to be attractive to our customers – and thus exist as a company. This sets the framework for our sustainability strategy, which means that we must develop and produce products in accordance with quality and sustainability requirements, at an attractive customer price.

Transparent and clear communication is key to increasing customer awareness of our brand's sustainable offer to position ourselves as a leading sustainable alternative for children's clothing. Being a leading sustainable alternative for children's clothing involves creating conditions for reduced discounting, improved profitability and increased market shares.

This means that we must develop and produce products in accordance with quality and sustainability requirements, at an attractive customer price.

SHARE OF WALLET AND LONGTERM PROFIT

We have changed our internal and external working processes to decrease lead time in development and production. This gives us more market insights before placing orders, thereby optimizing the accuracy of our purchase decisions. One part of that has been to map the possibilities for consolidating our fabric qualities to increase the buying volume for each quality, in order to obtain better prices. Our suppliers have responded well to this change. Another part is to source for new suppliers on the local market to be able to place more orders in season.

We have implemented a new assortment structure by tightening the variations of the assortment. This is done by increasing the share of carry overs, increasing the basic colour chart and reducing seasonal products. This change has multiple purposes. Reducing the number of products we produce, reducing seasonal sales and increasing profitability and thereby reducing overproduction. This change has been well received by our customers.

Last year, we adjusted our business to better suit omnichannel sales. By moving to a new, highly efficient [certified warehouse](#) and transferring our e-com to a new platform with increased capacity, we future-proofed our business. In the course of this year, we have fine-tuned these adjustments.

We have prepared so that next year the products in stores can also be accessed by all customers online and in this way increase the availability of our products.

CUSTOMER RANKING

We have publicly declared our manifesto "[Our Sustainability Promise](#)", where we clarify what we stand for and specify our main targets and actions going forward. We do this to be transparent towards our stakeholders on where we stand and what we want to achieve. We have had great response from our stakeholders on this.

We have updated our website with a new section called "[PO.P Cares](#)" where we have gathered all information regarding our sustainability work. This includes our public [supplier list](#), where we specify the location, and overall social and environmental impact of production, as well as our [chemical restrictions](#).

In addition to our sustainability labels, which specify

KPI	TARGET YEAR	STATUS	PROGRESS
7% "Share of wallet" for outerwear	2022	18/19: 5%	●●●○
9% "Share of wallet" for babywear	2022	18/19: 7%	●●●○
No 1 in Differs customer ranking, in the "Clothes" category	Ongoing	No 1	●●●●
No 3 in Sustainable Brand Index, in the "Clothes & Fashion-Stores" category	Ongoing	No 4	●●●○
Operating margin with a long-term profitability	Ongoing	-4,3%	●○○○

the sustainable fibre in the product, we have also added information about where the products have been produced to our website. Together with the public supplier list, this gives our customer the ability to make informed buying decisions.

For the first time, we are publishing our own brand-specific sustainability report, in addition to the RNB statutory sustainability report. This gives our stakeholders more specific insight into our sustainability work and how we address our common material topics.

This year – for the tenth consecutive year – we have retained our number 1 position in Differ’s customer ranking in the “Clothes” category.

We have also risen to the Number 4 position in the Sustainable Brand Index industry ranking, in the “Clothes & Fashion - stores” category. We believe that the actions we have taken to increase the transparency of what we do will affect this ranking in the coming year in a positive way.



CONSEQUENCES OF THE COVID-19 PANDEMIC

The Covid-19 pandemic and its consequences have truly tested our strategy this year and we have had to continually adjust to the prevailing conditions to adapt the resources available. The most important part was that we performed drastic cost-control measures by undergoing a corporate reorganization. The purpose of this was to implement the operational and organizational changes needed to secure a long-term sustainable business for ourselves and our stakeholders. In the short term the consequences of this are that we have

been forced to: postpone activities in our sustainability strategy, close unprofitable stores, reduce opening hours, renegotiate leases, terminate employments, decrease or redistribute order quantities, and postpone or cancel orders in close dialogue with our suppliers. These activities have had a serious impact on all our stakeholders. Our strategy has therefore been to distribute the impact between the stakeholders, to safeguard individual actors as much as possible. The district court and the creditors have accepted the settlement

proposal in the accord. This means that we now have built a solid base for the future, where we can continue our focus on reaching the targets in our sustainability strategy. This crisis has truly shown the great strength in our organization’s and suppliers’ ability to adapt to rapid and drastic changes. But it has also changed our customers’ behaviour to be more purpose driven. This change goes well in hand with the changes we have made in our offer for the coming year and our vision to make the children’s clothing market more sustainable.



LEADING OFFER OF SUSTAINABLE PRODUCTS

We want to have a leading position in longevity and sustainable materials. A garment with a long lifespan reduces the need to buy more clothes over time. This means less carbon dioxide emissions, less waste, and reduced use of resources.

[Research studies](#) show that if we can increase the practical lifespan of a garment by a factor of 3, we reduce the climate impact by 65% and the use of fresh water by 66%. Our most important task is therefore to offer products with a high quality and long lifespan, where each product is produced for its specific area of use. Our goal is three children for each garment. This means that our goal is that our clothes can be worn by at least three children in succession.

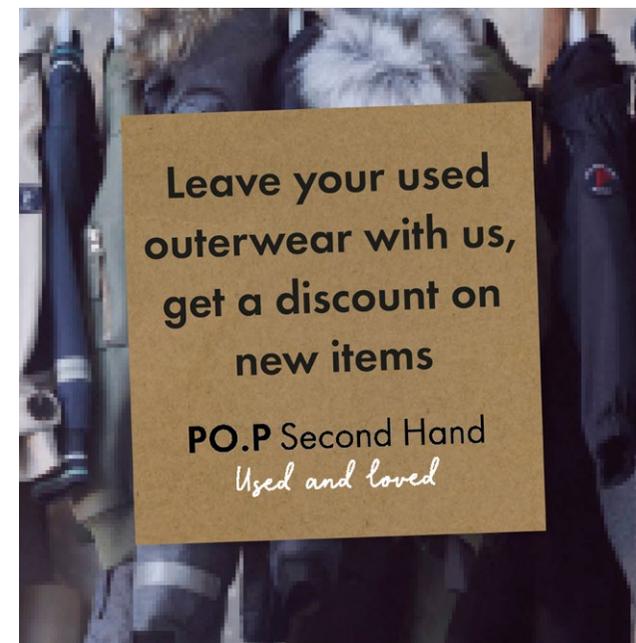
Garments made of more sustainable fibres have a more sustainable footprint – this may involve less water and chemical consumption, preserved biodiversity, improved animal welfare, conservation of our planet’s resources or fewer greenhouse gas emissions. Our goal is for all our garments to be made of more sustainable fibres, meaning materials that last longer, and have less impact on humans and the environment.

PRODUCT LIFESPAN

Since 2010 we have had a [second hand page](#) on our website. This is a platform where our customers can buy and sell our garments free of charge and by doing so more children can wear them.

This year we wanted to develop our second hand offer further, to increase the lifespan of even more products. So we asked our customers how we could help them to lower their threshold for buying and selling more second hand. Based on this we introduced [“PO.P Second Hand”](#) in all our stores. During the year we have collected thousands of garments and during the first 4 weeks we

sold more than 80% of the stock. The response from the stakeholders has been very positive and the demand is increasing. In the coming year, we will continue to



KPI	TARGET YEAR	STATUS	PROGRESS
60% of customers using the products for 3 children or more	2020	54%	●●●○
Below 0.1% customer claims of products sold	Ongoing	AW19: 0.15%	●●●○
Zero tolerance for number of product recalls	Ongoing	0	●●●●
100% of the assortment made from certified sustainable fibre*	2025	75%	●●●○
100% of the assortment produced with best available chemicals**	2025	43%	●●●○

*GOTS certified, certified organic, certified recycled and Better Cotton. From AW20 Better Cotton will no longer be defined as a sustainable fibre by Polarn O. Pyret
 **GOTS, nominated chemicals

develop our second-hand offer – thereby reducing our environmental impact even further – in line with our ambition for three children in each garment.

Rentals is another important tool to increase the lifespan of our garments. This we continue to do together with our important partners [Hyber](#) and [Waior](#) (previously Tuckify). Hyber offers different kinds of rental packages for outerwear and Waior in Norway offers both second hand and rentals for individual garments.



Our garments need to withstand a lot of wear and tear. Especially our outerwear, which is used on a daily basis – at daycare, in school and for other outdoor activities. Eventually they will break. That is why we introduced “[PO.P repair service](#)” for our outerwear garments in 2017. With PO.P Repairs, we repair our outerwear at cost price, no matter how old they are, using only our own original spare parts. Since the start we have on average extended the life of about 6 garments per day. During

the year we have identified a need to extend this offer and have started to develop additional types of mending to add to our offer during the coming year.

Even unusable clothes are a valuable resource and should not go to waste. This year we have started a cooperation with the newly established company [Nimble patch](#). In the coming year, they will repair our worn-out jeans that they collect from established second-hand actors. They will mend them with durable kneepads and leg extensions and sell them on their own website. We find it very positive that we can cooperate with others to extend the life of garments that would otherwise be incinerated.

Last year, we started to donate returned products from our customers, which were faulty but not unsafe, to [Human Bridge](#). This year we have donated 1931kg of clothes that they have passed along to children in need.

We develop practices and set demands to ensure that product durability, product safety, and chemical management are in line with international standards and regulations. We take part in the [Swedish Institute for Standards \(SIS\)](#) working groups to contribute to the development of new and existing standards. This year we participated in a new working group setting standards for different kinds of environmental aspects such as a vocabulary standard, aligning the industry in their communication.

We have signed agreements with all suppliers where our sustainability and quality requirements, policies, and restrictions are specified. To follow up on these requirements we perform numerous quality, safety, and chemical tests on our products. These tests are mainly carried out at accredited third-party laboratories. We also

perform development tests inhouse and ask children and their parents to evaluate our developments through wear tests. Apart from this, we also conduct quality inspections during production. We review the overall results from each season and bring our learnings into the developments of the coming seasons. Our goal is to keep our customer complaints below 0.1% of sold goods. For the Autumn/Winter 2019 collection, customer complaints were 0.15% and during Spring/Summer 2020 they dropped to almost zero. However, we believe that this was mainly due to the changed customer behaviour caused by the Covid-19 pandemic and not to any actual increase in quality. But we expect that the changes we have made in the assortment for Autumn/Winter 2020 will lead to an actual drop in returns, thanks to the increased share of basic styles in the assortment.

Each year, we optimize our quality and chemical requirements, laboratory tests, production inspections and product development to be compliant with all legal requirements and to retain our leading position in longevity. This year, we have introduced a new Quality Control tool called [Qarma](#). This highly efficient online tool enables our suppliers to take greater ownership of securing the quality of our products, which frees up resources. These resources can now be redirected to quality problem prevention measures. The tool also has a built-in, GPS-based timestamp that ensures that no unauthorized production takes place in facilities that have not been approved by us.

SUSTAINABLE MATERIALS

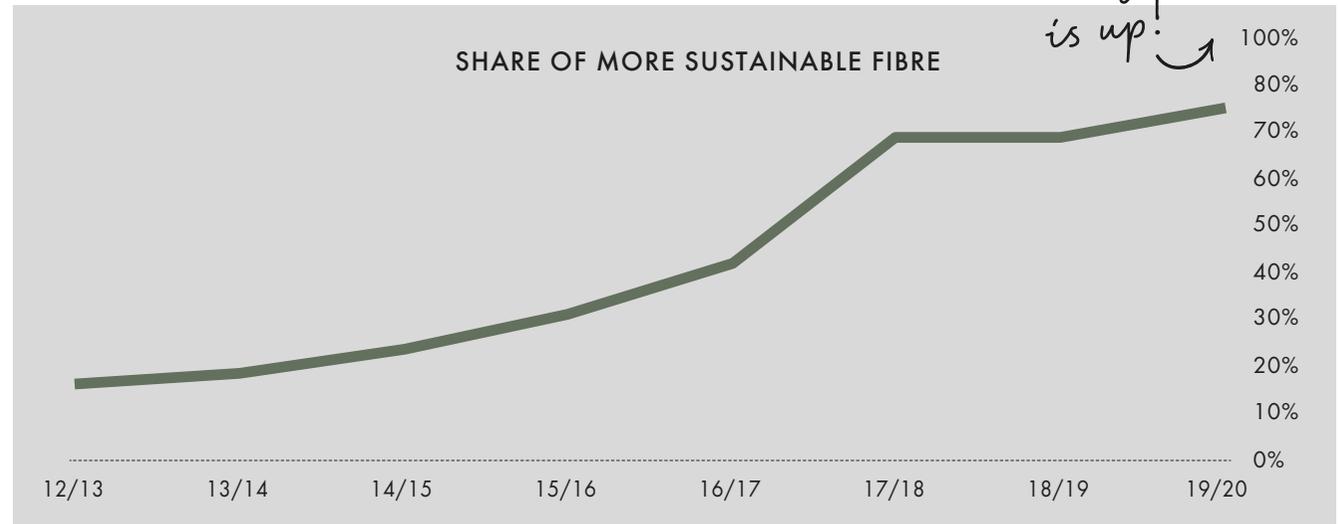
In our fibre strategy we have defined which of the wide range of more sustainable fibres that we consider to be

leading on the market, in terms of its impact on human, animals and the environment, and at the same time have durability properties in line with our product longevity targets. Today, 75% of our assortment is made from more sustainable fibre and our target is for this to be 100% by 2025.

The development of more sustainable fibres is continually evolving, and we update our fibre strategy as soon as we find better alternatives that meet our criteria. The volume of GOTS-certified cotton has increased on the market, as has the availability of quality fibres. This year, we have therefore stopped sourcing Better Cotton (BCI) in favour of GOTS, which we consider to be the option best in line with our criteria. 100% of the cotton we sourced this year was certified organic and 55% of that volume was GOTS-certified.

“Choose quality,
make it last,
pass it forward

The [GOTS](#) certification makes it possible to trace the cotton throughout the entire production chain, from farm to store. During the year, there have been reports of possible forced labour in cotton production in Xinjiang China. Forced labour, as defined by the ILO convention, is not permitted in the GOTS standard. GOTS appoints qualified third-party certification bodies to perform risk assessments also on specific local situations. Since November 2019, GOTS has requested additional audits



to be conducted on this topic. GOTS reports that no irregularities have been identified in this respect in their production chain in the Xinjiang province. For the coming harvest season GOTS will increase the transparency on this subject and require information on fibre origin to be stated on all transaction certificates.

This year we introduced a new fibre in our fibre strategy and for autumn/winter 2020 a large share of the wool garments is certified according to [Responsible Wool Standard](#) (RWS). RWS is a leading standard to ensure the well-being of sheep and the land they graze. The goal is for all our wool garments to be RWS certified by 2025.

Increasing the share of recycled fibres is important to reduce the outtake of our planet's limited resources. The volume of certified recycled synthetic fibres in our assortment is 11%. We wish to increase this volume further, but there are both technical and environmental challenges in this area which must be fully evaluated to ensure that the increase will have the desired effects

from a life cycle perspective.

We want to play a part in influencing the development of recycled fibres and so we are participating in the Swedish Trade Federation's industry dialogue [Textiles For Recycling](#) (T4RI). T4RI is working to develop good systems for collecting, sorting, reusing, and recycling textile products. During the year, the Swedish government has assigned a special investigator to submit a proposal for a [producer responsibility for textiles](#). The purpose of this is to achieve environmental benefits through increased collection of textiles for reuse and of textile waste for recycling, primarily for preparation for reuse and material recycling. We welcome this kind of proposal and through T4RI we have given our input on how it should be formulated.

Using synthetic fibres in our products has great benefits when it comes to durability. But there is also a risk of fibre shedding of microplastics that have proven to be an environmental problem in the ocean. We take part in the

[Minshed research project](#), at RISE, with the overall goal to create knowledge which can help us design clothes, made of synthetic fabrics, that will not emit microplastics. The reason for the increasing amount of microplastics in the ocean is not fully known, but a number of reports, including one that was [published by RISE and Mistra Future Fashion](#), clearly show that washing of textiles is one of the largest contributors.



That is why [we recommend](#) our customers to use the [Guppy friend washing bag](#). The bag prevents microplastics from clothes made of synthetic fabrics, such as fleece, ending up in our lakes and oceans. Meanwhile, the soft inner surface of the bag results in less fibre loss, so the clothes last longer.

Capacity building is important to keep on developing a

leading offer in sustainable products. We have therefore performed several internal workshops for the purpose of inspiring and increasing knowledge about how to rethink the circular design of our products.

SAFETY OF PRODUCTS

Our clothes [safety features](#) are fundamental to us and we have zero tolerance for product recalls for child safety reasons. We secure this by focusing on technical solutions specifically designed for children to minimize potential risks of injuries and apply a precautionary approach in the risk assessments of all new product developments. There has been no product recall during the year.

During production all finished goods must pass through a needle detector to make sure that no broken needles from the sewing machines end up in our garments. Even so, during this year we have had several incidents where we have found broken needles in the garments in our stores. We have followed up on this by securing the broken needle routines at the appointed production units.

All clothing manufacture requires the use of chemicals to some extent. For example, chemicals are needed to dye the fabric and reproduce a print. For many years, we have been using a comprehensive list of chemical restrictions, and we always quality assure our products from an environmental and health perspective. Our goal is to work proactively on chemical issues, which in many cases involves us going one step further than the legislation requires. We use [BIONIC-FINISH® ECO](#) on all our water-repellent outerwear – a PFAS-free technology that mimics natural water resistance. Our GOTS-certified garments are produced with the market's very best chemicals. In short, 43% of our product range is produced using the

best available chemicals. Our chemicals criteria are monitored by spot checks carried out by third-party laboratories, both during the manufacturing process and on garments for sale in our shops.

We are a member of [the Chemical Group](#) run by RISE. The purpose of the group is to spread up-to-date information about chemical and environmental issues, as well as act as a support and provide tools for working on chemical issues. We have been participating in this forum since 2006.

We publicly declare our [chemicals restrictions](#) on our website. This list is updated every year with new legal requirements.

During the year, the Swedish government has assigned a special investigator to submit a proposal for a [tax on fashion products](#), to eliminate harmful chemicals. We welcome the ambition to cost-effectively reduce the occurrence and risk of exposure and spread of substances in clothing and shoes that are harmful to the environment and human health, but we strongly question how the proposal is presented. The most critical parts are that it will draw excessive amount of resources and is therefore counterproductive when it comes to supporting the substitution of harmful chemicals and the conversion to circular business models. Therefore we have addressed our concerns to the government and hope that the proposal will be fundamentally redesigned.

This year we have joined [Amfori BEPI](#) (Business Environmental Performance Initiative). Through the Amfori BEPI's chemical management module, for the coming year we will get support in addressing chemical issues in our supply chain, including the ZDHC (Zero Discharge of Harmful Chemicals) audit protocol.

Our sustainability labels

GLOBAL ORGANIC TEXTILE STANDARD (GOTS) is a world-leading standard and certification for textiles made of natural fibres. In order for a product to be certified and permitted to carry the GOTS symbol, it must be made from organically grown cotton and be processed throughout the entire manufacturing chain in factories that are GOTS-certified by an independent body.

RESPONSIBLE WOOL STANDARD (RWS) is the leading certification in animal welfare in textiles. RWS follows best practice in animal husbandry. Thus, the best available methods and practices. The standard fills a void in the industry - there has previously been no standard for animal husbandry. The standard includes strict animal welfare requirements and requirements

for the land on which the animals graze. The same traceability requirements throughout the chain as GOTS: all suppliers in the need to be RWS certified.

ORGANIC COTTON Cotton grown without the use of synthetic pesticides or fertilizers. This cultivation process is better for the environment and better for the cotton growers.

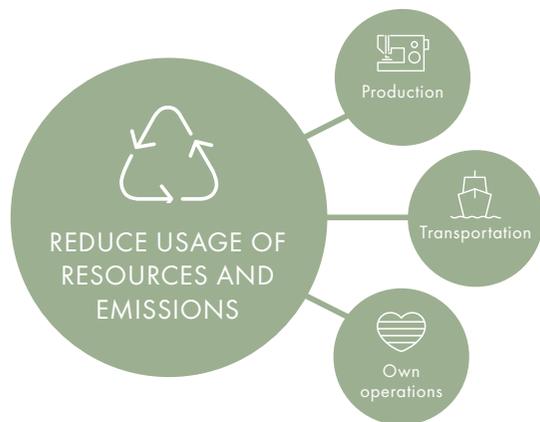
RECYCLED POLYESTER AND POLYAMIDE Polyester and polyamide come from non-renewable sources. Using recycled polyester and polyamide reduces the use of new fibres from these sources and conserves our planet's resources. Most of our fleece garments, for example, are made from recycled polyester from post-consumer PET bottles. And all our swimwear, including UV garments, is made from recycled polyamide fibres from discarded fishing nets.

CONSEQUENCES OF THE COVID-19 PANDEMIC

The Covid-19 pandemic has had its consequences within this focus area as well. We have been forced to pause the PO.P repairs service for several months. Not only to avoid traffic in our stores and malls, but also to secure payments for the contracted tailors during the company reorganization. By the end of

the fiscal year, this service was up and running again. Due to reduced resources in manpower, we have not been able to participate in and contribute to different member organizations to the same extent as usual. As we now exit the reorganization, we will be able to reinforce the resources needed.





REDUCED USAGE OF RESOURCES AND EMISSIONS

A change is needed. The clothing industry is one of the most polluting industries in the world. And the industry’s focus on rapid trends leads to a huge overproduction of clothing. We want to change that. That is why we are reducing the number of garments we manufacture. That means fewer new season products, but a larger proportion of beloved classics.

Then we, to a greater extent, produce what is in demand. The goal is to halve the number of garments in our end-of-season sale by Autumn/Winter 2020. Our goal is to reduce our emissions of greenhouse gases – our climate footprint – by at least 30% by 2030. And we aim to be climate neutral by 2045. Approximately 80%

KPI	TARGET YEAR	STATUS	PROGRESS
Reduced over-production by 50% decrease of number of pcs going on sale	AW20, baseline AW18	AW19 vs AW18: -33% SS20 vs SS19: -25%	●●●○
At least 30% decrease of GHG emissions (tonCO2e) in all operations	2030, baseline 2021	2021 we will map scope 3	●●○○
Climate neutral in all operations	2045	2021 we will map scope 3	●●○○
100% traceability of water and chemical usage for all fabrics for “weather pro” outerwear and fleece	AW21	2021 we will map the data	●●●○
Reduced usage of resources in production by 30–75% reduction of water and chemical usage in wet processes	2025, baseline AW21	0	○○○○
Climate neutral in our own operations	2030, baseline 17/18	-30% in scope 1 and 2	●●●○
100% renewable electricity in own operations*	2020	100%	●●●●
30% decrease in electricity usage (Mwh) in own operations**	2021, baseline 17/18	-36%	●●●●
Zero tolerance policy of number of air transports	2020	22	●○○○
50% reduction of number of business travels by air	2020, baseline 18/19	-69%	●●●●

*For all facilities including both estimates and actual data
**For all facilities where PO.P is responsible for the electricity agreement

of the GHG (greenhouse gas) emissions originate from production and this is also where most of the resources are being used. By basing all product development on more resource-efficient production processes, we can significantly reduce the use of resources. We also need to map the energy footprint of our supply chain. Together with our suppliers, we can then set targets for renewable energy usage. To create change in the supply chain we need to lead by example. Energy usage in our shops and offices must come from renewable sources and we need to reduce the amount of energy used. We also need

to set action plans for other services we utilize, such as energy usage at warehouses, in distribution and during business travel.

PRODUCTION

The clothing industry is one of the most polluting industries in the world. We are part of this problem, but we also want to be part of the solution. Our goal is to reduce our GHG emissions by at least 30% by 2030. And we aim to be climate neutral by 2045. These are ambitious goals that we need to break down into various interim

goals and collaborate with others to achieve.

Last year we became a part of [STICA](#) (Swedish Textile Initiative for Climate Action) together with around 40 other brands. Taking part of this initiative obliges us to set science-based targets to reduce our greenhouse gas emissions in line with the 1.5C warming pathway. In this platform we will continuously learn about best practices for reducing our GHG emissions as well as to track and report on our progress on a regular basis and to set a roadmap to achieve our goals. Last year we mapped the baseline for our scope 1 and 2 emissions and for the coming year we will map the emissions in scope 3 and set a roadmap on how to reduce our emissions in order to reach our targets.

So far, we have identified that approximately 80% of emissions from the clothing industry come from production. We therefore believe that the most important thing we can do is to produce fewer garments. We can contribute towards a more environmentally sound consumption by adapting our product range to reduce our seasonal sale. Then we, to a greater extent only produce what is in

demand. We reduced our end-of-season sale by -33% for our Autumn/Winter 2019 collection and for the Autumn/Winter 2020 collection we have increased the amount of carry over styles by 39%.

We also want to take specific actions to reduce the use of resources in production, mainly by basing all product development on more resource-efficient production processes. First and foremost, we will focus on our technical outerwear garments in the "PO.P WeatherPRO®" concept, since this is a large and important product group for us. Our goals are that for the Autumn/Winter 2021 collection, we will have 100% traceability for water, energy and chemicals use for all garments within this group. And by 2025 our target is to reduce the use of water, energy, and chemicals by 30–75%, depending on area in this product category.

So far, we have identified key suppliers and made onsite assessments in the fabric production and wet processes and started a dialogue around data accessibility and technical performances. Then we joined the Amfori Business Environmental Performance Initiative ([BEPI](#)). Together

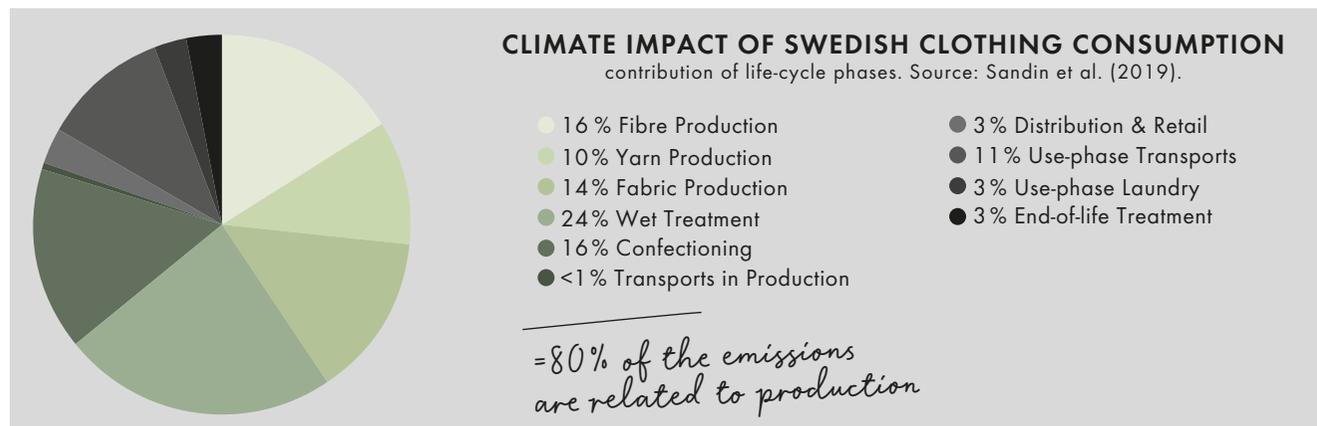
with BEPI we will cover a comprehensive scope of 11 environmental performance areas ranging from energy use and greenhouse gases to chemical management, and utilize their five-step approach to drive continuous improvement through supply chain mapping and analysis, improvement work and progress monitoring. For the coming year we will start to collect self-assessments to set the baseline and action plans to achieve our goals.

OWN OPERATIONS

We do not just consume energy in our production processes, but also in our own operations, such as our stores and offices. For all stores where we are responsible for the electricity contracts, 100% of the electricity is renewable. The lighting in our stores consumes a lot of the electricity, which is why a transfer to best available technical performances, such as LED, is key to reduce the electricity used. Today 42% of our stores have LED installations.

Through STICA we did a baseline calculation of the energy consumption and GHG emissions from our scope 1 & 2 for the year 2017/2018. Since then we have reduced the energy consumption in our stores and offices by -36%. Mostly because we closed 25 stores during the year.

There are big challenges in tracking the data for energy consumption in our stores. In many stores the electricity is included in the rent and the landlord rarely specifies the amount of electricity consumed for lighting and heating. And if we manage to get the data there are big variations regarding what is included in the data. In some malls we can get the data for the electricity consumed in the actual store, but mostly it is an average value of all



Direct

SCOPE 1

Direct GHG emissions occur from sources that are operated by our company.

Company operated cars and refrigerant leakage.

Indirect

SCOPE 2

GHG emissions from the generation of purchased energy consumed by our company.

Electricity consumption and district heating for offices and stores.

Supplemental

SCOPE 3

Indirect GHG emissions that occur in the value chain of our company.

Emissions for transportations of goods, upstream production, business travel.

Our transport from Asia to Sweden mainly occurs by sea routes, while transport from European producers and distribution from central warehouses to stores mainly take place by road.

Air transport, which is the form of transport with the highest environmental impact and the highest cost, is used in exceptional cases when fast delivery must be prioritized for various reasons.

For years we have had strict restrictions on air transportation, but this year we took this one step further and introduced a zero tolerance for transportation by air. This can only be achieved through strict planning, both by us and our suppliers. Unfortunately, this has been a very turbulent year in many aspects, where neither we nor our suppliers have managed to fully work according to plan. We therefore failed to achieve this policy this year.

Over the past three years, emissions of GHG have decreased significantly in transportation by -57 % from 908 tons CO₂e in 2017/2018 to 389 tons CO₂e in 2019/2020. There are multiple reasons for this, the main one being the decrease in air transports. However, the

electricity consumed in the mall per square metre. This is very time consuming and we will not be able to drive actual change if the data is generic. For the coming year we are investigating how we can get more specified data from the landlords in a more resource efficient way.

In 2017, we started to charge for the carrier bags in our stores and donate the profits to charitable causes. This year, 79% of our customers are choosing not to buy a bag when shopping in our stores. We are continuing to phase out our plastic carrier bags and replacing them with paper bags made of recycled material. We also aim to replace our e-commerce bags, which are still made of recycled plastic.

TRANSPORTATION

Efficient and on-time transportation from production to our customers lays the groundwork for an outstanding shopping experience while reducing environmental

impact and GHG emissions. Conversely, delays of any kind cause greenhouse gas emissions to increase. This is because freight with shorter lead times, such as air and train freight, which can make up for these delays, releases significantly more greenhouse emissions than sea freight.

INBOUND TRANSPORTATION



year 17/18 was greatly affected by external factors, with strikes at the Port of Gothenburg leading to more air transports. Additionally, the number of transportations from our suppliers to our warehouse has decreased by -38 %, while the number of transports from the warehouse to our customers has increased significantly by 148 %. This increase is caused by a significant increase of e-commerce. However, this increase must not mean that it causes an overall increase of GHG emissions, as it can also cancel out emissions from when the consumer travels back and forth to our stores.

Obtaining correct GHG emissions data from all transporters is a challenge. While the majority of them are forthcoming, some are not transparent or charge for revealing their data. We hope that the collaborative approach towards limiting our mutual emissions will mature over time.

Today, there are limited options for better transportation alternatives, as vehicles that run on renewable fuel are not yet available on the scale required. During this year we

have started to work with a new central warehouse run by a third-party logistics partner. New ways of working combined with new systems will provide better conditions and tools for warehouse and transportation optimization. The new warehouse is certified by [Green Building](#). Green Building entails an efficient use of energy and requires that the building use 25% less energy compared to the new building requirements.

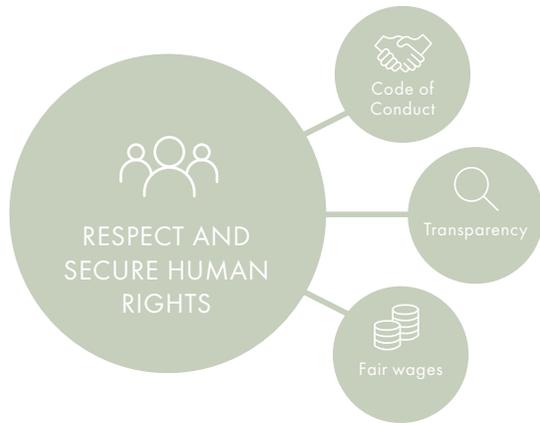
BUSINESS TRIPS

Every year our employees complete several international and domestic trips. According to our travel policy, the environmental impact should be considered in connection with travel, and whenever possible rail travel should be chosen. This year we set a target to reduce the number of business journeys by air by 50% compared to last year. A strong incentive to manage this was that we cut the travel budget by half. We more than exceeded this target, but partly because of the travel restrictions caused by the Covid-19 pandemic.

CONSEQUENCES OF THE COVID-19 PANDEMIC

The Covid-19 pandemic has had a great impact on the climate in so many ways, when almost all activities came to an abrupt halt in the spring of 2020. Production and transportation were halted due to lockdowns, people started to work from home and customers changed their consumer behaviour, transferring sales from physical stores to e-commerce. As a direct consequence, we were forced to close 25 stores in Sweden and Norway. In the short term, this has caused an abrupt drop in GHG emissions during the year, but the need to cut costs has also hindered our efforts to reduce emissions in the long term. However, in the long run we believe that this shift towards more purpose-driven behaviours will drive the reduction of GHG emissions forward to a greater extent.

“ We have always focused on what is best for children and we always will. Therefore, we must take care of the Earth where they will be growing up.



RESPECT & SECURE HUMAN RIGHTS

Human rights are rights inherent to all human beings, regardless of race, sex, nationality, ethnicity, language, religion, or any other status. Everyone is entitled to these rights, without discrimination. In a global marketplace, supply chains are becoming increasingly complex. We believe that it is now more necessary than ever for companies to improve visibility over their production – and to drive improvements across their supply chains wherever possible.

We can only achieve this in cooperation with others through common values and principles, supply chain mapping, monitoring, remediation, and capacity building.

CODE OF CONDUCT

We have continued our participation in [Amfori BSCI](#), the leading global business association for open and sustainable trade. Through Amfori BSCI we have been fully engaged in supply chain mapping, monitoring, remediation, and capacity building for continuous improvements in social compliance. From this year, we are no longer participating as an RNB member but in our own right as Polarn O. Pyret, which enables a greater focus on improvements in our supply chain.

To start a business relationship, all suppliers must sign our Master purchase agreement, which regulates matters such as the supplier’s obligation to follow [the Amfori BSCI Code of Conduct](#). We evaluate our suppliers ahead of each season and, in line with our production strategy, we set supplier-specific plans based on this assessment. In our due diligence process, we consider social as well as environmental criteria before approaching a new market. Furthermore, factors such as product quality, on-time delivery and price are key aspects of our regular supplier screening and are included in the selection process for new suppliers.

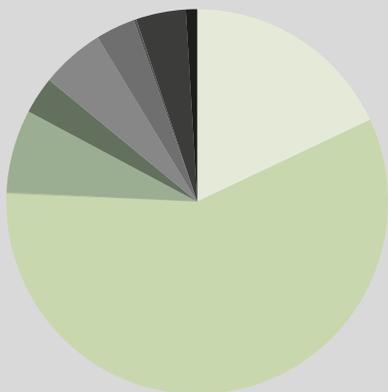
During this year we have worked with 57 production units in 9 countries. Over the past three years, the number of production units has remained largely stable, with a

slight decrease. The main reasons for changes to the supplier base have been the increase of GOTS production and license production, the increase in suppliers capable of providing good quality, sustainable materials, as well as efforts to improve margins and consolidate strategies. Since most production takes place in Asia, most production units are in so-called risk countries and we have implemented a range of solutions to engage closely with these production units. This work is mainly performed via our production office in Hong Kong, and via our agent offices in Turkey and Bangladesh. These offices carry out tasks such as sourcing suppliers, negotiating orders, administering supplier contacts, carrying out quality inspections and nurturing supplier relations. We have set monitoring targets for all factories. Previously, we had a requirement that all factories located in so-called risk countries should be audited by a third party. Now we include all factories, no matter where they are located, as we believe that serious violations of human rights can occur in any part of the world. Production countries that we previously did not include in the scope, such as Germany, Sweden and South Korea. Totally 72% of the factories had a valid 3rd party audit by the end of the fiscal year. However, 91% of the orders (measured in order value) were produced in factories with a valid 3rd

KPI	TARGET YEAR	STATUS	PROGRESS
 100% of production units in tier 1 with 3rd party valid social audit reports	2021	72%	●●●○
15% production units in tier 1 with overall improved BSCI rating since previous audit	Ongoing	21%	●●●●
80% of the assortment produced in production units (tier 1) that have implemented good practices for fair wages according to BSCI or SA8000	2022	83%	●●●●

PRODUCTION COUNTRIES

% of order value 2019/2020



- 18 % Bangladesh
- 58 % China
- <1 % Germany
- 7 % India
- 3 % Latvia
- 5 % Lithuania
- 3 % Rep. of Korea
- <1 % Sweden
- 4 % Turkey
- 1 % Vietnam

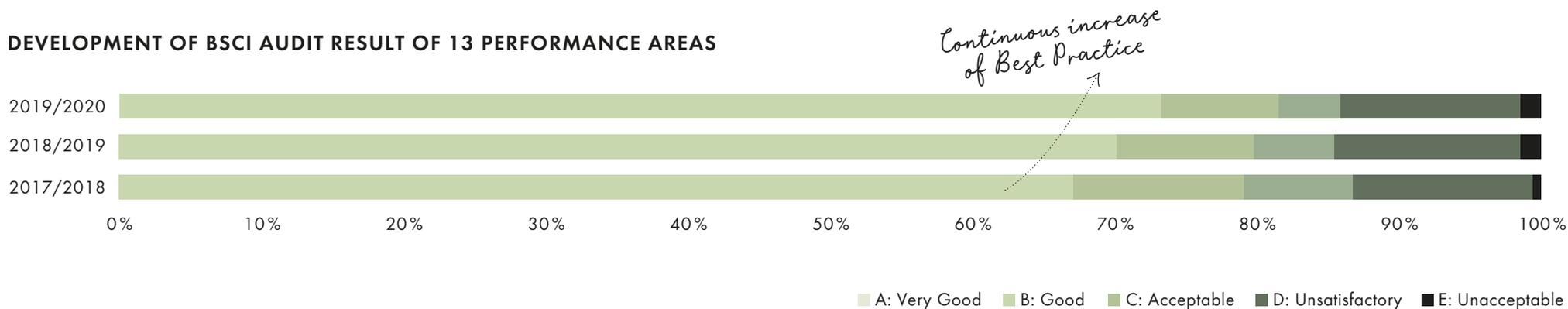
party audit, showing that we prioritize factories where we have the greatest impact.

We utilize a mix of external and internal inspections which serve different purposes. The external Amfori BSCI audits form the basis for following up on the social improvement process and account for 78% of the audits. A BSCI audit includes a physical inspection of the entire factory, review of documentation and interviews with workers and factory management. Internal inspections serve as a complement to the external audits and account for 22% of the audits. The internal audits are mainly applied to follow up on the external audit results and to set action plans for corrections. These inspections mainly focus on the physical working environment.

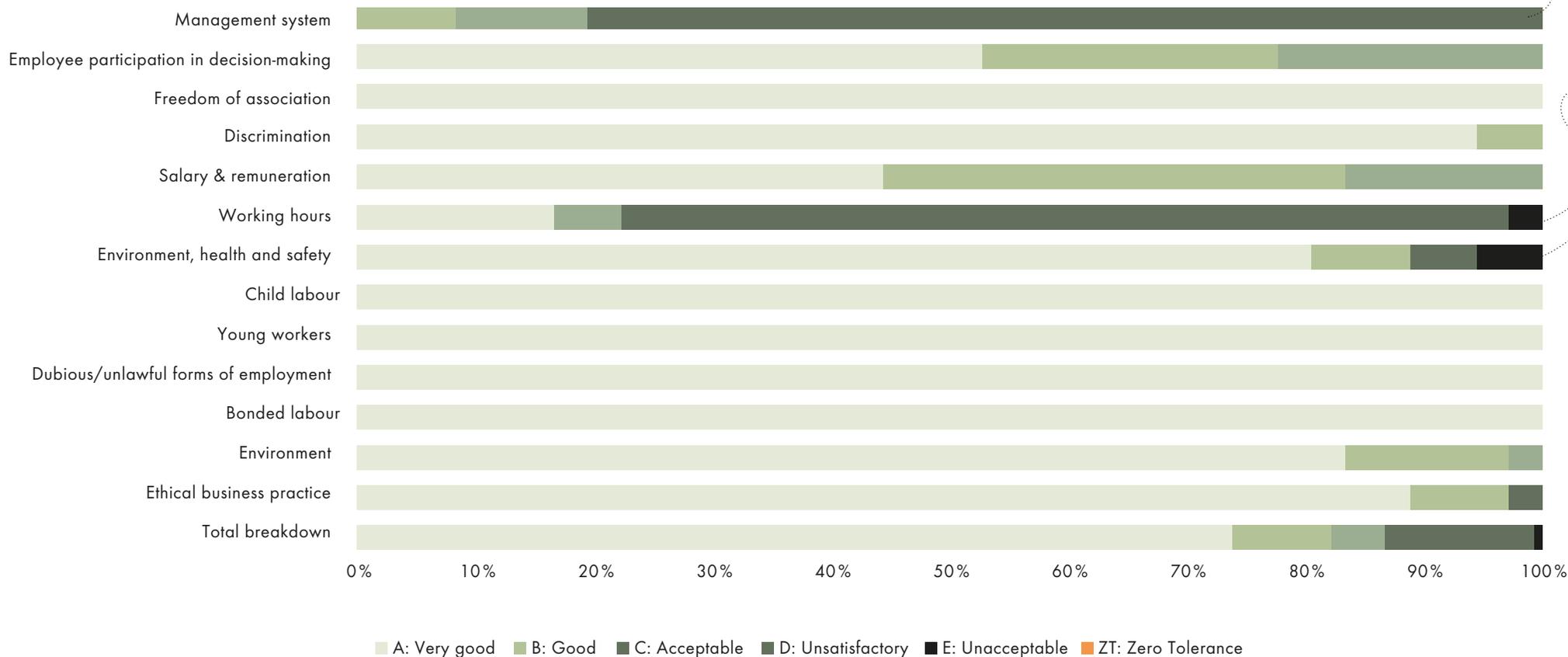
We have set an improvement target based on continuous improvements and during the year we see a continuous positive development of the BSCI audit results. This has been achieved through focusing on setting corrective action plans and training programmes at factories. 21% of our factories audited during the year improved their result or remained fully compliant compared to last year.

A BSCI audit consists of 13 subsegments. The greatest challenges our factories face when making improvements include implementing fully functional management systems, reducing overtime, and remediate health and safety issues. We continue to train management teams in our production units to increase awareness of how fully functional management teams are of the utmost importance in creating long-term improvements in all other areas. This year, 25 of our factories completed BSCI-courses, 15 of which were directly connected to human rights. There is a general perception that even though the outcome of the audit results over the past three years is very good in the areas of Child labour and Bonded labour, there is a risk that these issues have moved further upstream in production. Another risk is that the status of the areas of Freedom of associations and Discrimination are difficult to catch in audits or in the BSCI grievance mechanism. Therefore, we need to further analyze if and where there are discrepancies that don't show up in the reports.

DEVELOPMENT OF BSCI AUDIT RESULT OF 13 PERFORMANCE AREAS



BREAKDOWN OF BSCI AUDIT RESULT OF 13 PERFORMANCE AREAS 2019/2020



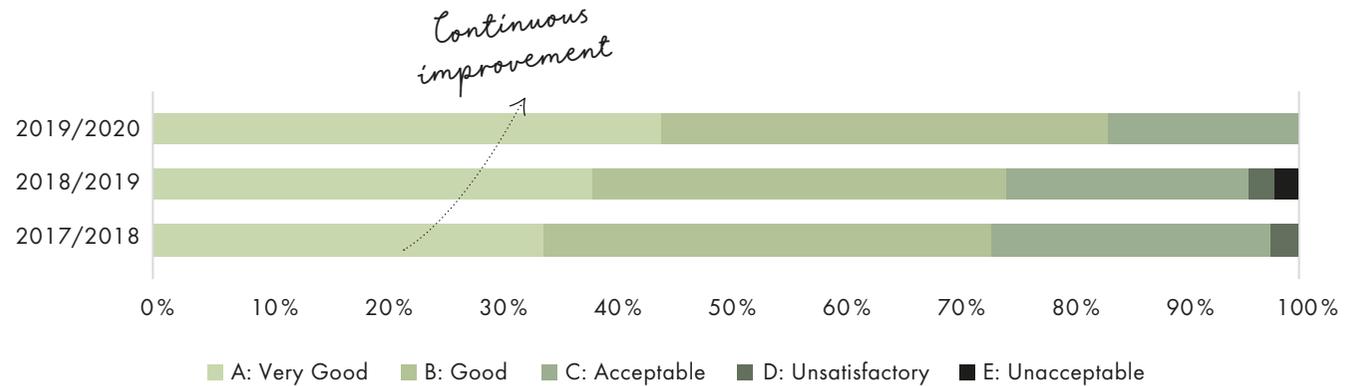
Focus areas for improvements

Bangladesh remains our second largest production country. Suppliers in Bangladesh primarily provide volume orders through GOTS-production. All Bangladesh suppliers are within the scope of the Accord in terms of ensuring the building, fire and electricity safety of production. As a signatory of [the Accord on fire and building safety](#), we have remained committed to ensuring that safety remediation is completed and financially feasible, and that

safety committees and safety training are implemented. From this year, we are no longer signatories as RNB but in our own right as Polarn O. Pyret, which enables a greater focus on the improvements in our factories. By the end of the fiscal year, there was a 98% remediation progress rate of initial findings and 99% remediation progress rate of all findings.

Last year the Accord Steering Committee and the BGMEA (Bangladesh Garment Manufacturers and Exporters Association) signed an “Memorandum of Understanding” (MoU) to transfer all functions from the Accord into the RMG Sustainability Council ([RSC](#)). By the end of May 2020 this transfer was completed and they will be able to carry forward the significant accomplishments made on workplace safety in Bangladesh.

DEVELOPMENT OF BSCI AUDIT RESULT OF PA 5 SALARY & REMUNERATION



FAIR WAGES

We firmly believe that every worker should earn a living wage. We must strive towards its implementation through our participation in Amfori BSCI to enable all workers and their families to break out of poverty and live a decent life.

Through our participation in Amfori BSCI we have mapped the development of the audit results of Salary & Remuneration in the Code of Conduct and we have arranged for our suppliers to attend training courses in Fair remuneration. 83% of the assortment is produced in production units (tier 1) that have implemented good practices for fair wages, which is a year-on-year improvement.

The benefits we as a small company have by participating in a big organization like Amfori BSCI, cannot be underestimated. We would not have achieved the same accomplishments for social compliance alone.

Even though working with Amfori BSCI also has its challenges. For example, [living wages](#) have not been a criteria in the Code of Conduct. As a member's organization we have been able to lift these concerns and during spring they launched a statement with a [living wage journey](#).

TRANSPARENCY

Publishing our [supplier list](#) on our website is not only to be transparent towards our customers but towards all our stakeholders, giving them insight into our business activities along the supply chain.

We have added [manufacturing specifications](#) on all items on our e-com site. By doing this, our customers can check the public supplier list to see where the product is manufactured, the social audit status and if there are any environmental certifications.

This Polarn O. Pyret-specific Sustainability Report is published in addition to the statutory RNB report.



CONSEQUENCES OF THE COVID-19 PANDEMIC

The Covid-19 pandemic has significantly disrupted supply chains on a global level. The main focus has been to secure the health and safety of the workers. Due to lockdowns, we have been unable to carry out onsite follow ups, and much of this work has been managed via online assessments and pictorial evidence instead. Furthermore, third-party auditors have been unable to conduct onsite audits, which is why Amfori BSCI, Disney, GOTS, etc. have either extended their audit windows or conducted virtual audits. This has been extra problematic for factories located in low-risk countries, due to the fact that there are no local auditors in these countries and entry bans have made it impossible to travel. Therefore, our target to have all Tier 1 production units in all countries audited has had to be postponed. Face-to-face training sessions have been cancelled and to some extent replaced by e-learning courses. Through complaint mechanisms in the supply chain, we have been alerted to the fact that the widespread cancellation of orders has caused stockpiles of unshipped goods in the factories in general, causing breaches of the health and safety of the workers. Overall, this whole situation has caused an increased risk of violations of the Code of Conduct. Restrictions are gradually being lifted and routines are slowly returning to normal. So far, no incidents of workers coming in harm's way have been reported from our suppliers, but we will probably be feeling the consequences

of the Covid-19 pandemic for a long time to come. The global economic crisis followed by the Covid-19 pandemic has struck the supply chain hard. For us, a liquidity crisis emerged during spring, and we were forced to undergo a corporate reorganization to save our long-term business. Thereby we have also contributed to this burden. During the reorganization, all payments were frozen from one day to the next, including payments to our suppliers. On top of this, we had to adjust our purchases to a forecast of sharply reduced sales. In managing this our goal has been to ensure long-term sustainable cooperation with all our suppliers by primarily moving quantities to coming seasons and distributing reduced order quantities and cancellations so that individual suppliers would not be hit as hard. The consequences were that all our suppliers have been affected to some extent. When exiting the corporate reorganization, our suppliers' debts will be paid according to the accord agreement. We have had long and close relationships with most of our suppliers and we are very grateful that they have stayed with us through this crisis. We are now in a better economic state and look forward to continued cooperation that will benefit the long-term sustainable business for both us and our suppliers.



Working at
POLARN O. PYRET

Our corporate culture

Our employees are Polarn O. Pyret's most valuable resource. They are the talents that run our business. For us it is therefore critical to create workplaces where our employees can thrive, progress, and feel that their expertise makes a difference. We have 274 full-time employees, defined as full time equivalents, throughout our stores and offices in Sweden, Norway, Finland, and Hong Kong.

OUR CORPORATE CULTURE

To ensure that we are true to our brand in everything that we do, we have four watchwords that will always guide us in our work.

Leading, Nordic,
Inclusive & Inspiring

Based on our four watchwords our leadership guidelines define what is expected of our managers and leaders.

Implementing and clarifying our watchwords and leadership guidelines is a continuous process that ensures a coherent view of our corporate culture. This may be through group discussions, workshops or leadership training. All our new employees take part in an introductory training





programme on what our values mean in practice and how to integrate them into our daily work.

TALENT MANAGEMENT

Talent management relates to attracting, recruiting, developing, and retaining employees and is a key part of our ability to reach our goals. Within these areas, talent management also ensures structures and processes that clarify how we work with this in practice. During the past year, we have further developed our model and process for employee development to make it easier for our employees and managers to set goals and do follow-up. We have also continued to develop our internal education portal, "PO.P School". Due to Covid-19, we have not carried out as many of the Talent management-related activities that were planned this year. For example, we unfortunately had to postpone the employee survey, which was planned to be carried out at the beginning of 2020.

TERMS OF EMPLOYMENT

That our employees feel good and have secure employment conditions is essential to us. All our employees in Sweden are covered by the collective agreements between the Swedish Trade Federation and the various Swedish trade unions. The three collective agreements are:

- Staff's Retail Trade agreement which covers all the sales staff in stores
- Unionen's Service Company Employee agreement covering salaried employees in retail
- Unionen's Academic Association's collective agreement for employees working at the head office.

The collective agreements regulate such things as occupational pension and various insurances.

In addition to this, to stimulate and inspire to regular physical activity we also offer employees a wellness allowance. Furthermore, we have flexible working hours for our employees at the head office to facilitate an improved work-life balance. This means that our employees can arrange their work schedule based on their preferences.

BUSINESS ETHICS

All employees representing Polarn O. Pyret must act in accordance with the laws and regulations as well as our internal guidelines and values in all situations. This is stated in our anti-corruption policy. All our employees receive information about business ethics and anti-corruption through our policies available on our intranet. Via our intranet, all our employees also receive information about GDPR and how we handle personal data regarding both employees and customers.

PROMOTING EQUALITY AND DIVERSITY

For us, diversity means that all employees have equal value and the same opportunities and rights regardless of ethnic origin, gender, age, creed, sexual orientation, trans-gender identity or functional impairment. Our goal is to create an inclusive and non-discriminatory organization. We continually strive to design the employee duties and the work organization so that all our employees, regardless of background, can participate in the company on equal terms. If a case of discrimination occurs, we thoroughly investigate this to identify suitable solutions. We have a whistleblower function that our employees can turn to if power is abused or if discrimination or unethical behaviour is detected. This function has also been promoted to emphasize that we take these issues



Our goal is to create an inclusive and non-discriminatory organization.

seriously. During the year, no incident of discrimination has been identified. One potential risk is that our employees do not report incidents for some reason. This needs to be investigated further.

The retail industry is traditionally female dominated, which is also the case at Polarn O. Pyret (97.2% women). Even though the industry is female dominated, salary inequalities exist but are insignificant at Polarn O. Pyret. For us meritocracy is the guiding principle and we strategically work towards creating and maintaining full equality through a yearly equality plan (in accordance with Swedish anti-discrimination legislation). The equality plan is based on analysis of internal statistics. The most recent analysis identified that there is no discrimination in areas of competence development, internal recruitment and salaries for store managers and sales staff. However,

the plan also showed that there are challenges in sickness absenteeism and parental leave, where women are over-represented.

COMMUNICATION

Sustainability has been part of our brand since the start in 1976. Our main goal is for our clothes to have a long life, and therefore “three children for every garment” is important in everything we do and communicate.

We want to inspire and guide our customers to make more sustainable choices and extend the life of every garment by passing it on to the next child. By garment care, washing instructions and a repair service, we try to ensure that every garment can be used for the longest possible time.

We continuously update the PO.P Cares sustainability section on our website. PO.P Cares gathers all information from our sustainability promise to different initiatives, symbols, supplier lists and our sustainability goals. It is important for us to be transparent and share the progress we make in our sustainability work, and we always try to make conscious choices when producing our marketing materials.

We value all children equally – to us children are children, and we embrace diversity. During our photoshoots, we always ensure the safety of the children on set, and follow all rules and regulations.

Everyone should feel welcomed to our world!

Consolidated
SUSTAINABILITY DATA



Sustainable *Business*

FINANCIALS

KEY RATIOS	2019/2020	2018/2019	2017/2018	TARGET
Net sales (MSEK)	656	784	765	
Operating result (MSEK)*	-22	20	43	
Operating margin	-4.3%	2.5%	5.6%	Long term profitability, ongoing
Number of employees	274	355	368	
Number of stores	90	126	135	
Number of e-commerce platforms	16	11	12	
*According to IFRS				
SALES BY GEOGRAPHIC MARKET, %	2019/2020	2018/2019	2017/2018	
Sweden	59%	59%	59%	
Finland	17%	15%	15%	
Norway	16%	17%	18%	
Other	8%	8%	9%	
SHARE OF WALLET	2019/2020	2018/2019		TARGET
Share of wallet for outerwear	*	5%		7%, 2022
Share of wallet for babywear	*	7%		9%, 2022
* Not measured this year				

MARKETING

CUSTOMER RANKING	2019/2020	2018/2019	2017/2018	TARGET
Sustainable Brand Index customer ranking	4	5	5	3
Differ customer ranking	1	1	1	1

Proud to be handed down to at least 3 children. That's real sustainability.

Leading offer of sustainable products

QUALITY

	2019/2020	2018/2019	2017/2018		TARGET
DURABILITY & SAFETY % of the customers using the products for 3 or more children*	54%	55%	49%		60% 2020
SAFETY Number of product recalls	0	0	0		Zero tolerance
CUSTOMER CLAIMS Customer claims of products sold (pcs) <i>*Due to Covid-19 pandemic, effects on customer behavior (almost zero claims), the data for SS20 is not considered reliable.</i>	SS20 *	AW19 0.15%	SS19 0.17%	AW18 0.18%	TARGET <0.1%

SUSTAINABLE FIBRES

	2019/2020	2018/2019	2017/2018	2016/2017	2015/2016	2014/2015	2013/2014	2012/2013	TARGET
SHARE OF MORE SUSTAINABLE FIBRE* % more sustainable fibre <i>*GOTS certified fibre, certified organic fibre, recycled fibre and Better Cotton. From AW20 Better Cotton will no longer be defined as a sustainable fibre by PO.P</i>	75%	70%	69%	42%	31%	24%	19%	17%	100%, 2025
SHARE OF MORE SUSTAINABLE COTTON* % more sustainable cotton <i>*GOTS certified fibre, certified organic fibre, and Better Cotton. From AW20 Better Cotton will no longer be defined as a sustainable fibre by PO.P</i>	100%	99%	95%	57%	36%	31%	23%		100%, 2020
SHARE OF MORE SUSTAINABLE COTTON, PER TYPE	2019/2020								TARGET
Better Cotton	1%								>50%, 2020
GOTS	55%								
Certified Organic	43%								
SHARE OF RECYCLED FIBRE* Recycled fibre <i>*Yarn certified according to Global Recycle Standard or Recycled Claim Standard</i>	2019/2020	2018/2019	2017/2018	2016/2017					
	11%	5%	2%	2%					
CHEMICAL CONTENT Share of the assortment produced with best available chemicals* <i>*GOTS, nominated chemicals</i>	2019/2020	2018/2019	2017/2018						TARGET
	43%	27%	23%						100%, 2025

Reduced usage of resources and emissions

ENVIRONMENTAL IMPACT IN PRODUCTION

SHARE OF ENVIRONMENTALLY CERTIFIED SUPPLY CHAINS	2019/2020	2018/2019	2017/2018	TARGET
GOTS certified	30%	25%	12%	
ENVIRONMENTAL IMPACT IN THE SUPPLY CHAIN	2019/2020	2018/2019	2017/2018	TARGET
% traceability of water, energy and chemical usage for all fabrics for "weather pro" outerwear and fleece	0%	n/a	n/a	100%, AW21
Decrease of water, energy and chemical usage in wet processes for "weather pro" outerwear and fleece	0%	n/a	n/a	30%-75%, 2025, baseline AW21

GHG EMISSIONS IN SCOPE 1 & 2

SCOPE 1	2019/2020	2018/2019	2017/2018	TARGET
Company operated cars (ton CO2e)	0.82	2.70	2.97	
Refrigerants (ton CO2e)	3.60	3.60	3.60	
Total (ton CO2e)	4.42	6.30	6.57	Climate neutral, 2030
SCOPE 2	2019/2020	2018/2019	2017/2018	TARGET
Electricity (ton CO2e)	46.36	50.24	48.58	
Heating (ton CO2e)	87.37	108.84	124.37	
Total	134.71	158.08	173.95	Climate neutral, 2030
GHG EMISSIONS SCOPE 1 & 2	2019/2020	2018/2019	2017/2018	TARGET
Scope 1 and 2 (ton CO2e)	138.13	164.38	179.51	Climate neutral, 2030
CLIMATE IMPACT	2019/2020	2018/2019	2017/2018	TARGET
% decrease in GHG emissions in scope 1 & 2 compared to baseline year	-30%	-9%	Baseline	-100%, 2030

SALES

ELECTRICITY PERFORMANCE IN STORES	2019/2020	2018/2019	2017/2018	TARGET	
Best Available technical performance (% LED)	42%	39%	36%		
% decrease in electricity usage (Mwh) in own operations*	-37%	-9%	Baseline	-30%, 2021	
% of renewable electricity in own operations**	100%	100%	100%	100%, 2020	
*For all facilities including both estimates and actual data					
**For all facilities where PO.P is responsible for the electricity agreement					
CHARITY	2019/2020	2018/2019	2017/2018	TARGET	
Amount of garments donated to Human Bridge (kg)	1 931	1 297	n/a		
Amount donated to Save the children (SEK)	200 000*	245 825	n/a		
Amount donated to World Childhood Foundation (SEK)	n/a	n/a	80 000		
* Due to the corporate reorganization procedures the donation will be payed after the end of the fiscal year					
CONSUMER BAGS	2019/2020	2018/2019	2017/2018	TARGET	
Share of customers not buying a bag for their goods	79%	75%	n/a		
SALES	SS20	AW19	SS19	AW18	TARGET
% decrease of number of pcs going on sale*	-25%	-33%	Baseline	Baseline	-50% by AW20**
* Data based on sales in SE and NO					
**AW20 v/s AW 18					

LOGISTICS *The data is based on the period between June to May, which is an offset of the time period of the fiscal year.*

NUMBER OF TRANSPORTS	2019/2020	2018/2019	2017/2018	TARGET
Number of air transports	22	41	80	0
Number of inbound transports	355	508	573	
Number of outbound transports	464 435	280 379	187 436	
MASS OF TRANSPORTED GOODS, EMISSIONS AND EFFICIENCY*	2019/2020	2018/2019	2017/2018	
TonKm*	14 599 591	19 398 100	19 360 300	
Emission CO2e (ton)**	389	579	908	
*Only inbound transports				
** Inbound and outbound transports				
SHARE OF CONSIGNMENT PER TRANSPORT TYPE, % TONKM*	2019/2020	2018/2019	2017/2018	
Sea freight	98%	96%	93%	
Air freight	1%	2%	4%	
Rail freight	0%	1%	2%	
Road freight	1%	1%	1%	
*Only inbound transports				

BUSINESS TRAVELS

BUSINESS TRAVELS	2019/2020	2018/2019	TARGET
Decrease of number of business trips by air	-69%	Baseline	50% by 2020 (19/20 v/s 18/19)

Respect and secure *human rights***PRODUCTION**

GENERAL PRODUCTION DATA	2019/2020	2018/2019	2017/2018
Number of tier 1 production units with order value	57	61	61
Number of production countries	9	9	8

PRODUCTION COUNTRIES

PRODUCTION COUNTRIES, % OF ORDER VALUE	2019/2020	2018/2019	2017/2018
Bangladesh	18.0%	17.5%	16.3%
China	57.6%	54.1%	54.0%
Germany	0.1%	0.1%	0.1%
India	7.0%	5.9%	7.0%
Latvia	3.1%	2.2%	2.8%
Lithuania	5.4%	9.5%	8.0%
Republic of Korea	3.3%	5.8%	7.0%
Sweden	0.2%	0.6%	0.5%
Turkey	4.2%	3.9%	0.5%
Vietnam	1.0%	0.4%	0.0%

AUDIT STATUS

GENERAL AUDIT STATUS	2019/2020	2018/2019	2017/2018	TARGET 2020
% of production units in tier 1 with 3rd party valid social audit reports*	72%	75%	70%	100%
% of order value placed at tier 1 production units with a valid 3rd party audit	91%	85%	88%	
*BSCI, SA8000, Smeta				
BSCI AUDIT BREAKDOWN IN TIER 1 PRODUCTION UNITS, % OF ORDER VALUE	2019/2020	2018/2019	2017/2018	
SA8000 – Best Practice	10%	11%	10%	
A - Very Good	6%	12%	11%	
B - Good	14%	4%	5%	
C - Acceptable	60%	56%	61%	
D - Unsatisfactory	2%	2%	2%	
E - Unacceptable	0%	0%	0%	
ZT - Zero Tolerance	0%	0%	0%	
No audit – No valid audit *	9%	15%	12%	
* Audit is either missing or the validity period of the audit has expired				
DEVELOPMENT OF BSCI AUDIT RESULT	2019/2020	2018/2019	2017/2018	TARGET
% production units in tier 1 with overall improved BSCI rating since previous audit	21%	16%	Baseline	15%, ongoing
Since last fiscal year, including production units that remain a A or SA8000 result				

BREAKDOWN OF BSCI AUDIT RESULT OF 13 PERFORMANCE AREAS

2019/2020 BREAKDOWN OF BSCI AUDIT 13 PERFORMANCE AREAS*	A VERY GOOD	B GOOD	C ACCEPTABLE	D UNSATISFACTORY	E UNACCEPTABLE	ZT ZERO TOLERANCE
Management system	0%	8%	11%	81%	0%	0%
Employee participation in decision-making	53%	25%	22%	0%	0%	0%
Freedom of association	100%	0%	0%	0%	0%	0%
Discrimination	94%	6%	0%	0%	0%	0%
Salary & remuneration	44%	39%	17%	0%	0%	0%
Working hours	17%	0%	6%	75%	3%	0%
Environment, health and safety	81%	8%	0%	6%	6%	0%
Child labour	100%	0%	0%	0%	0%	0%
Young workers	100%	0%	0%	0%	0%	0%
Dubious/unlawful forms of employment	100%	0%	0%	0%	0%	0%
Bonded labour	100%	0%	0%	0%	0%	0%
Environment	83%	14%	3%	0%	0%	0%
Ethical business practice	89%	8%	0%	3%	0%	0%
Total breakdown	74%	8%	4%	13%	1%	0%
* Base 36 inspections						

DEVELOPMENT OF BSCI AUDIT RESULT OF 13 PERFORMANCE AREAS	2019/2020	2018/2019	2017/2018
A - Very Good	74%	70%	67%
B - Good	8%	10%	12%
C - Acceptable	4%	6%	8%
D - Unsatisfactory	13%	13%	13%
E - Unacceptable	1%	1%	1%
A + B (Very Good + Good)	82%	80%	79%

FAIR WAGES

DEVELOPMENT OF BSCI AUDIT RESULT OF PA 5 SALARY & REMUNERATION	2019/2020	2018/2019	2017/2018
A - Very Good	44%	38%	34%
B - Good	39%	36%	39%
C - Acceptable	17%	21%	24%
D - Unsatisfactory	0%	2%	2%
E - Unacceptable	0%	2%	0%
A + B (Very Good + Good)	83%	74%	73%

PRODUCER TRAINING PROGRAM

BSCI PRODUCER TRAINING PROGRAM	2019/2020	2018/2019	2017/2018
Number of producers in tier 1 completed BSCI or BEPI courses	25	11	12
Number of producers in tier 1 completed BSCI courses, connected to Human rights	15	5	2

ACCORD REMEDIATION PROGRESS

ACCORD ON FIRE AND BUILDING SAFETY IN BANGLADESH	2019/2020*	2018/2019	2017/2018	TARGET 2021
Remediation progress rate of initial findings	98%	100%	97%	100%
Remediation progress rate of total findings	99%	96%	91%	100%
Number of production units with a safety committee established	4/4	4/4	4/4	
Number of production units with a workers participation committee	4/4	4/4	4/4	
Number of all employee trainings	2	1	3	
Number of safety committee trainings	5	6	6	
*2 active and 2 inactive responsible production units				

Working at Polarn O. Pyret

HUMAN RESOURCES

	2019/2020	2018/2019	2017/2018
NUMBER OF EMPLOYEES			
Full time equivalents (FTE)	274	355	368
Full time employees	259	443	437
AGE AND EMPLOYEE TURNOVER*			
Average age, years	38	35	36
Average period of employment, years	6	6	6
Employee turnover, %	15%	8%	5%
* Based on full time employees			
PERSONAL HEALTH AND SAFETY			
Total sick leave	3%	4%	3%
Short-term sick leave	2%	2%	1%
Long-term sick leave	1%	2%	2%
* Based on full time employees			
ANTI CORRUPTION			
Number of whistleblower complaints	0	0	0
Number of "fraud" incidents	0	0	0

DIVERSITY & EQUALITY

	2019/2020	2018/2019	2017/2018
NUMBER OF EMPLOYEES BY GENDER,%*			
Men	3%	3%	2%
Women	97%	97%	98%
* Based on full time employees			
BOARD OF DIRECTORS, GENDER			
Men	4	2	3
Women	0	2	1
BOARD OF DIRECTORS, AGE			
Below 30	0	0	0
30-50	1	3	3
Above 50	3	1	1
MANAGEMENT TEAM, GENDER			
Men	1	1	2
Women	8	8	7
MANAGEMENT TEAM, AGE			
Below 30	0	1	1
30-50	8	8	8
Above 50	1	0	0
CEO, GENDER			
Men	1	0	0
Women	0	1	1
CEO, AGE			
Below 30	0	0	0
30-50	0	1	1
Above 50	1	0	0

GRI CONTENT *index*

GRI CONTENT INDEX

GRI STANDARD	DISCLOSURE NUMBER	DISCLOSURE TITLE	LOCATION OF DISCLOSURE	NOTE
GRI 102: General disclosures	102-1	Name of the organisation	3	
	102-2	Activities, brands, products, and services	6-7	
	102-3	Location and headquarters	6	
	102-4	Location of operations	6	
	102-5	Ownership and legal form	3	
	102-6	Markets Served	7, 41	
	102-7	Scale of the organization	6-7	
	102-8	Information on employees and other workers	7, 37-39, 41, 46	Due to limitation in the data we are only able to report the total number of employees, defined as full time equivalents, based on gender.
	102-9	Supply chain	12, 25, 27-28, 31-34	
	102-10	Significant changes to the organisation and its supply chain	44	
	102-11	Precautionary Principle or approach	25	
	102-12	External initiatives	17, 23-25	
	102-13	Membership of associations	17	
	102-14	Statement from senior decision-maker	4	
	102-15	Key impacts, risks, and opportunities	10, 13-14, 19-35	
	102-16	Values, principles, standards and norms of behaviour	37-39	
	102-17	Mechanisms for advice and concerns about ethics	38-39	
	102-18	Governance structure	15	
	102-40	List of stakeholder groups	13	
	102-41	Collective bargaining agreements	38	Due to limitation in the data we are not able to report on the percentage, but instead we describe in which regions the agreements are applied.
	102-42	Identifying and selecting stakeholders	13	
	102-44	Key topics and concerns raised	13	
	102-45	Entities included in the consolidated financial statements	See note	Information can be found in RNB Retail and Brands Financial Review
	102-46	Defining report content and topic Boundaries	3	
	102-47	List of material topics	14	
	102-48	Restatements of information	See note	In case of occurrence, this is reported in connection with relevant topic
	102-49	Changes in reporting		This year the statutory sustainability report is included in the RNB financial report and for the first time Polarn O. Pyret publishes an individual voluntary sustainability report.
	102-50	Reporting period	3	
	102-51	Date of most recent report	3	
102-52	Reporting cycle	3		
102-53	Contact point for questions regarding the report	50		
102-54	Claims of reporting in accordance with the GRI Standards	3		
102-55	GRI content index	48-49		
GRI 103: Management approach	103-1	Explanation of the material topic and its Boundary	See note	The management approach is presented in connection with each material topic
	103-2	The management approach and its components	See note	The management approach is presented in connection with each material topic
	103-3	Evaluation of the management approach	See note	The management approach is presented in connection with each material topic

GRI STANDARD	DISCLOSURE NUMBER	DISCLOSURE TITLE	LOCATION OF DISCLOSURE	NOTE	
ECONOMIC					
GRI 201: Economic performance	201-1	Direct economic value generated and distributed	7	Partly disclosed, as only total revenues and operating income is reported.	
GRI 205: Anti-corruption	205-1	Operations assessed for risks related to corruption	17, 38	The information has not been broken down by employee category or region, as the same approach has been applied to all partners and employees.	
	205-2	Communication and training about anticorruption policies and procedures	17, 38		
	205-3	Confirmed incidents of corruption and actions taken	38		
ENVIROMENTAL					
GRI 301: Materials	301-2	Recycled input materials used	42	PO.P is part of The Swedish Textile Initiative for Climate Action, through which PO.P will set science-based targets to reduce our greenhouse gases in line with 1.5 C warming pathway. Downstream activities; transportation and distribution has been disclosed.	
	Own indicator	"Share of more sustainable materials used in our garments"	22-24, 42		
GRI 302: Energy	302-4	Reduction of energy consumption	27-28, 43		
GRI 303: Water	Own indicator	Initiatives for more sustainable water mangement	28		
GRI 305: Emissions	305-1	Direct (Scope 1) GHG emissions	27, 43		
	305-2	Energy indirect (Scope 2) GHG emissions	27, 43		
	305-3	Other indirect (Scope 3) GHG emissions	29, 44		
SOCIAL					
GRI 401: Employment	401-1	New employee hires and employee turnover	46		Partly disclosed as only sick leave data, short term and long term, is disclosed.
GRI 403: Occupational health and safety	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	46		
GRI 405: Diversity and equal opportunity	405-1	Diversity of governance bodies and employees	46		
GRI 406: Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	38-39		
GRI 407: Freedom of association and collective bargaining	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	31-35		
GRI 408: Child labour	408-1	Operations and suppliers at significant risk for incidents of child labour	31-35		
GRI 409: Forced and compulsory labour	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	31-35		
GRI 412: Human rights assesment	412-1	Operations that have been subject to human rights reviews or impact assessments	31-35		
GRI 414: Supplier social assessment	414-1	New suppliers that were screened using social criteria	32		
GRI 416: Customer health and safety	416-1	Assessment of the health and safety impacts of product and service categories	25		
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	25		
GRI 419: Socioeconomic compliance	419-1	Non-compliance with laws and regulations in the social and economic area	See note	We have not identified any non-compliance with laws and regulations in the social and economic area.	



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