



P O. P

Sustainability Report

2022/2023

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ABOUT THIS REPORT

This report reflects the activities performed at Polarn O. Pyret AB and all its subsidiaries, as well as the social and environmental impact we have through our manufacturing suppliers worldwide. The Board of Directors of PO.P is the highest governance body and responsible for the sustainability report. The reporting period corresponds to PO.P's financial year of 1 September 2022 to 31 August 2023, and the information in this report refers to this period unless otherwise stated.

This is PO.P's fourth individual Sustainability Report; we report on an annual basis and our previous report was published in November 2022. Prior to this, PO.P reported sustainability activities together with the other subsidiaries of Retail and Brands AB, its previous owner. As of 2021, PO.P is owned by Procuritas Capital Investors VI Holding AB.

This report has been prepared with reference to the GRI Standards and the Annual Reports Act (1995:1554). The information in this report has been obtained from internal monitoring systems and external service providers.

Clear and transparent reporting is essential for ensuring accountability and for monitoring our own performance. We continuously develop our Sustainability Framework to meet the diverse needs of our different stakeholders and external reporting requirements. We are committed to openly sharing our progress based on the best available data, as well as to improving our level of disclosure year by year. The foundation of the report is PO.P's Sustainability Framework, the stakeholder analysis and the material topics presented in the materiality assessment.

Any questions related to this report or the sustainability work carried out by PO.P can be directed to:

sustainability@polarnopyret.se



A MESSAGE FROM OUR CEO

What a year we leave behind us – having only just emerged from the terrible impacts of the Covid Pandemic, we entered a new year packed with very different challenges for the Financial Year 2022/2023.

The global economy has experienced a considerable slowdown, affecting our customers and our company. Despite these challenges, we achieved our highest-ever sales level. However, increased purchase prices, higher discount rates and rising costs lowered our EBITDA by -30%. In these trying economic conditions, we remain committed to making the childrenswear market more sustainable by working with our long-term goals.

In uncertain times we need to be even more flexible than ever, with a focus on adapting to constantly changing customer demands. As a result, during the year we opened 13 physical stores and closed 9. We also launched a completely new look and feel for our websites in the Nordics, as well as for our global .com website, which has received a lot of positive customer feedback.

A significant achievement last year was the expansion of our second-hand business, nearly doubling the volumes sold to 94,000 items. While the majority of our second-hand merchandise was sold in our stores in the Nordics, we have initiated an online solution for selling second-hand merchandise in the UK, which has been recognised with the prestigious Drapers Sustainability Award. Hats off to all Polare (staff) who have wholeheartedly embraced this new sales channel and to the entire team involved in the rollout of the online solution – thank you for a job very well done! Our primary mission remains producing high-quality childrenswear from more sustainable fabrics which allows children to be children. Our KPI of each garment being worn by at least three children in succession reflects this target. At least 63% of our customers hand down or resell our products which demonstrates the success of our circular business model.

The alarming global weather conditions underscore the urgency of addressing climate change. Our commitment to reduce our carbon footprint by -50% by 2030 and achieving

climate neutrality no later than 2045 has never been more critical. We have reduced the carbon emission per product sold by 7%. This achievement motivates us to intensify our efforts even more in the years to come.

In line with our sustainability goals, we've reduced the number of factories by 30%, enabling more effective partnerships with our suppliers to increase the impact of our sustainability initiatives. To ensure our ecological footprint reduction is data-driven, we've collected carbon emissions data from our top ten Tier 1 suppliers and their Tier 2 suppliers. This will guide us in launching action plans to make a substantial impact. We've also provided environmental education and GHG emissions training to our main suppliers. Our ongoing work with the TrusTrace platform has improved traceability in our supply chain, promoting transparency.

We welcome the EU's strategy for sustainable and circular textiles. However, we see a big risk in the lack of harmonised and coordinated rollout and implementation plans across EU borders. It's important that we can use our resources to create actual change, rather than drown in administration and paperwork.

Despite a tumultuous year, we take pride in our achievements and present them in this year's sustainability report for FY 2022/2023. I want to thank all Polare for your commitment and drive for constant improvements to move us forward as well as the invaluable partnerships with our suppliers. Last, but not least, we're humbled and thankful to all engaged customers who buy our products, first- or secondhand, and who inspire us to continue to make each garment last for three or more children. Together we can make a difference!

Best regards,



Johan Munck
CEO PO.P



2022/2023 HIGHLIGHTS

**SINGLE POLYBAGS
REMOVED** on
80%
of our products

DOUBLED
share of **RECYCLED
SYNTHETIC** content
in our products

WINNER
of Drapers Best
Circularity Initiative

TRACEABILITY
down to yarn level
at our 10 largest
suppliers

63%
of our outerwear
is worn by 3 or
more children

**SUSTAINABLE
FUEL**
on all inbound sea
transportation

**REDUCED CLIMATE
EMISSIONS**
per product sold by

7%

97%
of our order value
comes from a factory
with a valid
third-party audit

DOUBLED
our **SECOND-
HAND SALES**
compared to
previous year

90%
GOTS-certified
cotton





ABOUT P.O.P

PO.P AT A GLANCE

Since 1976, we have been dedicated to creating high-quality clothes that can be loved, worn and handed down. We call this design that lasts.

PO.P is a well-known Swedish brand for baby and childrenswear, with products that are designed, produced and distributed through online, proprietary and franchise stores. We are established on 10 markets and on 11 e-commerce platforms. Our own e-commerce accounts for more than half of the net sales in PO.P's own operated channels.

Our head office is located in Stockholm, Sweden. We have a production office in Hong Kong, as well as offices in the UK and Finland.

We have established a position as the leading brand for childrenswear in the quality segment of the Nordic market, and our clothing is recognised for its high quality, functionality, design and sustainability. Our focus has always been on what is best for children and our vision is to make the childrenswear market more sustainable – because the Earth is a hand-me-down, our clothes should be handed down too.

SWEDEN 52% UK 15%
FINLAND 15% NORWAY 10%
OTHER 8%

BRAND SALES PER GEOGRAPHICAL MARKET

792
MSEK

NET SALES

61 + 4 + 25
OWN + FRANCHISE
+ SHOP-IN-SHOP

STORES

7 + 2 + 2
OWN + FRANCHISE
+ MARKETPLACE

ECOM

272
FULL-TIME
EQUIVALENT (FTE)

EMPLOYEES

VALUE CHAIN IMPACT

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

1. PLANNING: The starting point of our activities, where we update the product range plans for the coming seasons according to our sustainability strategy, reconcile conclusions from last season and evaluate new business areas. The content of this plan has an overall sustainability impact on the value chain.

2. DESIGN: Based on the project range plan, designs are optimised and new products are developed. Specifications for functions, durability and sustainable content are set, which will have a great impact on the lifespan and thus on the product's environmental impact.

3. PURCHASE: Our supplier base consists of suppliers with expertise in high-quality garments and certified fibres. Before purchase we evaluate the needs according to our sustainability strategies, the product range plan and the suppliers' footprint. Negotiations take place to find the best match between product and production.

4. PRODUCTION: In production, design ideas are transformed into products. This stage accounts for the biggest impact. During production, we work closely with the suppliers to reduce our environmental impact, ensure safe working environments and assure high-quality products with the potential to be used by many children.

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: Renewable and efficient energy sources improve the environmental impact in our stores. In our stores and online, we create customer value and communicate our sustainability work on a day-to-day basis. We provide PO.P Second Hand products online in the UK and physically in all stores in the Nordic countries.

7. USAGE: We help our customers to prolong the lifespan of our products by offering a repair service in our stores, as well as guidelines on how to carry out repairs at home. Recommendations on how to care for materials and products also play an important role in increasing the lifespan of our products.



THE CIRCULAR ECOSYSTEM

In a circular economy, materials never become waste and products are kept in circulation, at their highest value at all times, through processes such as repair, reuse and ultimately recycling. In a circular economy, you also tackle climate change and other global challenges, such as biodiversity loss and pollution, by decoupling economic activity from the consumption of limited resources.

PO.P has a holistic approach on circularity, and we take every decision, from planning and design to customer experience, into consideration. Our aim is to design all our products in a way that ensures they can circulate repeatedly within multiple loops of a circular ecosystem, and do so with a minimal impact on the environment and society. It is crucial that we, as a company, create more with less, delivering products that provide great value to our customers, while reducing our impact on the planet. This way we can make the most of the precious resources and energy that go into making them.



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In P.O.P's circular ecosystem we focus on:

- Developing **Circular Products**, using recycled and more sustainably sourced materials, designing to minimise waste and using leftover materials from previous seasons, as well as ensuring quality and design that permits a long lifespan for each garment.
- Enabling **Circular Supply Chains**, by reducing our climate impact, eliminating toxic chemicals, eliminating pollution and safeguarding biodiversity.
- Providing **Circular Customer Journeys**, by offering second-hand and repair services to our customers.

We are continuously working on resource efficiency in all parts of our business in terms of time and materials. Efficient internal and external working processes enable us to reduce lead times and become more flexible, resulting in a more sustainable product range, both in terms of profitability and reducing overproduction. Transparent and clear communication is the key to increasing customer awareness of our brand's sustainable offer and to positioning ourselves as a leading sustainable alternative for children's clothing.





SUSTAINABILITY FRAMEWORK

STRATEGY & FOCUS AREAS

Sustainability has been at our core since the start in 1976. This means that we have been designing and developing high-quality clothing for nearly five decades – comfortable, durable, and equipped with features to make them last to be worn by as many children as possible. So that our customers don't need to buy more new garments than necessary, which conserves our planet's dwindling resources.

Our sustainability framework is based on P.O.P.'s values, principles and ambitions. As well as on stakeholder interests, international and local legislation, and risk assessments of the negative impact P.O.P and the textile industry have on society and on the environment. Our ambition is to offer high-quality products at an attractive price level, produced with minimal impact on the environment and with respect for human rights. And to adapt our business model to a circular ecosystem where we can grow our prosperity with less dependency on finite natural resources and instead shift to making a profit on circular services and sustainably sourced products. In order to do that, our products are designed and produced using only high quality sustainable fibres

Our strategy has been developed on the basis of existing scientific evidence and our goal is to reduce our emissions by 50% by 2030, to act in line with the Paris Agreement. While our requirements and targets

often exceed legal requirements, with the increased legislative processes in our industry, which we welcome, it is important to continue developing and improving.

Our Sustainability Framework is divided into three focus areas: PEOPLE, PLANET and PRODUCT.



A MESSAGE FROM OUR SUSTAINABILITY & QUALITY DIRECTOR

The legacy of our brand is not just the products that are loved and used by generations of children but also the footprint that each product leaves on our planet.

The current climate crisis and extreme weather that is causing increasingly dangerous impacts on people and our planet in every region of the world has alerted us to the urgent need for change in our industry. We need to change our way of working and we need to do it now! Changing our business model to a circular ecosystem, where we can grow our prosperity with less dependency on finite resources and instead shift to making a profit on circular services and products produced in a sustainable way, is key. Having a positive impact on the people involved in our supply chain is just as important as our actions to reduce our impact on the planet. We're determined to drive change, and minimise our social and environmental impact across the entire business.

Terese Persi
Sustainability & Quality Director, P.O.P



PEOPLE

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At PO.P, we believe in conducting sustainable, fair business and respecting human rights. We are committed to ensuring that fundamental rights are respected, and that people are treated with dignity and respect, regardless of race, sex, nationality, ethnicity, language, religion, or any other status, in our own operations and in our supply chain.

OUR SUPPLY CHAIN

PO.P doesn't own any factories – instead we work in close partnerships with a carefully selected number of external suppliers worldwide to manufacture our garments. These suppliers are crucial to our success, which is why long-term and close relationships with our suppliers are a key factor in our production strategy. With a shared vision of a more sustainable industry, we work closely with our suppliers to move beyond compliance and towards continually improving environmental, social and quality performance.

There is always a risk working with external parties and not being on-site on a day-to-day basis to control working conditions and safety. Hence it is crucial to have clear requirements and to work with continual monitoring, remediation, and capacity building to minimise risks. Our production office located in Hong Kong monitors all our suppliers worldwide. During the year, we terminated our collaboration with our agent in Turkey, with the aim of increasing our own presence at suppliers in the

region and further strengthening our collaboration. Consolidating orders and reducing the number of suppliers in our supply chain is key to mitigating risk and to being able to work effectively with supply chain mapping and reducing our environmental impact. Narrowing down our product range and phasing out several products, as well as consolidating volumes, have resulted in 30 (46) factories in seven different countries, a reduction of 30% in factories compared to the previous year.

Working with fewer suppliers gives us greater possibilities to influence each factory, as well as better end-to-end control over our supply chain. 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 our selection process for new suppliers.

MONITORING & CONTINUOUS IMPROVEMENT

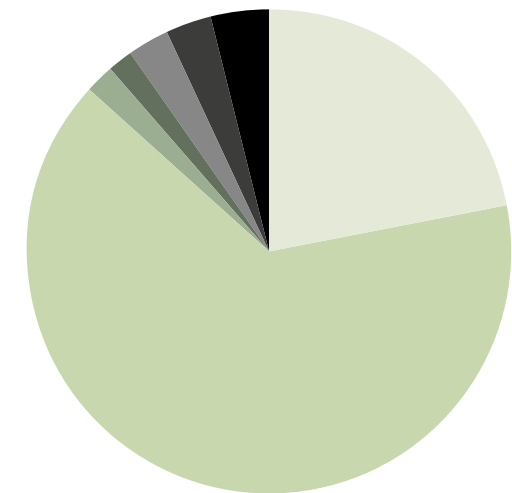
When working with external parties in risk countries, it is crucial to have clear requirements, continual monitoring and remediation to minimise risk. We utilise a combination of external and internal inspections, which serve different purposes, alongside capacity building to ensure a high standard at the factories with which we collaborate.

AMFORI BSCI - PO.P is a member of 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 our supply chain. When becoming a supplier to PO.P, the supplier agrees to follow the Amfori BSCI Code of Conduct.

PRODUCTION COUNTRIES

% of order value 2022/2023



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KPI	2022/2023	TARGET	TARGET YEAR
Production units in tier 1 with third-party valid social audit reports*	88%	100%	20/21
Production units in tier 1 with overall improved BSCI rating since previous audit**	23%	15%	Ongoing
Production units in tier 1 that have implemented good practice for fair wages***	96%	100%	25/26

*BSCI, SA8000 and SMETA. ** Including production units that remain a A or SA8000 result. ***According to BSCI or SA8000.

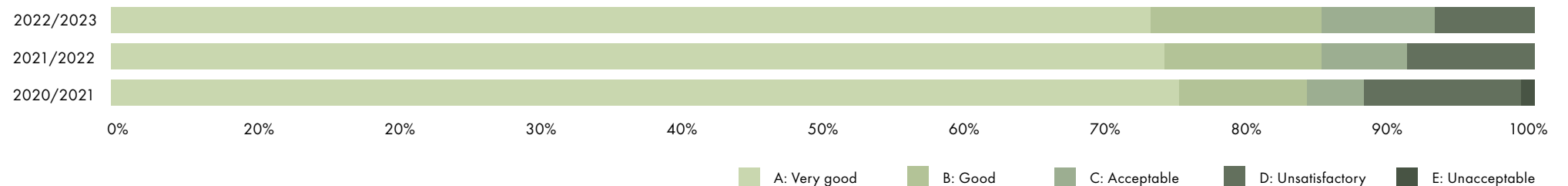
THE ACCORD - Bangladesh remains our second largest production country and during the year we have increased our presence further in the country and started collaboration with one new factory producing outerwear. All our suppliers in Bangladesh are within the scope of the Accord in terms of safeguarding the building, fire, electrical and boiler safety in production. PO.P has signed the latest agreement, the International Accord for Health and Safety in the Textile and Garment Industry. The agreement, like its predecessor the Accord on Fire and Building Safety in Bangladesh, is a one-to-one legally binding agreement with trade unions and brands to make Ready-Made Garment (RMG) and textile factories safe. In Bangladesh, the agreement is already implemented by the independent national

tripartite RMG Sustainability Council ("RSC") consisting of brands, unions and industry. With the new agreement, we will not only continue our joint efforts with trade unions and brands to ensure safe work environments in the garment industry in Bangladesh, but also explore how the programme can strengthen health and safety in new production countries and be expanded to other regions.

EXTERNAL AUDITS – Amfori BSCI audits form the basis for following up on the social improvement process and account for 65% of the audits performed during the year. A BSCI audit includes a physical inspection of the entire factory, a review of documentation, and interviews with workers and factory management.



DEVELOPMENT OF BSCI AUDIT RESULT OF 13 PERFORMANCE AREAS



AREAS OF IMPROVEMENT

A BSCI audit consists of 13 subsegments, where the result is categorised from A to E, or zero tolerance. The greatest challenges our factories face include implementing fully functional management systems and reducing overtime.

DECENT WORKING HOURS – Working hours is the area with the lowest score at all our suppliers worldwide. 85% (82) of our factories scored a D in this area, which is a deterioration compared to the previous year. There are several factors affecting overtime at the factories, only some of which we can influence as a business partner. We need to continue providing training on and information about these issues and working together with factories to improve in this area. Optimising our internal routines and buying practices also plays an important role in reducing overtime in the factories. During the year, we have provided training for our internal staff in responsible purchasing practice.

SOCIAL MANAGEMENT SYSTEMS – this has been one of our focus areas since we first implemented Amfori BSCI. During the past two years, we have seen a major shift of factories moving from a D to a C result. 8% (26) of the factories we work with received a D score during 2022/2023. We are continuing to train management teams in our supply chain to increase awareness of how fully functional management systems are of the utmost importance in creating long-term improvements in all other areas.

Our goal is that all direct suppliers, no matter where they are located, should be audited by a third party, as we believe that serious violations of human rights can occur in any part of the world. At the end of the financial year, a total of 88% (80) of our factories had a valid third-party audit. Compared to the previous year, we have increased the share of production units that have undergone a valid third-party audit. However, we have still not reached our target of 100% audited factories. The suppliers without a valid third-party audit are located in “low risk” countries. We are continuing our dialogue and capacity building with these suppliers regarding how to proceed with auditing. 97% (91) of our order value comes from production units with a third-party audit, indicating that we prioritise audited factories.

To ensure continuous improvements at each factory, we work in a close dialogue and on setting corrective action plans and training programmes together with the factories. 23% (22) of our factories audited during the year improved their result or remained fully compliant, compared to the previous year. 85% (85) of our factories received a compliant result, either result A or B, on subsegments of the audit. No factories received the result E – unacceptable – during the year.

INTERNAL AUDITS – Internal audits mainly apply to follow-up of the external audit results and setting corrective action plans together with the supplier, as well as ensuring social, environmental and quality levels at upstream suppliers and potential new suppliers before starting business. Internal inspections serve as a complement to the external audits at our direct suppliers and account for 35% of the audits.

PURCHASING PRACTICE

We recognise that our sourcing and purchasing practices have a significant social and environmental impact. Adopting responsible sourcing and purchasing practices is therefore a key measure in order to avoid negative impacts caused by our business conduct in the supply chain. We focus on building strong, long-term partnerships with our key suppliers and on conducting business in a manner that enables realisation of the requirements in our Code of Conduct and other related policies.

FAIR WAGES

We firmly believe that every worker in the supply chain, regardless of position, should earn a living wage.

By earning a living wage, a range of human rights are fulfilled, including but not limited to: rights to food, water, health, adequate housing, education, family life and fair working hours. Providing living wages can therefore make a significant contribution to the achievement of many of the UN Sustainable Development Goals.

Through our participation in Amfori BSCI, we strive towards implementation of a living wage in all factories. In December 2021, BSCI launched an updated Code of Conduct that includes a clearer stance on living wages. Suppliers accepting the Amfori BSCI CoC agree to assess the pay gap accurately and work progressively towards the payment of a living wage. We monitor the development of the audit results of Salary & Remuneration in the Amfori BSCI audit and our suppliers attend training in Fair Remuneration.

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96% (95) of our factories have now implemented good practices for fair wages. Nevertheless, according to the latest audit results, 50% of our factories have reported a lowest salary below the calculated living wage. On the Amfori BSCI audit, living wages are calculated following the Anker Methodology, which defines a living wage as follows:

DEFINITION OF LIVING WAGE

“Remuneration received for a standard work week by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family.

Elements of a decent standard of living include food, water, housing, education, health care, transportation, clothing, and other essential needs including provision for unexpected events.”

(Global Living Wage Coalition, 2016)

During the past two years, we have participated in a pilot project initiated by Shift and Capitals Coalition with the aim of developing a simple, standardised model to account for and report on progress towards living wages in the supply chain. This work has now resulted in a methodology to measure progress on living wages and the Living Wage Progress Tool. We aim to implement this methodology and tool with our factories where living wage standards are not met. This will allow us to measure the progress towards

achieving a living wage for all workers and to work proactively with these suppliers to reach that goal.

TRANSPARENCY

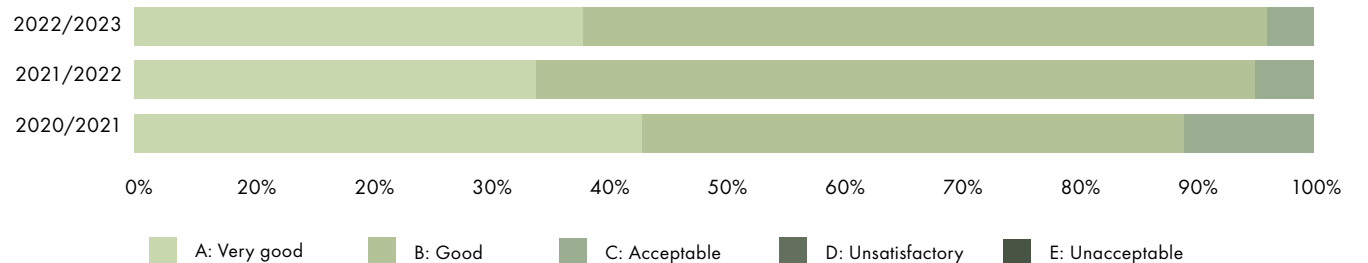
Working with traceability and visibility in the supply chain is key to our ability to measure, monitor and ensure improvements in the factories and manufacturing facilities with which we work. It is also important for us to be transparent towards our customers and all our stakeholders by giving them insight into our business activities along the supply chain.

With the implementation of TrusTrace, we started the journey to collect data from the entire supply chain, with the aim of full traceability for each individual item we produce. Greater insight into the supply chain will enable us to work in a more hands-on way with improvements throughout the value chain. The textile supply chain is complex. Increased transparency requires education within the supply chain, trust and a close dialogue with the suppliers. To gain full transparency within all our operations requires time and resources, and is crucial to reaching our sustainability targets.



During the year, we have been focusing on implementing and ensuring traceability of the key suppliers that account for 80% of our product range. For the majority of our key suppliers, we now have traceability down to Tier 3, yarn factories. As a part of our transparency commitment, we not only publish our Tier 1 Supplier list on our website, but also disclose the manufacturing production unit for each item on our e-com site. By doing this, our customers can get greater insight into where the product has been manufactured, the social audit status and if there are any environmental certifications.

DEVELOPMENT OF BSCI AUDIT RESULT OF PA 5 SALARY & REMUNERATION





PLANET

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A change is needed. The textile 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 do things differently, which is why we are reducing the number of new styles we manufacture. That means fewer new seasonal products, but a larger proportion of beloved classics. Then we, to a greater extent, produce what is in demand. By basing all product development on more resource-efficient production processes, we can significantly reduce the use of resources for the products we do produce.

Our goal is to reduce our greenhouse gas emissions by at least 50% by 2030 in Scope 1, 2 and 3. With this goal, we are reducing climate emissions in line with the Paris Agreement to limit global warming to 1.5°C. And we aim to be climate neutral by 2045 in Scope 1, 2 and 3. PO.P follows the Greenhouse Gas Protocol methodology, meaning we cover Scope 1, 2, and 3; our own emissions and emissions from the full supply chain. We have mapped our emissions in our own operations, Scope 1 and 2, since our baseline year 2017/2018 and production, transportation, franchise stores and business travel, Scope 3, since 2020/2021.

The data collection is performed on a yearly basis. The main part of Scope 1 and 2 is based on primary data. Where we do not have access to primary data the calculations are based on average data determined

KPI	2022/2023	TARGET	TARGET YEAR
Decrease in GHG emissions in own operations compared to baseline year 17/18	-41%	Climate neutral	2030
Renewable electricity in own operations*	100%	100%	Ongoing
Decrease in GHG emissions in all operations compared to baseline year 20/21	-6%	-50%	2030
Number of air transports	1	0	Ongoing

*For all facilities where PO.P is responsible for the electricity agreement.

from the reported primary data. For Scope 3, the data consist of reported primary data from suppliers, actual data on purchased volumes, average data from our consultants 2050, as well as global standard values, such as Higg MSI.

PRODUCTION

The manufacturing of our products accounts for 90% of our CO2 emissions, and this is also where most of the natural resources are being used. Production is thus the main area in which we need to continue investing our resources in the coming years in order to achieve our goals. We believe that one important thing we can do is to only produce the garments in demand and, to the greatest possible extent, only offer products that our customers need. In order to do this, we are working with several initiatives aimed at prolonging the lifespan of each garment, such as more carry-over products, less short-lived design, growing solutions and other services, as well as solutions to extend longevity. Approximately 50% of our product range consists of what we call long life products. And we are working to expand our second-hand service, which is growing

each year. These are important actions aimed at reducing our emissions and making sure that each PO.P garment is used to its fullest extent.

To be able to reduce our actual emissions in Scope 3, the first thing to do is to map our emissions in the complete supply chain. We use the TrusTrace software to map the supply chain at product level for our ten largest suppliers, who account for approximately 80% of our product range. This is the first year we have access to actual primary data for these suppliers (Tier 1 and Tier 2) to calculate our emissions. We have also recalculated Scope 3 for the FY 2020/2021 with primary data.

What we can see this year is that we've made a reduction of 6% in Scope 3 compared to our baseline year 2020/2021. And reduced climate emissions per product sold by 7% in the same period. With the knowledge we now possess about emissions in our supply chain, our focus for the coming year is to set a detailed roadmap with activities and targets for each individual supplier to be able to reach our climate targets for 2030 and 2045.

To drive change in the supply chain, we need to lead by example. That is why we're collaborating with other

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brands and are a part of the Swedish Textile Initiative for Climate Action (STICA). Taking part in this initiative obliges us to set science-based targets to reduce our greenhouse gas emissions in line with the 1.5°C warming pathway. In this platform, we will continually learn about best practices for reducing our GHG emissions, as well as tracking and reporting our progress on a regular basis and setting a roadmap to achieve our goals.

OWN OPERATIONS

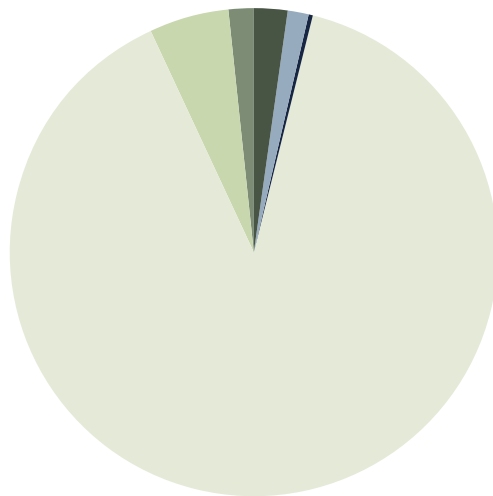
In contrast to the manufacturing of our products, we have a more direct impact and greater possibilities to make rapid changes in our own operations. All new company cars are electric, in all stores in which we are responsible for the electricity contracts, 100% of the electricity is renewable. We have also seen an increase in renewable electricity in those stores in which we are not responsible for the contract. The lighting in our stores

consumes a lot of electricity, which is why a transfer to the best available technical performances, such as LED, is the key to reducing electricity use. 67% (59) of our stores currently have LED installations. We have continued to map out our Scope 1 and 2 emissions, and this year we have reduced emissions by 41% (48) compared to the baseline year 2017/2018.

TRANSPORTATION

Transportation accounts for 5% (4) of our total emissions. Efficient transportation paves the way for how we reduce our GHG emissions in this area. Conversely, delays of any kind cause GHG emissions to increase. This is because the air and train shipments with shorter lead times which can make up for these delays release significantly more GHG emissions than shipments by sea.

We have a zero-tolerance policy for air transportation, which is the transportation method with by far the most environmental impact. To achieve the



GHG EMISSIONS ALL OPERATIONS

- 89% - Scope 3 - Purchased goods and services
- 5.3% - Scope 3 - Transport and distribution
- 1.5% - Scope 3 - Business travel
- 2.2% - Scope 2
- 1.6% - Scope 3 - Other
- 0.3% - Scope 3 - Electricity use within own operations
- 0.1% - Scope 1



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aims of this policy, strict planning is needed, although this is not always sufficient when events beyond our control affect our routes.

This year, 1 (5) shipment was sent by air. Air transportation is only used when absolutely necessary, and our zero-tolerance policy is communicated to all suppliers as well as internally. Our inbound transportation mainly occurs by sea routes, 99.2% (97.2), while outbound transportation mainly occurs by road freight. We have implemented biofuels on all our inbound sea freight. The result is a reduction of 74 ton CO2e emissions and the elimination of sulphur emissions from these shipments.

During the year, we have continued to prioritise fossil-free deliveries at checkout for deliveries to customers. We are continuing to explore how to assist our customers in selecting the most sustainable delivery options. This is a complex task to solve, since the couriers calculate their emissions in different ways. We also need to consider where our customers live and how they travel to the collection point in order to get the full picture of what would be the most sustainable option for each customer.

BUSINESS TRIPS – The number of business trips has been low in recent years, due to the pandemic. During the year, we have seen an increased need of, as well as amount of business travel. Our working methods have changed significantly in recent years and the number of virtual meetings has increased, which we encourage.

However, we see an increased need to travel in the coming years to visit stores, suppliers and production units. We should still travel according to our policy: the environmental impact should be considered in connection with travel, and whenever possible rail travel should be chosen.

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 shipments of goods, upstream production, business travel.

BIODIVERSITY

The health and future of our planet are dependent on nature. If we're going to fight climate change and its devastating effects on our planet, we've got to protect and conserve nature and biodiversity as well.

PO.P, as a circular brand, wants to ensure that we run our business within the planetary boundaries. We recognise that biodiversity loss is one of the biggest threats facing humanity and that the textile industry plays an important role in securing biodiversity.

Our strategy to exclusively work with certified sustainable fibres, as well as sustainable production methods, ensures less negative impact on biodiversity. Our work to decrease GHG emissions from our own operations as well as from the supply chain is also vital from a biodiversity perspective, as climate change is one of the main drivers of biodiversity loss.

Moving forward we need to map and understand the full impact on biodiversity and nature from our business and set a clear roadmap and strategy.

INBOUND TRANSPORTATION





PRODUCT

P O. P

Our ambition is for our clothes to have a long life: at least three children for each garment. A long lifespan reduces the amount of new clothes needed and the impact we have through producing garments. Our most important task in order to achieve this is to offer products of a high quality with a long lifespan, where each product is produced for its specific area of use. We are committed to commanding a leading position in circularity, longevity, and sustainable materials, and achieve this by new developments, services, conscious material selection, and by seeking new and more sustainable materials.

PRODUCT LIFESPAN

Since the beginning in 1976, we have been dedicated to making children’s clothing of the highest quality. Clothes that can handle wear and tear, have a timeless design and can be passed on to the next generation of children. Then our customers don’t need to buy more new garments than necessary, which saves the earth’s already strained resources. 56% (58) of all PO.P clothes (excluding swimwear, socks and underwear) and 63% (66) of all PO.P outerwear is currently worn by three or more children. We did see a small drop compared to the previous year. The reason for this is that we have made a minor change to the selection criteria in this year’s annual customer survey to ensure the data represents our complete customer base.


SECOND HAND – Even if we see a small drop in the data collected from our customers, we see a huge

increase in our second-hand sales. The second-hand sales in our own channels almost doubled compared to the previous year, with 94,000 (48,000) garments sold.

We are committed to ensuring that each PO.P product is worn by at least three children! To help customers extend the lifespan of each garment, we provide our second-hand service in all stores in the Nordic countries. During the year we have also launched second-hand online on the UK market, which has been a major success and also won us the prestigious Drapers Award for “Best Circularity Initiative” (>£30M turnover companies). We accept all products except swimwear, underwear and accessories in our second-hand business model. In addition to our own second-hand solution, thousands of PO.P garments find new owners through a number of external second-hand solutions and services every day.

TRADERA

PO.P was listed as the most sold childrenswear brand and second most-sold clothing brand by Tradera for the second year in a row. Tradera is Sweden’s leading marketplace for second-hand goods, with objects switching owners every third second. Over 98,000 preloved PO.P garments found a new owner through Tradera during the previous year.

KPI	2022/2023	TARGET	TARGET YEAR
Customers using outerwear garments for 3 children or more 	63%	95%	26/27
Customers using garments for 3 children or more*	56%	75%	26/27
Items sold on second hand in own chanel	93 712		
Zero tolerance for number of product recalls	0	0	Ongoing
Customer claims of products sold	0.11%	<0.1%	Ongoing
More sustainable fibres – Products**	88%	100%	25/26
More sustainable fibre – Packaging & Labels***	63%	100%	25/26
Assortment produced with best available chemicals****	54%	100%	25/26

*Underwear, socks and swimwear excluded. **GOTS certified fibre, certified organic fibre, certified recycled fibre and Lenzing fibres. ***Recycled mix and recycled material. ****GOTS.

P.O.P

Used
&
loved

REPAIR, RECONDITION & RENTAL – Our garments need to withstand a lot of wear and tear, especially our outerwear, which is used daily by children in daycare centres and schools, as well as for other outdoor activities. That is why we offer PO.P Repairs for our outerwear.

This repair service helps customers to mend their PO.P outerwear garments, no matter how old they are, at cost price and using only original spare parts. We continuously strive to develop our repair service, implement new solutions and extend the offer to more products.

PO.P is collaborating with Nimble Patch, which collects worn out PO.P jeans from actors in recycling and second-hand sales, mends them and gives the jeans a new lease of life. The products are then sold on Nimble Patch's own website.

During the year, we launched a new product in our

range, with the aim of helping our customers increase the lifespan of each garment. BIORESTORE is an enzyme treatment that restores worn clothes back to new. With only one treatment, your old favourite garments are just as good as new. The treatment refreshes the colour, restores prints, removes pilling and revives the surface and shape of cotton and cellulosic garments.

Rentals are also an important tool for increasing the lifespan of our garments. We continue to offer this service in partnership with Hyber in Sweden.

CIRCULAR DESIGN – The right product development and design are prerequisites for ensuring the longevity of our garments. Designing and producing all products with circularity in mind sets the foundation for our circular business model.

PO.P Circular Design Principles include a number

of aspects that are taken into consideration during the design and product development stage to ensure minimal impact on the environment, as well as a long lifespan for each garment.

PO.P CIRCULAR DESIGN PRINCIPLES

Quality & Longevity

Timeless Design

Sustainable Materials

Smart Design and Growing Solutions

Easy to Repair

Enable Recycling

Minimise Waste

SUSTAINABLE MATERIALS

Garments made of more sustainable fibres have less impact on the environment – this may involve less water and chemical consumption, preserved biodiversity, improved animal welfare, conservation of our planet’s resources or fewer greenhouse gas emissions.

100% of our range currently consists of more sustainable products. We originally set this target for 2025/2026 – but achieved it in 2023! This means that all products bought Spring/Summer 2023 or later consist of a minimum of 70% certified sustainable fibre. Currently for the financial year 2022/2023 as a whole, 88% (79) of our product range is labelled more sustainable, meaning that a minimum of 70% of these products consists of a more sustainable fibre.

We have defined which fibres PO.P considers to be market leading, in terms of their impact on humans, animals and the environment, while having durability properties in line with our product longevity targets. The development of more sustainable fibres is constantly evolving, and we update our fibre strategy continuously.

COTTON – Cotton is a natural material with many fantastic qualities. Cotton garments are soft and comfortable to wear, yet strong enough to withstand lively play and frequent washing. However, since the cultivation of cotton requires a lot of water and pesticides, we’ve chosen to only use organic cotton, which is grown without the use of synthetic pesticides or fertilizers. At present, 99.7% (99.7) of the cotton in PO.P products is sustainable. 0.3% of the cotton 2022/2023 is virgin cotton, which is found in material blends where organic cotton was not available. We will scrutinise our product range and continue to strive

towards 100% sustainable cotton for the coming year. 90.5% (86) of the sustainable cotton we sourced was GOTS certified and 9.2% (13.7) was certified organic cotton.

WOOL – Wool is ideal for keeping children warm in cold weather. Wool fibre not only insulates but is also breathable and naturally absorbent, and even if wool gets wet it retains its insulating properties and still keeps you warm. Wool doesn’t trap odours, nor does it need washing as often as other materials. 72% (50) of the wool used in PO.P products is certified according to Responsible Wool Standard (RWS), starting from the Spring/Summer 2023 Collection 100% of the wool sourced is RWS certified.

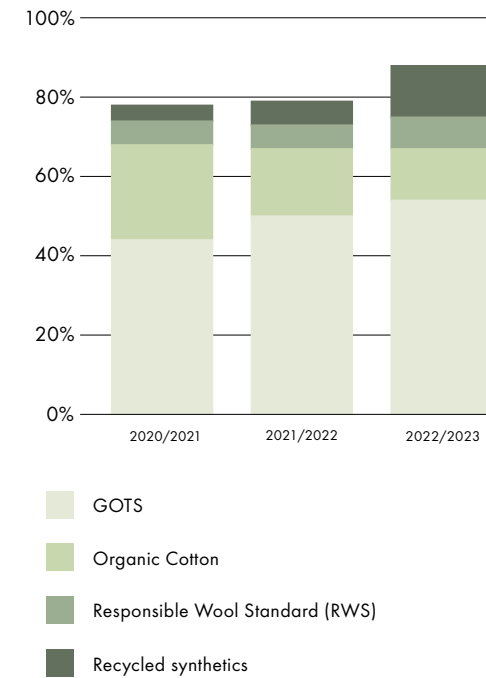
SYNTHETICS – Synthetic fibres, such as polyester, polyamide and elastane, are used in PO.P products for specific functions, such as strength, durability, insulation or elasticity. By using recycled synthetic fibres instead of virgin fibres, we reduce the environmental impact and our reliance on petroleum as a source of raw material. 75.5% (55%) of the synthetic fibres used in PO.P products are certified recycled.

RECYCLED MATERIALS – The volume of certified recycled fibres in our total product range 2022/2023 was 30.8% (22%). We want to play a part in influencing the development of recycled fibres, hence our participation 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.

PACKAGING & LABELS – During spring 2022 we made the decision to remove polybags from the majority of our product range. This has now been fully implemented during the financial year 2022/2023.

The only items packed in single polybags are products that risk being damaged during transportation or handling in the warehouse, which represents about 20% of our orders. We have also reviewed our label package and reduced the number of hangtags on each garment. A total share of 63% (62) of our packaging and labels consists of more sustainable fibres.

SHARE OF MORE SUSTAINABLE FIBRES



SUSTAINABLE MATERIALS



GLOBAL ORGANIC TEXTILE STANDARD (GOTS)

is a world-leading standard and certification for textiles made of natural fibres. 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. 74% of our cotton products are certified GOTS ORGANIC. Certified by Control Union 1188693



GOTS MADE WITH ORGANIC COTTON

For a product to be certified and labelled with GOTS Made With Organic Cotton, at least 70% of the fibre content must be organic. This is slightly lower than GOTS Organic, where the organic fibre content must be at least 95%, but otherwise the same rules apply to the entire production chain that are GOTS-certified by an independent body. 5% of our cotton products are certified GOTS Made With Organic Cotton. Certified by Control Union 1188693.

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



LENZING™ ECOVERO™ VISCOSE is made from wood pulp from sustainable wood sources and its production has less impact on the environment. The fibre is certified with the official EU Ecolabel, which is awarded to products meeting high environmental standards throughout their life cycle. The production of LENZING™ ECOVERO™ branded viscose generates up to 50% lower emissions and water impact compared to generic viscose fibres. LENZING™ and ECOVERO™ are trademarks of Lenzing AG.



TENCEL™ Lyocell fibres are derived from wood pulp from sustainably managed forests and are biodegradable. The production of TENCEL™ Lyocell is made in a closed loop process where 99% of the water and solvents used are reused. By reusing solvents and water the lyocell process ensure high resource efficiency and low environmental impact. TENCEL™ is a trademark of Lenzing AG.



RESPONSIBLE WOOL STANDARD (RWS) describes and certifies animal welfare and land management practices in wool fibre production and tracks the certified material from farm to final product.

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.

RECLAIMED FABRICS Garments made of leftover material from previous seasons. By creating garments from existing materials, we're helping not only to reduce waste but also to conserve our planet's precious resources. This is a resource-efficient and more sustainable way of creating clothes, without compromising on our high quality standards.



SAFETY OF PRODUCTS

Producing and selling clothes for children entails a great responsibility. Ensuring safe, durable products is one of the most important areas in our sustainability work. All PO.P products must comply with our quality, chemical and safety requirements, which are in line with international standards and regulations, and in some areas are even more stringent than the legal requirements.

All our suppliers have signed our Master Purchase Agreement, which specifies our sustainability and quality requirements, policies and restrictions. To ensure that suppliers comply with our requirements, we work with capacity building as well as performing 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 in-house, and ask children and their parents to evaluate our developments through wear tests. The safety features on our garments are extremely important to us and we have zero tolerance for product recalls for child

safety reasons. As a means of ensuring this, we focus on technical solutions specially designed for children to minimise potential risks of injuries, as well as apply a precautionary approach in our risk assessments of all new product developments.

We take part in the Swedish Institute for Standards (SIS) working groups to contribute to the development of new and existing standards. CHEMICAL COMPLIANCE – All clothing manufacture requires the use of chemicals to some extent. For example, chemicals are needed to dye the fabric or replicate a print. Our goal is to work proactively on chemical issues, which in many cases involves us going one step further than the legislation requires. Our chemical restrictions are specified in a comprehensive list which is publicly declared on our website. We use BIONIC-FINISH® ECO on all our water-repellent outerwear, a PFAS-free technology that mimics natural water resistance. 54% of our total product range is GOTS certified and thus confirmed to be produced with the best available chemicals. Our chemical criteria are monitored by random spot testing

carried out by third-party laboratories, both during the manufacturing process and on garments in our stores.

We are a member of the Chemical Group run by RISE, a network for textile and electronic companies, with the aim of spreading up-to-date information about chemical and environmental issues, acting as a support and providing tools for working on chemical issues.

QUALITY ASSURANCE – To guarantee the high quality of PO.P garments we conduct quality inspections during production, as well as third-party laboratory testing to ensure mechanical and physical performance. Quality inspections during production are carried out using the Qarma software. 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 issue prevention measures.

Our goal is to keep our customer complaints below 0.1% of goods sold. During 2022/2023, the number of claims decreased to 0.11% (0.13).



SUSTAINABILITY MANAGEMENT

DUE DILIGENCE & RISK ASSESSMENT

PO.P has a global commitment to sustainability, and takes a global approach to social and environmental impacts. Our approach on due diligence is guided by the OECD Guidelines for Multinational Enterprises, the OECD Due Diligence Guidance for Responsible Business Conduct and the sector guide OECD Due Diligence Guidance for Responsible Supply Chains in the Garment & Footwear Sector. The six-part framework for Due Diligence established by OECD is the guiding the structure for the work at PO.P;

- **GOVERNANCE** – We embed responsible business conduct through governance and policies.
- **IDENTIFY IMPACT** – We identify and assess negative and positive impacts in operations, supply chain and business relationships through yearly risk assessment and supply chain mapping.
- **MITIGATION OF IMPACTS** – We cease, prevent and/or mitigate actual or potential adverse impacts through regular risk assessment, auditing and improvement measures.
- **MONITOR & TRACK** – We track implementation and results.
- **COMMUNICATION** – We communicate how impacts are addressed through our sustainability report and other channels, such as website, social media and stakeholder engagement.
- **REMEDICATION** – We enable remediation when appropriate, given our level of impact and influence.

RISK ASSESSMENT – We work proactively to identify, prevent, and minimise any negative impact our business activities may have on the environment as well as on human and labour rights in our production countries.

Our due diligence process involves regular risk assessment of each production market, suppliers as well as our own operations, products and services, from a social, environmental and brand perspective. We use the ESG Risk Assessment tool provided by Amfori to identify risks on our production markets, we also consider national legislation and global political factors in our assessment as well as several guiding documents and tools from GRI, OECD, UN, WWF, Textile Exchange and more.

There are new and emerging requirements on due diligence, for example as part of the European directive, and we are working to incorporate new approaches and requirements into our existing systems. PO.P has identified our salient risks in each focus area.

NORWEGIAN TRANSPARENCY ACT – This report reflects our global commitment and approach across our value chain, including the disclosures required under the Norwegian Transparency Act. The report has been developed to comply with the legal requirements as stated in the act relating to enterprises’ transparency and work on fundamental human rights and decent working conditions.

PO.P SALIENT RISKS*

PEOPLE	<ul style="list-style-type: none"> • Forced labour • Child labour • Discrimination • Living wage • Freedom of association & collective bargaining • Occupational health & safety • Working time • Diversity & equality
PLANET	<ul style="list-style-type: none"> • Climate change • Biodiversity • Water • Pollution
PRODUCT	<ul style="list-style-type: none"> • Sustainable products • Overproduction • Product quality • Product safety
OTHER	<ul style="list-style-type: none"> • Unethical business methods • Force majeure

*Detailed risk and opportunity analysis can be found on page 48.



UN SUSTAINABLE 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 recognise the complex structure of the retail industry and work towards ensuring a long-term perspective. We recognise that the agenda is interconnected, and that our work includes and influences the full range of SDG goals. Accordingly, we have identified seven goals that influence our work on a day-to-day basis.





COLLABORATIONS



We believe that our targets can only be realised 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 front and centre.

Our collaborations are built on different aspects. This may be shared resources, technology and innovation, capacity building, trade or systematic issues.





SUSTAINABILITY GOVERNANCE

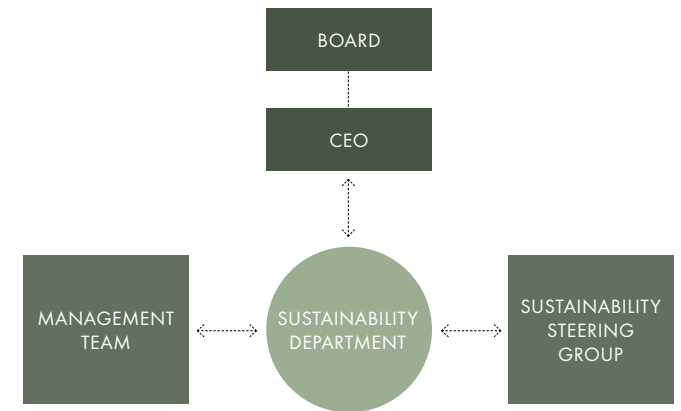
At P.O.P, the CEO has the ultimate responsibility for our sustainability performance. The Sustainability & Quality Director is responsible for leading, developing and reporting the sustainability work, including stakeholder dialogues and risk assessments, and for developing strategies, policies and goals and for writing the Sustainability Report. The Sustainability & Quality Director reports directly to the CEO and is a part of the global management team.

Sustainability is a team effort! To create a positive impact, we turn our Sustainability Strategy into action through clear KPIs, targets and roadmaps within each department of our organisation. This is how it is governed:

The Sustainability & Quality team develops the

Sustainability Strategy and KPIs in consultation with the Management Team. The members of the Management Team implement the strategy in line with the established KPIs and are responsible for managing the relevant action plans for their fields and their area of operations. The team supports the entire organisation in the implementation of our sustainability strategy.

Our Sustainability Steering group, managed by the Sustainability & Quality Director and with members from relevant positions within P.O.P, holds monthly meetings. The purpose of this group is to define priorities based on the sustainability strategy performance, business intelligence, market research and innovation.





STAKEHOLDER ENGAGEMENT

PO.P’s business must be viewed in the context of our stakeholders, who both affect and are affected by our business. While we aim to collaborate with all PO.P stakeholders, our prioritised stakeholders and the ones to whom we consider ourselves accountable are our Customers, Employees, Suppliers, Owners and Board of Directors. The stakeholder list is reviewed on a regular basis to reflect related events and the current reality.

The purpose of the stakeholder engagement is to identify common ground on expectations for our sustainability work in terms of its possibilities and challenges throughout the value chain. Communication with all our stakeholder groups is highly important.

We engage with all our stakeholders regularly through annual surveys, interviews, and continuous dialogue. Every third year we update our stakeholder survey for all prioritised stakeholders.

The stakeholder survey covers ten main areas within ESG from social, environmental and economic perspectives. The areas selected reflect PO.P’s values, principles, ambitions, our stakeholders’ communicated interests, regulations, sustainability impact and the impact of our industry.

PRIORITIZED STAKEHOLDER

DESCRIPTION

CUSTOMERS

Our customers are the core of our business, and we continuously strive to understand, meet and exceed our customers needs and expectations.

EMPLOYEES

Our employees are our most important asset. They contribute with diverse knowledge, experience and perspectives that enables PO.P to develop and advance our sustainability commitment.

OWNERS AND BOARD

Our owners and board challenge us and help us navigate and prioritize our sustainability commitments.

SUPPLIERS

We collaborate with our suppliers, manufacturers and service providers to raise industry standards by sharing expectations and knowledge and by partnering to address environmental and social challenges.



MATERIALITY ASSESSMENT

The materiality assessment is based on the material topics in the stakeholder engagement, as well as legal requirements and analyses of external risks. We have examined the material topics in relation to their sustainability impact in terms of social, environmental and economic aspects.

The materiality assessment incorporates two dimensions: importance to stakeholder and social and environmental impact. In addition, we have identified where in the value chain each area has the most significant impact. The result in the materiality assessment indicates which areas need to be included in our sustainability reports to provide a transparent and truthful picture of our significant impact in the reporting.

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 onboarding of new employees includes these policies, and the relevant policies are part of our supplier's agreement.

CODE OF ETHICS

The Code of Ethics provides general guidance on how to handle various situations that may arise at our workplace. It applies to all activities carried out by, or on behalf of, PO.P, together with the statutory and regulatory provisions in force wherever we conduct our business. It applies to everyone working at the company, regardless of whether they are an employee, consultant or board member. The behaviour of each and every one of us defines PO.P and its reputation in the outside world.

PERSONNEL-RELATED POLICIES

At PO.P, our employees are our most valuable resource, and our Human Resources (HR) policies cover 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 whistleblower system, we continuously evaluate and safeguard our employees' working conditions.

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 PO.P must undertake to comply with the Code of Conduct as an integral part of their supplier agreement. The Amfori BSCI Code of Conduct is based on the most important international labour standards protecting workers' rights. PO.P has participated in the Amfori BSCI initiative since 2005, in previous years through the RNB group, PO.P's previous owners.

ANIMAL WELFARE POLICY

PO.P believes that animals should be treated well, and be protected from suffering and disease. No animal should be harmed in the making of our products. If there is any deviation from this, alternative materials or methods should be investigated and prioritised. This policy refers to all materials used for PO.P products.

ANTI-CORRUPTION POLICY

PO.P has zero tolerance for bribery and corruption. We regulate this in our policy to guarantee ethical business behaviour. The policy regulates employee behaviour in interactions with suppliers to assure professionalism, integrity and transparency throughout the supply chain.

HUMAN RIGHTS POLICY

At PO.P, we recognise our responsibility to operate with respect to human rights. We are committed to ensuring that fundamental rights are respected, and that people are treated with dignity and respect, regardless of race, sex, nationality, ethnicity, language, religion, or any other status – in our own operations and in our supply chain. Through human rights due diligence processes, we are committed to identifying, preventing, and mitigating any human rights violations resulting from or caused by our business activities.

ENVIRONMENTAL & CLIMATE POLICY

PO.P should contribute to sustainable development and support a transition to a circular business model for the childrenswear industry. The environmental efforts and climate actions must permeate our entire business. At a minimum, we will comply with the law and international standards and frameworks. Our ambition is to go beyond this level and focus on continual improvements. Successful environmental work is driven by participation and responsibility throughout our organisation and supply chain.



OUR CORPORATE CULTURE

P O . P

Our employees are PO.P’s most valuable assets. They are the talents that drive our business forward. Therefore, it is of utmost importance for us to cultivate workplaces where our employees can flourish, grow and recognise the impact of their expertise and contributions.

We have 480 employees working in our stores and offices across various markets, including Sweden, Norway, Finland, Estonia, the UK, and our production office in Hong Kong.

Our culture, our employees, and the environment in which we operate are all essential aspects of our work. Culture is a strategically important area and is an ongoing effort. We have just started our work to refine our “Polare” culture. Our goal is to further develop it by shaping and clarifying our culture’s DNA in connection with our business. In our DNA, we embrace several key elements. Sustainability is one, fostering a warm and inclusive atmosphere is another, along with promoting a healthy work-life balance.

EMPLOYEE SURVEY 2023 – 2022/2023 has continued to be a challenging and unique year with influencing factors that have been beyond our control. For PO.P, this entailed a review of our organisation. Throughout the spring, we have focused on organisational design and improving our structure, ultimately necessitating substantial and impactful reorganisation efforts. The work involved in implementing these organisational changes has

affected other areas within HR, including planned development work. For example, we have decided not to conduct our employee survey in the spring as originally planned. The employee survey will be conducted in all markets in the spring of 2024 instead. The survey consists of questions related to work environment, leadership, communication, tasks, development and sustainability.

Despite the challenges that have continued to be present during this challenging year, with significant impactful changes throughout the organisation, we still see a strong level of engagement among our “Polare” (employees).

NEW WAYS OF WORKING

Last year, PO.P’s headquarters in Stockholm, Sweden, moved to a new office in a building with a BREEAM sustainability classification of “Very Good.” This project has been very positively received by our employees. We also continuously work on improving our office and work environment. We regularly convene in a workplace environment forum, where a representative from each department collects employees’ thoughts and ideas regarding the improvement and development of our work environment. In 2023, our production office in Hong Kong also relocated to a new facility, just a few minutes walk from the previous location. The new space offers larger workspaces and common areas, better suited for our operations.

The hybrid work approach, which continues to be a natural part of our way of working, has evolved positively over time. Like many other employers, we





have recognised the benefits of combining office work with remote work. Our employees have continued to express that flexible working hours with the opportunity for a hybrid workplace model contribute to work-life balance, as less time is spent commuting to the office. Work-life balance is an important element of our “Polare” culture.

We continuously update and adjust our working from home (WFH) policy as needed. The policy includes information on aspects such as the work environment, safety, insurance and working hours.

TALENT MANAGEMENT

Talent management is about attracting, recruiting, developing and retaining employees, and is a key aspect of our ability to reach our goals. Within these areas, talent management includes 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, perform and follow up. We have also refined a clearer and more aligned approach to the company’s overall goal processes, which directly impacts employee development and goal setting. Additionally, we have continued to develop our internal training portal, PO.P School, as well as our intranet – PO.P IN.

We have a high level of engagement among our employees throughout the organisation, and one way we utilise this engagement is through the PO.P Innovations competition. We are convinced that the best ideas come from our colleagues working at PO.P, those who knows us the best – our corporate

culture, our vision, our strengths, our challenges and our customers. The competition is held annually and involves all employees in all countries.

TERMS OF EMPLOYMENT

It is crucial for us that our employees are well and have secure employment conditions. In all our markets, national legislation is applied, and we strive to be in line with current collective agreements. In some cases, we improve our employees’ employment conditions beyond statutory requirements.

All our employees in Sweden are covered by collective agreements between Svensk Handel and trade unions. The “Swedish model”, as it is called, means that the labour market parties, trade unions and employers, regulate the terms of the collective agreements. Legislation provides a framework within which the parties have considerable freedom to regulate and, in many cases, improve the conditions. These collective agreements cover issues such as workplace environment, salary, occupational pensions, as well as various insurances. All our employees in Sweden are covered by collective agreements between the Swedish Trade Federation and trade unions.

For our employees in Finland and Norway, national legislation is applied, and we also strive to be in line with current collective agreements. When it comes to Estonia and the UK, national legislation is applied and, in some cases, we improve our employees’ employment conditions beyond statutory requirements. In Hong Kong, labour ordinances are applied, and in some cases, we enhance our terms of employment beyond statutory requirements.



BUSINESS ETHICS

All employees representing PO.P must act in accordance with statutory and regulatory requirements, as well as our internal guidelines and values in all situations. This is outlined in our Code of Ethics. Employees in stores receive information about the Code of Ethics through a mandatory course in our e-learning system, PO.P School. Office employees receive this information during onboarding and through our intranet, PO.P IN. On PO.P IN, we provide all information to our employees. They also have access to all policy documents that apply within the company, including our GDPR policy documents and how we handle both employee and customer personal data.

We have a whistleblower function in accordance with applicable legal requirements. No irregularities or incidents were reported during 2022/2023.

PROMOTING EQUALITY AND DIVERSITY

For us, diversity means that all employees have equal value and enjoy the same opportunities and rights, regardless of their ethnic origin, gender, age, belief,

sexual orientation, gender identity, or disabilities. We continuously strive to further develop the design of our processes to promote diversity and inclusion, as well as to design duties and work organisation in a way that allows all our employees, regardless of their backgrounds, to participate in the company on equal terms.

Our goal is to create an inclusive and non-discriminatory organisation. What does inclusion mean to us? Inclusion is about appreciating the competence and personality of employees, encouraging individual perspectives, and creating a sense of belonging within the work team and the company, where everyone is valued for who they are. It means taking advantage of everyone's expertise, and valuing different perspectives and competencies. We work with current legal requirements Active measures to further strengthen our work to prevent discrimination and promote equal rights and opportunities. The work with Active measures encompasses five areas and three specific focuses, where all grounds for discrimination are embedded around the work.

One of the subareas within Active measures

concerns Pay survey. The purpose is to discover, remedy and prevent unfair gender differences in pay and other terms of employment in the workplace. We have an ongoing work with Pay survey for PO.P in Sweden. Wage setting is a powerful management tool, and it is of great importance that the tool is based on common values for how employees are rewarded. PO.P's wage policy is also an integrated part of the company's operations and one of the tools contributing to achieving goals and visions. Our Pay survey will be completed in the autumn of 2023.

Connected to Active measures and Pay survey, new legislation has been decided at EU level. It is an EU directive where the purpose is to prevent unfair gender differences in pay – a pay transparency directive. The pay transparency directive will require increased transparency in a company's wage-setting, average salary levels, etc., for both internal and external stakeholders. Our conducted Pay survey will be a valuable tool for meeting legal requirements and reporting in accordance with the pay transparency directive.



CONSOLIDATED SUSTAINABILITY DATA & RISK ASSESSMENT

P O.P



SUSTAINABLE BUSINESS

FINANCIALS

KEY RATIOS	2022/2023	2021/2022	2020/2021	TARGET
Net sales (MSEK)	792	670	638	Long term profitability, ongoing
Number of stores	90	88	91	
Number of e-commerce platforms	11	12	13	

BRAND SALES BY GEOGRAPHIC MARKET, %	2022/2023	2021/2022	2020/2021	
Sweden	52%	52%	54%	
Finland	15%	14%	14%	
United Kingdom	15%	15%	13%	
Norway	10%	11%	12%	
Other	8%	8%	7%	

TO BE WORN BY
AT LEAST THREE
CHILDREN!

PEOPLE

PRODUCTION

GENERAL PRODUCTION DATA	2022/2023	2021/2022	2020/2021
Number of tier 1 production units with order value	30	46	48
Number of production countries	7	9	10

PRODUCTION COUNTRIES

PRODUCTION COUNTRIES, % OF ORDER VALUE	2022/2023	2021/2022	2020/2021
Bangladesh	22.1%	19.5%	17.2%
China	64.8%	61%	62.5%
Germany	0%	0%	0.1%
India	1.9%	2%	3.1%
Latvia	1.7%	4%	4.5%
Lithuania	2.8%	3%	2.5%
Republic of Korea	3%	4.5%	5.9%
Sweden	0%	0.1%	0.1%
Turkey	3.8%	5%	3.3%
Vietnam	0%	1%	0.8%

AUDIT STATUS

GENERAL AUDIT STATUS	2022/2023	2021/2022	2020/2021	TARGET
% of production units in tier 1 with 3rd party valid social audit reports*	88%	80%	79%	100% by 20/21
% of order value placed at tier 1 production units with a valid 3rd party audit	97%	91%	91%	
*BSCI, SA8000 and SMETA.				
BSCI AUDIT BREAKDOWN IN TIER 1 PRODUCTION UNITS, % OF ORDERVALUE	2022/2023	2021/2022	2020/2021	
SA8000 – Best Practice	1%	1%	3%	
A – Very Good	11%	9%	5%	
B – Good	21%	20%	15%	
C – Acceptable	63%	60%	66%	
D – Unsatisfactory	0%	0%	1%	
E – Unacceptable	0%	0%	0%	
ZT – Zero Tolerance	0%	0%	0%	
Other audit such as Sedex	1%			
No audit – No valid audit*	3%	9%	9%	
*Audit is either missing or the validity period of the audit has expired.				
DEVELOPMENT OF BSCI AUDIT RESULT	2022/2023	2021/2022	2020/2021	TARGET
Number of production units in tier 1 with overall improved BSCI rating since previous audit*	7	10	10	
Production units in tier 1 with overall improved BSCI rating since previous audit*	23%	22%	21%	15%, ongoing
*Including production units that remain an A or SA8000 result.				

2022/2023 BREAKDOWN OF BSCI AUDIT RESULT 13 PERFORMANCE AREAS

PERFORMANCE AREA	A VERY GOOD	B GOOD	C ACCEPTABLE	D UNSATISFACTORY	E UNACCEPTABLE	ZT ZERO TOLERANCE
Social management systems	0%	4%	88%	8%	0%	0%
Workers involvement and protection	38%	58%	4%	0%	0%	0%
Freedom of association and collective bargaining	100%	0%	0%	0%	0%	0%
No discrimination	100%	0%	0%	0%	0%	0%
Fair remuneration	38%	58%	4%	0%	0%	0%
Decent working hours	12%	0%	4%	85%	0%	0%
Occupational health and safety	81%	19%	0%	0%	0%	0%
No child labour	100%	0%	0%	0%	0%	0%
Special protection for young workers	100%	0%	0%	0%	0%	0%
No precarious employment	100%	0%	0%	0%	0%	0%
No Bonded labour	100%	0%	0%	0%	0%	0%
Protection of the environment	85%	12%	4%	0%	0%	0%
Ethical business behaviour	96%	4%	0%	0%	0%	0%
Total breakdown	73%	12%	8%	7%	0%	0%

ACCORD REMEDIATION PROGRESS

ACCORD REMEDIATION PROGRESS	2022/2023	2021/2022	2020/2021
Remediation progress rate of initial findings	99.7%	100%	100%
Remediation progress rate of total findings	92%	100%	100%
Number of production units with a safety committee established	3/3	2/2	2/2
Number of production units with a workers participation committee	3/3	2/2	2/2

FAIR WAGES

DEVELOPMENT OF BSCI AUDIT RESULT OF PA 5 SALARY & REMUNERATION	2022/2023	2021/2022	2020/2021
A - Very Good	38%	34%	44%
B - Good	58%	61%	46%
C - Acceptable	4%	5%	11%
D - Unsatisfactory	0%	0%	0%
E - Unacceptable	0%	0%	0%
A + B (Very Good + Good)	96%	95%	89%

PLANET

SALES

ELECTRICITY PERFORMANCE IN STORES	2022/2023	2021/2022	2020/2021
Best Available technical performance (% LED) in own operations	67%	59%	54%
Renewable electricity in own operations*1	100%	100%	100%
*For all facilities including both estimates and actual data.			

CHARITY	2022/2023	2021/2022	2020/2021
Amount collected during the year to be donated to charity (sek)*	326 076	543 494	115 000
*Water Aid, Save the children, Pink Ribbon.			

CONSUMER BAGS	2022/2023	2021/2022	2020/2021
Share of customers not buying a bag for their goods	85%	84%	84%

DISCOUNT	2022/2023	2021/2022	2020/2021
% sold on discount	-29%	-23.9%	-24.9%

GHG EMISSIONS

GHG EMISSIONS SCOPE 1 & 2 (ton CO₂e)	2022/2023	2021/2022	2020/2021	TARGET
SCOPE 1				
Company operated cars	4.8	3.5	0.57	Climate neutral by 2030
Refrigerants	1.8	1.7	3.60	
Total	6.6	5.2	4.17	
SCOPE 2				
Electricity	105.5	101.5	142.4	Climate neutral by 2045
Heating	100.3	84.8	120.0	
Company operated cars	1.2			
Total	207.0	186.3	262.4	

GHG EMISSIONS SCOPE 3 (ton CO₂e)	2022/2023	2021/2022**	2020/2021*	TARGET
Business travel	140	52.6	30.2	Climate neutral by 2045
Electricity use within own operations	27	32.5	32.7	
Purchased goods and services	8409	12 530	8863	
Transport and distribution	503	574.3	735.9	
Other	150	111.7	129.4	
Total	9229	13 301	9791.2	

CLIMATE IMPACT	2022/2023	2021/2022	2020/2021	TARGET
Decrease in GHG emissions in own operations compared to baseline year 17/18	-41%	-48%	-26%	-100% by 2030
Decrease in GHG emissions in all operations compared to baseline year 20/21	-6%	+21%		-50% by 2030
Production emissions per sold product [kg CO ₂ e/sold product]	1.79	2.67**	1.92*	

*Baseline year 20/21 recalculated with primary data.

**21/22 Scope 3 Purchased goods and services is calculated based on estimates.

ENVIRONMENTAL IMPACT

SHARE OF ENVIRONMENTALLY CERTIFIED SUPPLY CHAINS	2022/2023	2021/2022	2020/2021
Certified*	60%	46%	46%
*GOTS or/and Responsible wool standard.			

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

ZERO TOLERANCE FOR NUMBER OF AIR TRANSPORTS	2022/2023	2021/2022	2020/2021	TARGET
Number of air transports*	1	5	5	0, ongoing
MASS OF TRANSPORTED GOODS AND EFFICIENCY	2022/2023	2021/2022	2020/2021	
TonKm*	12 722 200	15 563 610	15 364 752	
SHARE OF CONSIGNMENT PER TRANSPORT TYPE, % TONKM*	2022/2023	2021/2022	2020/2021	
Sea freight	99.2%	97.2%	97.7%	
Air freight	0.1%	0.6%	0.4%	
Rail freight	0.0%	1.6%	1.5%	
Road freight	0.7%	0.6%	0.4%	

*Only inbound transports.



PRODUCT

DURABILITY & SAFETY

LONGEVITY	2022/2023	2021/2022	2020/2021	TARGET
Customers using outerwear garments for 3 children or more	63%	66%	63%	95% 26/27
Customers using garments for 3 children or more*	56%	58%		75% 26/27
*Underwear, socks and swimwear excluded.				
SECOND HAND	2022/2023	2021/2022	2020/2021	TARGET
Second-hand items sold in own channels	93 712	48 206	13 000	
SAFETY	2022/2023	2021/2022	2020/2021	TARGET
Zero tolerance for number of product recalls	0	1	0	0
CUSTOMER CLAIMS	2022/2023	2021/2022	2020/2021	TARGET
Customer claims of products sold	0.11%	0.13%	0.21%	<0.1% ongoing

SUSTAINABLE FIBRE

SHARE OF PRODUCTS IN MORE SUSTAINABLE FIBRE*	2022/2023	2021/2022	2020/2021	TARGET
More sustainable fibre – Products *GOTS certified fibre, certified organic fibre, certified recycled fibre and Lenzing fibres.	88%	79%	78%	100% by 25/26
SHARE OF PRODUCTS IN MORE SUSTAINABLE COTTON*	2022/2023	2021/2022	2020/2021	TARGET
More sustainable cotton – Products	99.5%	99.6%	99.4%	100% by 20/21
% conventional Cotton	0.5%	0.4%	0.6%	
*GOTS certified fibre and certified organic fibre.				
SHARE OF COTTON, PER TYPE*	2022/2023	2021/2022	2020/2021	TARGET
Conventional Cotton	0.3%	0.3%	1.3%	
GOTS	90.5%	86%	77.7%	95% GOTS by 26/27
Certified Organic	9.2%	13.7%	21%	
*Calculated by weight of purchased material.				
SHARE OF RECYCLED FIBRE*	2022/2023	2021/2022	2020/2021	TARGET
Recycled fibre – Products	31%	22%	17%	
*Yarn certified according to Global Recycle Standard or Recycled Claim Standard, calculated by weight of purchased material				
SHARE OF MORE SUSTAINABLE FIBRE IN LABELS AND PACKAGING MATERIAL	2022/2023	2021/2022	2020/2021	TARGET
More sustainable fibre – Packaging and labels	63%	62%	71%	100% by 25/26
CHEMICAL CONTENT	2022/2023	2021/2022	2020/2021	TARGET
Assortment produced with best available chemicals*	54%	50%	44%	100% by 25/26
*GOTS.				

WORKING AT PO.P

HUMAN RESOURCES

NUMBER OF EMPLOYEES	2022/2023	2021/2022	2020/2021
Full time equivalents (FTE)	272	266	243
Total number of employees	480	518	473
<hr/>			
AGE AND EMPLOYEE TURNOVER*	2022/2023	2021/2022	2020/2021
Employee age, under 30	45%	47.5%	
Employees age, 30–50	42%	40.8%	
Employees age, over 50	13%	11.7%	
Average period of employment, years**	5.7	5.2	6
Employee turnover, %	1.2%	-5.1%	7%
*Based on full time employees.			
**No data available for Norway.			
<hr/>			
PERSONAL HEALTH AND SAFETY	2022/2023	2021/2022	2020/2021
Total sick leave	4.1%	4%	4%
Short-term sick leave	3.2%	2%	2%
Long-term sick leave	0.9%	2%	2%
*Based on full time employees.			
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ANTI CORRUPTION	2022/2023	2021/2022	2020/2021
Number of whistleblower complaints	0	0	0
Confirmed incidents of corruption or fraud	0	0	0
<hr/>			
EMPLOYEE SATISFACTION	2022/2023	2021/2022	2020/2021
I am generally satisfied with PO.P as an employer (1–5)	No data	4.2	4.04
eNPS – How likely is it that you would recommend Polarn O. Pyret as an employer to a friend? (1–100)	No data	37	27
My work place is free from sexual harassment	No data	98.5	
My work place is free from discrimination	No data	96.4	
My work place is free from bullying	No data	96.4	
My work place is free from violence	No data	96.4	

DIVERSITY & EQUALITY

NUMBER OF EMPLOYEES BY GENDER, %*	2022/2023**	2021/2022**	2020/2021
Men	9%	7%	4%
Women	91%	93%	96%
*Based on full time employees.			
**Includes data for acquired markets UK and Ireland.			
<hr/>			
% OF FEMALE EMPLOYEES PER MARKET			
Sweden	93%		
Norway	97%		
Finland & Estonia	100%		
UK & Ireland	76%		
Hong Kong	57%		
<hr/>			
BOARD OF DIRECTORS, GENDER	2022/2023	2021/2022	2020/2021
Men	3	3	3
Women	2	2	1
<hr/>			
BOARD OF DIRECTORS, AGE	2022/2023	2021/2022	2020/2021
Below 30	0	0	0
30–50	2	2	2
Above 50	3	3	2
<hr/>			
MANAGEMENT GROUP, GENDER	2022/2023	2021/2022	2020/2021
Men	2	1	1
Women	7	7	8
<hr/>			
MANAGEMENT GROUP, AGE	2022/2023	2021/2022	2020/2021
Below 30	0	0	1
30–50	7	7	8
Above 50	2	1	1
<hr/>			
CEO, GENDER	2022/2023	2021/2022	2020/2021
Men	1	1	1
Women	0	0	0
<hr/>			
CEO, AGE	2022/2023	2021/2022	2020/2021
Below 30	0	0	0
30–50	0	0	0
Above 50	1	1	1

PO.P SALIENT RISK ANALYSIS

	CATEGORY	RISK DESCRIPTION	IMPACT & OPPORTUNITIES	PO.P MEASURES TO MITIGATE RISK
PEOPLE	FORCED LABOUR	All work that is demanded from any person under the threat of a penalty or for which the person has not offered himself or herself voluntarily. The main risk occurs across our supply chain. Vulnerable groups include migrant workers, temporary workers and more. Forced Labour is identified as a sectoral risk for the textile industry by OECD.	<p>ENVIRONMENTAL & SOCIAL IMPACT; Harm to people and society, violations of social and human rights, violations of children's rights.</p> <p>BRAND IMPACT; Damaged reputation, lower employee retention, production disruptions, delays and non-delivery, loss of sales, fines and criminal charges.</p> <p>OPPORTUNITIES; Increased quality of life for workers, customer satisfaction, employee satisfaction.</p>	<p>3rd party auditing through Amfori BSCI Members of the Bangladesh Accord Supply chain mapping and traceability Supplier consolidation Regular supplier visits and engagement Supplier evaluation Supplier capacity building Whistle-blower function Yearly employee survey</p>
	CHILD LABOUR	Work that harms children's well-being and that deprives children of their childhood, hinders their education, development and future livelihood. It refers to work that is mentally, physically, socially or morally harmful to children. The risk occurs mainly in our upstream material supply chains. Children are also indirectly affected by the working conditions of parents. Child Labour is identified as a sectoral risk for the textile industry by OECD.		
	DISCRIMINATION	Unfair or humiliating treatment on the grounds of for example race, gender, religion, sexual orientation and more. The risk occurs in our supply chain which is linked to a large share of women workers. But also in our own operations. Unconscious bias or discrimination can also be an issue in marketing and communication. Discrimination is identified as a sectoral risk for the textile industry by OECD.		
	LIVING WAGE	A wage level sufficient to afford workers and their families a decent standard of living, including food, water, housing, education, healthcare, transport, clothing and other essential needs. The risk occurs primarily in manufacturing supply chains. The issue is also market specific. Wages are identified as a sectoral risk for the textile industry by OECD.		
	FREEDOM OF ASSOCIATION & COLLECTIVE BARGAINING	A person's right to voluntarily join, and/or form, organizations of their own choosing and to bargain collectively. The risk occurs in supply chain as well as own operations. Lack of Trade Unions are identified as a sectoral risk for the textile industry by OECD.		
	OCCUPATIONAL HEALTH & SAFETY	Health, safety and wellbeing of employees and workers across the value chain, such as working conditions and store safety. The risk occurs in supply chain as well as own operations. Health and Safety are identified as a sectoral risk for the textile industry by OECD.		
	WORKING TIME	The period of time that a worker is engaged in paid labour. It should comply with national law, ILO Conventions or collective agreement, whichever affords the greater protection of the worker. Connected to the worker's right to health and family life. The main risk occurs in our supply chain. Vulnerable groups include migrant workers and temporary workers.		
	DIVERSITY & EQUALITY	All people should have equal value and enjoy the same opportunities and rights, regardless of their ethnic origin, gender, age, belief, sexual orientation, gender identity, or disabilities. And all women and men and girls and boys should have equal rights. Currently no country in the world has achieved gender equality. The risk occurs in supply chain as well as own operations.		

	CATEGORY	RISK DESCRIPTION	IMPACT & OPPORTUNITIES	PO.P MEASURES TO MITIGATE RISK
PLANET	CLIMATE CHANGE	<p>A challenge that concerns society as a whole. The textile industry as important users of energy and large sources of emissions have a role to play in transitioning to a low-carbon economy. Slow development and transition is a risk. Countries, legislators, the industry or/and the customers adapt too slowly to climate change and do not contribute to the transition to lower emissions fast enough.</p> <p>The risk occurs in all operations but is mainly related to supply chain where we have the biggest negative impact.</p> <p>Climate change and GHG emissions are identified as a sectoral risk for the textile industry by OECD.</p>	<p>ENVIRONMENTAL & SOCIAL IMPACT; Biodiversity loss, deforestation, global warming, extreme weather, harm to people & environment, reduced quality of life.</p> <p>BRAND IMPACT; Damaged reputation, lower employee retention, production disruptions, delays and non-delivery, loss of sales, lack of raw material, raw material price level, lack of suppliers.</p> <p>OPPORTUNITIES; Circular business models, new innovations such as fibre and production technologies, sustainable materials, re-use and recycling, changes in customer attitudes could result in customer priming PO.P business model.</p>	<p>Climate measures and actions in supply chain</p> <ul style="list-style-type: none"> Sustainable fibres and products Increased reuse of products Supplier and production monitoring Supply chain mapping and traceability Scaling up circular business models Production planning Material and capacity booking
	BIODIVERSITY	<p>Biodiversity impacts are defined as the degradation of important habitats and species which can lead to irredeemable loss of biodiversity or damage ecosystem service functions. The risk is mainly related to supply chain where we have the biggest negative impact.</p>	<p>ENVIRONMENTAL & SOCIAL IMPACT; Irredeemable loss of biodiversity.</p> <p>BRAND IMPACT; Damaged reputation, lower employee retention, loss of sales, lack of raw material, raw material price level.</p> <p>OPPORTUNITIES; Sustainable fibres, sustainable production processes, circular business model, regenerative farming.</p>	<p>Implementation of sustainable fibres and production processes</p> <ul style="list-style-type: none"> Supply chain mapping and traceability Scaling up circular business models Mapping and understanding PO.Ps impact on biodiversity
	WATER	<p>Water stress occurs when the demand for water exceeds the available amount during a certain period or when poor quality restricts its use. Cotton cultivation and wet treatment processes are the main risk operations. Water consumption is identified as a sectoral risk for the textile industry by OECD.</p>	<p>ENVIRONMENTAL & SOCIAL IMPACT; Lack of fresh water, drought, pollution.</p> <p>BRAND IMPACT; Damaged reputation, lower employee retention, loss of sales, lack of raw material, raw material price level.</p> <p>OPPORTUNITIES; Organic cotton, new innovations such as fibre and production technologies, circular business model.</p>	<p>Implementation of sustainable fibres and production processes</p> <ul style="list-style-type: none"> Strict chemical requirements Supply chain mapping and traceability Scaling up circular business models
	POLLUTION	<p>Air, water, soil, microplastics and chemical pollutions are all a risk in the textile supply chain. Chemical pollution and water pollution are identified as sectoral risks for the textile industry by OECD. The risk is mainly related to supply chain where we have the biggest negative impact.</p>	<p>ENVIRONMENTAL & SOCIAL IMPACT; Quality of air, soil and water, negative impact on ecosystem and wildlife, biodiversity loss, quality of life and health.</p> <p>BRAND IMPACT; Damaged reputation, lower employee retention, loss of sales, lack of raw material, raw material price level.</p> <p>OPPORTUNITIES; Organic cotton, sustainable fibres, new innovations such as fibre and production technologies, circular business model technologies, circular business model.</p>	<p>Implementation of sustainable fibres and production processes</p> <ul style="list-style-type: none"> Strict chemical requirements Supply chain mapping and traceability Scaling up circular business models

P O.P

	CATEGORY	RISK DESCRIPTION	IMPACT & OPPORTUNITIES	PO.P MEASURES TO MITIGATE RISK
PRODUCT	SUSTAINABLE FIBRES	Climate impact and changed weather patterns might lead to challenges in farming with a lack of sustainable raw materials as a result. Challenges with collecting, sorting and recycling of used textiles poses a risk of lack for recycled fibres. The risk occurs in supply chain as well as end of life for the products.	ENVIRONMENTAL & SOCIAL IMPACT; Higher climate impact on product level, increase of landfills. BRAND IMPACT; Damaged reputation, lower employee retention, loss of sales, lack of raw material, raw material price level. OPPORTUNITIES; Organic cotton, sustainable fibres, new innovations such as fibre and production technologies, circular business model.	Implementation of sustainable fibres and production processes Strict chemical requirements Supply chain mapping and traceability Scaling up circular business models
	OVERPRODUCTION	Climate impact and changed weather patterns might lead to challenges in farming with a lack of sustainable raw materials as a result. Challenges with collecting, sorting and recycling of used textiles poses a risk of lack for recycled fibres. The risk occurs in supply chain as well as end of life for the products.	ENVIRONMENTAL & SOCIAL IMPACT; Harm to people and environment, increase of landfills, lack of fresh water, biodiversity loss, increased climate impact. BRAND IMPACT; Damaged reputation, lower employee retention, loss of sales. OPPORTUNITIES; Circular business models, new innovative technology, textile recycling, customer satisfaction, increased sales.	Ensure product quality that can endure reuse Use leftover fabrics from previous seasons Increase share of long life products Less short-lived design Growing solutions Services to extend longevity
	PRODUCT QUALITY	Products with lacking quality measure will have a reduced lifetime with increased environmental impact as a result. The risk occurs on product level but is also related to supply chain.	ENVIRONMENTAL & SOCIAL IMPACT; Harm to people and environment, increase of landfills, lack of fresh water, biodiversity loss, increased climate impact. BRAND IMPACT; Damaged reputation, lower employee retention, loss of sales. OPPORTUNITIES; Circular business models, new innovative technology, customer satisfaction, increased sales.	Product quality requirements Quality control and third party verification, Product development and innovation Stakeholder input regarding areas of improvement
	PRODUCT SAFETY	Child safety measures and chemical content can have impact on the health, safety and wellbeing of our customers. The risk occurs on product level but is also related to supply chain.	ENVIRONMENTAL & SOCIAL IMPACT; Harm to people and environment. BRAND IMPACT; Damaged reputation, lower employee retention, loss of sales. OPPORTUNITIES; Customer satisfaction, increased sales.	Product quality requirements Safety measures and risk assessment of products Quality control and third party verification, Product development and innovation Stakeholder input regarding areas of improvement

	CATEGORY	RISK DESCRIPTION	IMPACT & OPPORTUNITIES	PO.P MEASURES TO MITIGATE RISK
OTHER	UNETHICAL BUSINESS METHODS	Bribery, corruption, money laundering, etc. The risk occurs in all operations. Bribery & Corruption is identified as a sector risk for the textile industry by OECD.	ENVIRONMENTAL & SOCIAL IMPACT; Harmful to business and society, undermines political systems, weakens economies, makes businesses uncompetitive and deprives people of essential services. BRAND IMPACT; Damaged reputation, lower employee retention, fines, lawsuits.	Global anti corruption and bribery policy Whistleblower system
	FORCE MAJEURE	Pandemic, cyber disruption, war, various attacks tec. The risk occurs in all operations	BRAND IMPACT; Production disruptions, transport disruptions, information risks.	External monitoring Internal and external policies Crisis management routines GDPR praxis



REPORTING INDEX

GRI CONTENT INDEX

Statement of use: PO.P has reported in accordance with the GRI Standards for the period 2022-09-01 to 2023-08-31. **GRI 1 used:** GRI 1: Foundation 2021. **Applicable GRI Sector Standard:** Currently not available

GRI STANDARD	DISCLOSURE NUMBER	DISCLOSURE TITLE	LOCATION OF DISCLOSURE	NOTES & OMISSION
GRI 2 General Disclosure 2021	2-1	Organizational details	7	
	2-2	Entities included in the organization's sustainability reporting	7	
	2-3	Reporting period, frequency and contact point	3	
	2-4	Restatements of information	19	
	2-5	External assurance	56	
	2-6	Activities, value chain and other business relationships	7, 8	
	2-7	Employees	7, 37-39, 47	
	2-8	Workers who are not employees	Omission	Information unavailable / incomplete
	2-9	Governance structure and composition		The Board of Directors is the highest governance body at PO.P and responsible for appointing the CEO. All members of the Board, including the chair, are external to PO.P.
	2-10	Nomination and selection of the highest governance body		All members of The Board of Directors are nominated and appointed by the owners and selected to complement each other to be an active board and sparring-partner to the CEO and the executive management team.
	2-11	Chair of the highest governance body		Chair of the Board is Arja Taaveniku. Arja Taaveniku is not part of PO.P executive management – no conflict of interest.
	2-12	Role of the highest governance body in overseeing the management of impacts		The board is responsible for setting directions and strategies for PO.P and cascading this to the management team as well as appointing and supervising CEO and management, reviewing and approving financial and sustainability reports, reviewing and approving budgets, and ensuring that PO.P complies with applicable laws and regulations.
	2-13	Delegation of responsibility for managing impacts	32	The responsibility of PO.P's impacts on economy, environment and people is delegated by the Board of Directors to PO.P Management Team. The sustainability work is lead by the Sustainability & Quality Director who is a member of PO.P Management Team.
	2-14	Role of the highest governance body in sustainability reporting	32	The CEO has the ultimate responsibility for PO.Ps Sustainability performance. The Sustainability & Quality Director is responsible for leading, developing and reporting the sustainability work, including stakeholder dialogues and risk assessments, and for developing strategies, policies and goals as well as writing the Sustainability Report
	2-15	Conflicts of interest		All eventual conflict of interest should be solved in accordance with PO.P's Code of Ethics.
	2-16	Communication of critical concerns		Critical concerns are continuously communicated to the board by CEO.
	2-17	Collective knowledge of the highest governance body		The Board of Directors have five regular board meetings per year, and one strategy meeting. The board also is invited to a monthly Finance Call.
	2-18	Evaluation of the performance of the highest governance body		The Chair of the Board performs a yearly performance review with the Board of Directors.
	2-19	Remuneration policies	Omission	Information unavailable / incomplete
	2-20	Process to determine remuneration	Omission	Information unavailable / incomplete
	2-21	Annual total compensation ratio	Omission	Information unavailable / incomplete
	2-22	Statement on sustainable development strategy	4	
	2-23	Policy commitments	29, 32, 35	
	2-24	Embedding policy commitments	29, 32, 35	
	2-25	Processes to remediate negative impacts	35	Information about the Whistleblower function is included in PO.P onboarding process.
	2-26	Mechanisms for seeking advice and raising concerns	38-39	
	2-27	Compliance with laws and regulations		There have been no instances of non-compliance with laws and regulations within reporting period.
	2-28	Membership associations	31	
	2-29	Approach to stakeholder engagement	33	
	2-30	Collective bargaining agreements	38-39	

GRI STANDARD	DISCLOSURE NUMBER	DISCLOSURE TITLE	LOCATION OF DISCLOSURE	NOTES & OMISSION
GRI 3: Material topics 2021	3-1	Process to determine material topics	29, 33-34	
	3-2	List of material topics	34	
GRI 3: Material topics 2021	3-3	Management approach	12, 29, 50	
205: Anti-corruption	205-1	Operations assessed for risks related to corruption	50	As part of P.O.P onboarding process all employees are informed about the anti-corruption policy and our Whistleblowing function, which provides an opportunity to report suspicions of misconduct or anything that is not in line with our values and policies.
	205-2	Communication and training about anti-corruption policies and procedures		
	205-3	Confirmed incidents of corruption and actions taken	47	No incidents of corruption during the reporting period.
GRI 3: Material topics 2021	3-3	Management approach	12, 29, 50	
301: Materials	301-1	Materials used by weight or volume	25, 42	
	301-2	Recycled input materials used	25, 42	
	Own Indicator	Share of more sustainable material used in our garments	23, 25, 42	
GRI 3: Material topics 2021	3-3	Management approach	12, 29, 49	
302: Energy	302-1	Energy consumption within the organization	19-20, 43	
	302-3	Energy intensity	19-20, 43	
	302-4	Reduction of energy consumption	19-20, 43	
GRI 3: Material topics 2021	3-3	Management approach	12, 29, 49	
305: Emissions	305-1	Direct (Scope 1) GHG emissions	19-20, 43	
	305-2	Energy indirect (Scope 2) GHG emissions	19-20, 43	
	305-3	Other indirect (Scope 3) GHG emissions	19-20, 43-44	
	305-5	Reduction of GHG emissions	19-20, 43-44	
GRI 3: Material topics 2021	3-3	Management approach	37	
401: Employment	401-1	New employee hires and employee turnover	47	
GRI 3: Material topics 2021	3-3	Management approach	12, 29, 34	
403: Occupational health and safety	403-1	Occupational health and safety management system	14-17, 48	
	403-2	Hazard identification, risk assessment, and incident investigation	14-17, 48	
	403-3	Occupational health services	14-17, 48	
	403-4	Worker participation, consultation, and communication on occupational health and safety	14-17, 48	
	403-5	Worker training on occupational health and safety	14-17, 48	
	403-6	Promotion of worker health	14-17, 48	
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	14-17, 48	

GRI STANDARD	DISCLOSURE NUMBER	DISCLOSURE TITLE	LOCATION OF DISCLOSURE	NOTES & OMISSION
GRI 3: Material topics 2021	3-3	Management approach	12, 29, 34	
405: Diversity and equal opportunity	405-1	Diversity of governance bodies and employees	39, 47	
GRI 3: Material topics 2021	3-3	Management approach	12, 29, 34	
406: Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	39, 47	
GRI 3: Material topics 2021	3-3	Management approach	12, 29, 34	
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	14-17, 48	
GRI 3: Material topics 2021	3-3	Management approach	12, 29, 34	
408: Child labor	408-1	Operations and suppliers at significant risk for incidents of child labour	14-17, 48	
GRI 3: Material topics 2021	3-3	Management approach	12, 29, 34	
409: Energy	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	14-17, 48	
GRI 3: Material topics 2021	3-3	Management approach	12, 29, 34	
414: Supplier social assessment	414-1	New suppliers that were screened using social criteria		Four new Production Units have been opened during the reporting period. These PUs have no order value during the reporting period and are therefore not included in the KPI data. Three of the PUs have a valid BSCI audit, the fourth PU is working on implementing BSCI, the PU has been screened by P.O.P internal auditors for social criteria.
	414-2	Negative social impacts in the supply chain and actions taken	14-17, 48	
GRI 3: Material topics 2021	3-3	Management approach	12, 29, 34	
416: Customer health and safety	416-1	Assessment of the health and safety impacts of product and service categories	50	
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	23-27	
GRI 3: Material topics 2021	3-3	Management approach	12, 29, 34	
417: Marketing and labeling	417-3	Incidents of non-compliance concerning marketing communications		We have not identified any non-compliance incidents concerning communications



Auditor's report on the statutory sustainability report

To the general meeting of the shareholders in Polarn O. Pyret AB, corporate identity number 556235-7383.

Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the year 2022-09-01 – 2023-08-31 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

A statutory sustainability report has been prepared.

Stockholm, 2023-11-24
PricewaterhouseCoopers AB


Nicklas Kullberg
Authorised Public Accountant



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P O . P