

Kjell & Company

ESG impacts through the value chain

Kjell & Company (“Kjell”) is a leading Consumer Electronic Accessories firm with 110 stores in Sweden, 27 in Norway, and an e-commerce offering in both markets. The company also runs a purchasing office in Shanghai, China, and its headquarters and central warehouse in Malmö, Sweden. Kjell employs 1265 people, distributed among 76% (2020: 80%) men and 24% (2020: 20%) women. The company has a very high customer satisfaction and is an industry leader with an NPS of 76 (2020: 74).

The most significant environmental impact in the value chain is in materials used in the home electronics products, transportation from Asia to Europe, and in the electronic- as well as packaging waste connected to the end products. Social impacts in Kjell’s supply chain include labor and human rights, in Asia, but also within the company’s stores and operations. Since Asia is a big part of the product origin, Kjell must be aware of risks related to anti-corruption and integrity.

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

ESG risks and opportunities

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

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

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

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

Company ESG performance 2021

ESG EFFORTS 2021 GOALS

PERFORMANCE 2021

AMBITIONS 2022

1. Environmental: Reduce CO₂e emissions with 50% by 2030

Ambitions were to evaluate opportunities for recycling in all locations, reduce energy consumption per square meter by 5%, and to reduce the amount of plastics used in private label packaging to 11%.

Due to the pandemic, we surveyed all locations for recyclability digitally. Moreover, three locations were moved - and consequently upgraded - to LED only lighting and an additional two were upgraded in their current location. The plastic parts that remain in our private label packaging range is the Styrofoam shock absorbers which we, due to drop test requirements, need to find other ways to replace.

During 2021, all locations were surveyed for recycling opportunities 100% (2020: N/A).

Power consumption per square meter across all locations decreased by 3% (2020: 3%).

Amount of plastics used in private label packaging was decreased to 12% (2020: 13%).

In 2022 we aim to divert at least 80% (2021: N/A) of collected waste across all locations for material recycling.

We aim to continue our journey towards energy efficiency by decreasing power consumption per square meter across all locations by 5% (2021: 3%).

In addition, we will strive to decrease use of plastics in private label packaging by weight to 10% (2021: 12%)..

2. Social: Fair and safe employer offering opportunities for career as well as personal growth

Ambitions were to increase eNPS to 60, share of employees originating from another country than the one they are currently working in to 10%, and to increase the share of female leaders to 25%.

Given restrictions imposed in the wake of the pandemic, planned activities to increase eNPS had to be cancelled. While not reaching our goal, we are happy our efforts to maintain operations while minimizing the spread of Covid-19 has been perceived positively by our staff. We failed to implement a suitable measure for diversity due to both a delayed HR system implementation and internal disagreements on which metric to follow up. Aided by our current female employees we reviewed the hiring process to ensure its gender neutrality. Furthermore, we discarded the use of knowledge tests as data showed we lost the most women in that step of the hiring process. Despite falling short of our goal, we are beyond excited that the share of female employees grew to 25% (2020: 18%)

In 2021 eNPS reached 53 (2020: 47).

We failed to develop an appropriate way to measure diversity but will continue our efforts in 2022.

Furthermore, the share of female leaders reached 19% (2020: 20%).

Going forward we aim to increase our eNPS score to 60 (2021: 53).

To show our commitment to, and cement diversity and equality as a part of our foundation, we will invest and launch a Diversity Council which will find our baseline and set the targets for the years to come.

Furthermore, we continue our work with ensuring at least 25% (2021: 19%) of leaders are female.

3. Governance: Set an example for business ethics and social responsibility

Ambitions were to conduct anti-corruption training with all staff related to assortment, sourcing, and procurement, to ensure that all suppliers have signed a Code of Conduct, and to hold all the relevant compliance documentation for new items introduced to our range.

The Swedish Anti-Corruption Institute were invited to educate assortment and procurement staff in Sweden, and Sourcing staff were educated in China by Longan Law Firm. Our work to implement the task of document checking as a prerequisite to item creation continues in 2022.

Anti-corruption training was performed with 100% (2020: N/A) of staff engaged in assortment, sourcing, and procurement work.

Kjell closed the year with 97% (2020: 93%) of its active suppliers having signed a Code of Conduct.

Furthermore, 98% (2020: 94%) of all compliance documentation for new items introduced to our range was collected.

In 2022 we aim to systemize the anti-corruption training to ensure that all existing assortment, sourcing, and procurement staff renew their anti-corruption training yearly, and that all new hires related to the relevant work tasks perform the same training as a step of their onboarding process.

We continue our ambition to ensure all 100% (2021: 97%) suppliers have signed a Code of Conduct.

We still aim to collect all 100% (2021: 98%) of compliance documentation before the items are placed on the market.