



## **Sustainability Report 2022**

### **1. CEO Statement**

As a company, Maki has a great responsibility to ensure that we and the world move in a greener and more sustainable direction. Therefore we have signed up to the UN Global Compact related to human rights, working life principles, the environment and prevention of corruption.

For several years we have worked with sustainability principles in our value chain, but the Sustainable Development Goals (UN SDG's) will be our core framework going forward. We fully support the UN SDG's and UN Global Compact core principles and will adopt those most relevant in our business practices. Annually, we will report to the Communication on Progress (CoP) platform.

Maki has always focused on protecting children and our employees. We work closely with suppliers and customers to ensure safe production and delivery of toys that are both safe to use, and provide meaningful experiences (e.g. learning, creativity) for kids. For our employees, safety and care have always been top of mind.

However, measuring CO2e emissions in our premises as well as in the supply chain is new to Maki and something we will need some time to establish solid procedures for collecting data and measuring metrics. More about this topic in this year's report.

Also in this report, we will present our progress since last report and objectives for the coming year. We commit to set new ambitious goals to reflect our commitment to creating a more sustainable world and we aim to succeed in this together with our employees, suppliers, and customers.

Haarup, 9 June 2023

Michael Jensen  
CEO

### **2. Business Model**

Since 1995, Maki has imported and distributed toys and products for kids aged up to eight years in the Nordics, including the Faroe Islands, Greenland, and Iceland. We serve more than 6,000 customers from local small stores to large hyper-/supermarkets and distribute more than 70 brands from leading global brand owners. We employ more than 80 employees across Denmark, Sweden, Norway, and Finland with

most of us working in our Danish HQ/warehouse in Haarup, Denmark. Employees outside Denmark are sales teams working mainly from home or from smaller offices/showrooms (Norway and Finland).

More than half of our products are sourced from Far East suppliers (mainly in China and Vietnam), but a significant portion also from suppliers in Europe (e.g. Poland and Germany) and Denmark.

## Our Mission

*“We sell toys, games and baby products to retailers in the Nordic region”*

## Our Vision

*“Maki will by 2025 be the undisputed leading Nordic distributor of toys for kids.*

*We will offer both our customers and our vendors a broad and attractive product*

*portfolio backed by innovative services and solutions, which creates an outstanding value for customers and vendors and leads to high organic growth and delivering a premium offering compared to competitors in the market.*

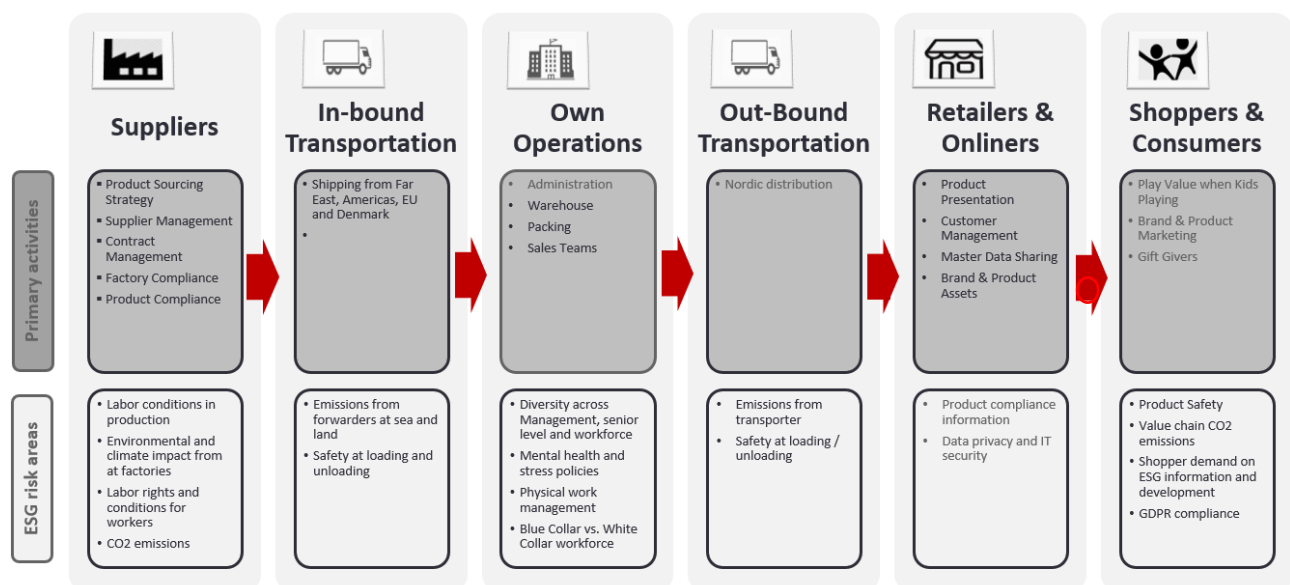
*We will at all times introduce innovative and market leading technologies, digitalization and automatization which contributes to outstanding services and experiences to both customers and vendors and leading to the lowest process costs in the market.*

*Maki understand and take our responsibility for the environment, our employees and our role in the society, and we will through ambitious ESG policies deliver accordingly.”*



## The Value Chain for Toys

The figure below shows an overview of Maki’s value chain, main activities and key ESG risk areas that can impact brand position, consumer perception, employee retention and ultimately the financial performance.







## 3. Sustainability Strategy

By minimizing our environmental footprint, being a responsible employer and corporate citizen, Maki strives to take part in creating a better world for everyone.

Although Maki is a medium-sized enterprise with limited impact on a global scale, we recognize our activities still affect both environment and society. Therefore, minimizing our environmental impact, while also caring for our end-consumers' as well as our employees' well-being are top priorities for us.

We will set ambitious, yet realistic goals and targets for improving our contributions to sustainability. After a thorough assessment we have prioritized SDG goals no. 8, 7, 12 and 5 as areas where we may increase our efforts to add the most to a sustainable world.

Our endeavors in support of these UN SDG targets may be summarized as follows:

SDG TARGET	SDG GOAL	OUR CONTRIBUTION
	<b>GOAL 8: DECENT WORK AND ECONOMIC GROWTH</b> Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all  Goal 8.8: Protect labor rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.	Our HR function and Safety and Health Committee (AMO) both have employees' satisfaction and well-being high on their agenda, and various initiatives have already been implemented (e.g. policies for stress, anti-bullying and whistleblower, improved pension & healthcare schemes, ergotherapy, massage, etc.). We offer our employees high flexibility (work from home), training/coaching and support off-work social activities. We have implemented an employee handbook, quarterly employee surveys and going-forward we will invest further in training/education and introduce new employee benefits. As part of our 2025 Strategy, we will also formulate and implement a new vision, our purpose and core values.
	<b>GOAL 7: AFFORDABLE AND CLEAN ENERGY</b> Ensure access to affordable, reliable, sustainable and modern Energy for all  Goal 7.2.1: Renewable energy share in the total final energy consumption	We have implemented tracking and estimation of CO2e emissions and set targets for greater energy efficiency but will enhance the tools and models during the coming year. Effective from 2022, we have onboarded two major suppliers and two logistic partners in our Scope 3 estimations. We encourage use of electric or hybrid cars and plan to downsize fossil car use significantly - over the last year we have substituted ca. 20% of our car fleet from fossil to hybrid/electric. We support employees' work from home and use digital meeting platforms rather than commuting and business travelling. Our future new HQ/warehouse is designed for modern, clean energy solutions and will consider and implement those most appropriate after our relocation.
	<b>GOAL 12: RESPONSIBLE CONSUMPTION AND PRODUCTION</b> Ensure sustainable consumption and production patterns  Goal 12.6: Encourage companies to adopt sustainable practices and sustainability reporting  Goal 12.9 A: Support developing countries to strengthen their scientific and technological capacity to move towards more sustainable patterns of consumption and production.	We challenge our major suppliers on their ESG strategy and execution and communicate any new 'ESG push' from the marketplace, e.g. demands to include PVC data, etc. in product master data. We have also implemented policies and processes to handle product recalls when necessary. We also use FSC/recycled cardboard boxes for packing and sell waste material, etc. for recycling. We will further increase and formalize our efforts in this area over the coming years - e.g. implement a Supplier Code of Conduct, Product Compliance manual, processes and tracking of packing/waste/in-store material as well as opportunities for FSC/recycling.
	<b>GOAL 5: GENDER EQUALITY</b> Achieve Gender equality and empower all women and girls  Goal 5.1: End all forms of discrimination against all women and girls everywhere  Goal 5.5.1: Whether or not legal frameworks are in place to promote, enforce and monitor equality and non-discrimination on the basis of sex  Goal 5.5.2: Proportion of women in managerial positions	We've implemented policies for the under-represented gender at Board and management levels and strive to embed gender equality in our recruiting. We will also embrace diversity in our marketing strategy by designing role models, storytelling, etc. and actively challenge our suppliers to support gender equality.

## 4. Environment

We work constantly to reduce our impact on the environment and climate, i.e. reducing electricity consumption and recycling initiatives. Come December, we will have relocated our Danish HQ/warehouses

to a new, modern facility in Hørning, close to Aarhus. The new buildings are designed with the latest sustainability and energy efficiency principles in mind, e.g. its flat top roof is ideal for installing solar panels at a later stage. Also, four EV chargers will be available for employees' and guests' electric cars, as well as better waste sorting than in our present facilities.

Last year, we set targets and implemented measurement of our CO<sub>2</sub>e emissions (scope 1-3). This year we have put significant effort into improving and enhancing our scope 3 data collection from suppliers and logistic partners. In the toy industry, CO<sub>2</sub>e estimation is still in its infancy but owing to a few major brand owners we have managed to compute scope 3 figures for 2021 and 2022 with a reasonable degree of accuracy. Over the coming years, we will initiate dialogues with other suppliers and hope to integrate a few more each year in our scope 3 computations.

Adding CO<sub>2</sub>e data from the value chain greatly increases the carbon footprint we report. Last year we reported a total of 223 tonnes of CO<sub>2</sub>e but when adding the new data we will report a restated 2021 figure of 6,557 tonnes of CO<sub>2</sub>e. Maki has only indirect and limited influence on CO<sub>2</sub>e emissions in the value chain; hence we will retain our 2025 CO<sub>2</sub>e target that was set last year: 0.30 CO<sub>2</sub>e tonnes/Revenue DKKm but exclude emissions from our value chain.

Through domestic organizations in each market we comply with applicable producer compliance schemes for waste from electrical and electronic equipment (WEEE) and batteries. New EU regulation regarding waste from packaging has been announced and will come into force from 2025. Maki has recently signed up for Emballageretur, an affiliate of Elretur that since 2005 has managed WEEE/battery responsibilities on behalf of Danish producers/importers. We will start planning for the new regulation during 2023. By complying with these schemes we also support SDG goals 11, 12 and 14.

In the table below, we have listed a select number of environmental opportunities and risks, which Maki faces. These opportunities and risks have been categorized in accordance with recommendation of the TCFD framework (Task Force on Climate-related Financial Disclosures).

Description of opportunity	Materiality level	Time Horizon	Planned supporting activities
<b>Resource Efficiency</b>			
Clear evidence of reducing operating costs by improving efficiency across distribution processes, buildings, machinery/appliances, and transport/mobility - in particular in relation to energy efficiency but also including broader materials, water, and waste management	Medium	Medium	<ul style="list-style-type: none"> <li>• New Maki HQ to include sustainable and low emissions impact</li> <li>• Innovation in technology including developing efficient heating solutions and circular economy solutions, making advances in LED lighting technology and industrial motor technology, retrofitting buildings, employing geothermal power, offering water usage and treatment solutions, developing electric vehicles, and optimizing logistics to minimize transportation costs</li> </ul>
<b>Energy Source</b>			
With heavy investments in renewable energy capacity the costs of clean energy might keep decreasing and companies thus may shift toward clean energy and save costs	Medium	Medium	<ul style="list-style-type: none"> <li>• Shift energy usage toward low-emission energy sources could potentially save on annual energy costs.</li> </ul>
<b>Products and Services</b>			
As a leading distributor we may enable a leading and competitive edge by investing resources and focus to establish a sustainable agenda	Low / Medium	Medium / Long	<ul style="list-style-type: none"> <li>• Maki to invest in further resource, external and eventual internal resource to lead and execute the needed initiatives to ensure a competitive edge.</li> </ul>
Products and services putting greater emphasis on CO <sub>2</sub> e emissions in marketing, labeling and packing (e.g. adoption of energy-efficiency measures along the supply chain) may improve the competitive position and capitalize on shifting consumer and producer preferences).	Medium	Medium	<ul style="list-style-type: none"> <li>• Innovate and develop agreements with suppliers ensuring new low-emission products and packing. Furthermore, consider recycling or remarketing of outdated or old products</li> </ul>

Description of risk	Materiality level	Time Horizon	Planned mitigation activities
Policy & Legal			
Increased regulation and new policies on CO2e emissions taxation increases the prices of products at suppliers, licensing, marketing material partners	Medium	Long	<ul style="list-style-type: none"><li>● Ensure close collaboration and dialogue with Top 5 suppliers to understand the impact to products.</li><li>● Establish closer dialogue and collaboration with top 5 customers</li><li>● Set up on how to monitor financial impact to categories and brands</li></ul>
Increased regulation and new policies on CO2e emissions taxation from logistics and transportation increases the distribution prices	Medium	Short	<ul style="list-style-type: none"><li>● Monitor and collect impact from inbound and outbound distribution</li><li>● Decrease CO2e emissions by investing in sustainable distribution methods.</li></ul>
Technology			
The use of emerging technologies such as renewable energy, battery storage, energy efficiency, and CO2 capture and storage will affect our competitiveness in distribution costs. Thus, ultimately it will also affect the demand for products and services from end-consumers.	Medium	Long	<ul style="list-style-type: none"><li>● Obtain timely experience by slowly exploiting the emerging technologies such as electric transport etc.</li><li>● Investing in solar energy at new HQ, company cars must be hybrid/electric, no-paper policy</li></ul>
Market			
Customers (retailers) are becoming more conscious about sustainability in their choice of supplier	Medium	Long	<ul style="list-style-type: none"><li>● Live up to sustainability-related expectations and communicate transparently with stakeholders, e.g. on Maki web, reports and sales material</li><li>● Furthermore, observe and adjust changes in demand relative to sustainability in our strategy and product execution</li></ul>
Key accounts, but also Tier-2 customers will require us to be leading in the area of sustainability initiatives as we are a leading distributor	Medium	Medium-Long	<ul style="list-style-type: none"><li>● Monitor and document consumer expectations to optimize these and ensure consumer trust to avoid to be deselected from stores</li><li>● Establish brands and products that deliver on sustainable elements like use of sugar cane, cork, reusable material etc.</li><li>● Ensure we are pushing suppliers to find alternative, more sustainable materials and manufacturing processes</li><li>● Include sustainability as a USP / ESP in development of own brands</li></ul>
End-consumers are becoming more conscious about sustainability in their consumption habits. They will require both transparency and concrete sustainable elements of the products we sell			
Shoppers / end-consumers will accept less use of plastic material and will demand more sustainable materials			
Reputation			
If we doesn't manage sustainability and environmental impact correctly, there is a risk of negative reputation. This concerns both sustainable materials, packaging and focus on waste efficiency. The risk primary from key accounts within the market.	Medium	Long	<ul style="list-style-type: none"><li>● Systematic monitoring of stakeholder expectations related to sustainability aspects of products amd transparent communication and reporting on product sustainability profiles</li></ul>
End-consumers are getting more and more diversity concerned, e.g. by using classic role models when it comes to kids and toys. There have been several cases where retailers are getting bad publicity due to stereotypes in e.g. Christmas catalogues amd we risk a case on our marketing communicaiton.	Medium	Long	<ul style="list-style-type: none"><li>● We will introduce diversity in our marketing strategy, so we aim to alter the classic stereotypes/role models in marketing campaigns when possible with the given material and approval from suppliers.</li></ul>

## 5. Social

While not having a labor rights policy in place, we are adamant to treat each other with respect and are committed to being an employer with proper terms of employment and working conditions. We support and respect the internationally recognized labor rights as specified in the International Labor Organization (ILO) core conventions. We adhere to all applicable federal, state, and local laws and regulations concerning employer/employee rights and obligations, including the right to freedom of association and the right to collective bargaining consistent with applicable laws.

Every employee is important to Maki, and we will endeavor to create a both safe and inspiring work environment. If we fail in attracting, caring for and retaining skilled employees, it poses significant risk to Maki, which may eventually harm our company.

We also believe in diversity and do not tolerate any kind of discrimination based on of religion, race, skin color, gender, disability, age, nationality, sexual orientation, or political view. Each employee has the right to a work environment that is open, accepting, and inclusive.

Maki's first HR Director joined with us in April 2022 and several new HR initiatives have been rolled out. Important milestones during the year were our first employee handbook, increased focus on sick leave and

employee turnover through target setting and continuous tracking, and employee satisfaction surveys. Please find further comments below.

The employee handbook was mostly a formalization of rules and practices already in place, but also introduced a few novelties. One such innovation is that employees may work from home for up to 40% of their time, provided it's compatible with the specific job position's duties, colleagues, and manager. Most of our employees greatly appreciate this increased flexibility.

The number of work accidents, where absence amounted to more than one working day, was zero in 2022 while both sick leave and turnover increased compared to 2021. The latter will be a focus area in 2023 for HR and management.

An employee survey was concluded in Q2 2022 and recently (Q1 2023) an eNPS survey was completed. It's our ambition to poll our employees' satisfaction every quarter from 2023 onwards. These surveys provide invaluable insights and enable HR and management to quickly identify and remedy the conditions most important to our employees.

In the composition of the Board of Directors, our target is that at least 33% be women no later than end of 2027. During 2022, an extensive search for a female member with digital skills was carried out, which was successfully concluded in early 2023. Today, our Board is comprised of five male and one female member, i.e. we have come closer to our target. Moving forward, we will strive to achieve the target but will always emphasize value (each candidate may contribute in terms of business development, special competencies etc.) over gender when we put together our Board.

At other levels of management, it is our policy to promote diversity and more specifically to promote opportunities for women. Our set of values and culture appeals greatly to both men and women, as we have a natural focus on children, flexible working hours and work-life balance. With a 33% target and a 31% achievement end of 2022, we came very close to meeting our target. With a two-tiered group of 12-14 managers this metric will always be sensitive to natural turnover, reorganizations, etc. but whenever a managerial position is open, we strive for both genders to be represented among the last 2-3 candidates.

## 6. Governance

We do not accept any form of bribery, corruption or participate in any money laundering. We support and respect internationally recognized human rights as formulated in the UN Human Rights Declaration and do not accept child labor, forced labor or any form of human trafficking. These principles are core to Maki, our management and employees and are embedded in our new employee handbook.

We mainly operate in the Nordics, where risks of bribery, corruption and violations of human rights are relatively low. Outside the Nordics we trade with suppliers and factories in e.g. the Far East where such risks inherently are higher. In practice, we assess the risks of violation as relatively low as we trade with internationally reputed brand owners resting on strong governance frameworks themselves.

Our Whistleblower Scheme was implemented in 2021 and is accessible through our Maki website. Among other things, occurrences of economic crime, abuse, discrimination, and human rights may be reported under this scheme. Fortunately, we do not expect a high number of incidents but will deal with any incident reported both promptly and appropriately.

We are not aware of any incidents prior to implementing the scheme and no incidents were reported after.

## 7. Sustainability Key Metrics

Performance on KPI's	Unit	2025 targets	2022	2021
Scope 1 emissions	Ton CO2e	(n/a) <sup>1</sup>	129	126
Scope 2 emissions (location based)	Ton CO2e	(n/a) <sup>1</sup>	26	33
Scope 2 emissions (market based)	Ton CO2e	(n/a) <sup>1</sup>	84	87
Scope 3 emissions	Ton CO2e	(n/a) <sup>1</sup>	5.371	6.344
Total emissions (market based)	Ton CO2e	(n/a) <sup>1</sup>	5.585	6.557
CO2e/Revenue	Ton CO2e/DKKm	0,30 <sup>1</sup>	0,39	0,37
Employee diversity	%	40%	49%	41%
Management diversity	%	33%	31%	20%
Board diversity	%	33%	0%	0%
Pay ratio (female/male)	Ratio	1,0	1,1	0,9
Pay ratio (CEO/employee)	Ratio	4,0	4,1	3,9
Employee turnover	%	7,5%	18,3%	12,1%
Sickness absence, office	Days/FTE	2,0	3,3	1,9
Sickness absence, warehouse	Days/FTE	5,0	12,7	9,8
Lost Time Injury Rate	No./100 FTE's	0,0	0,0	0,0

Note 1: A relative target (ton CO2e / 1m revenue) is chosen as we expect to continue growth. Scope 3 data from our value chain are excluded when measuring as Maki has only indirect and limited influence on said emissions.

Note 2: Scope 3 and total emissions for 2021 has been restated to ensure comparability with 2022 figures.

KPI	Accounting practice (scoping, definitions, calculation methods etc.)
Scope 1 emissions	All direct GHG emissions from operations in Denmark, Norway, Sweden and Finland, including fuel for company cars and natural gas for heating (warehouse). <a href="#">Source: Department for Business, Energy &amp; Industrial Strategy (BEIS), 2022</a>
Scope 2 emissions (location based)	Indirect GHG emissions from purchased electricity and heating in Denmark, Norway, Sweden and Finland (offices and showrooms). The calculation of emissions related to heating assumes that the emission intensity equals that of electricity (location-based) for the specific country. <a href="#">Source: Energinet, 2022 and Association of Issuing Bodies (AIB), 2022</a>
Scope 2 emissions (market based)	Indirect GHG emissions from purchased electricity and heating in Denmark, Norway, Sweden and Finland (offices and showrooms), taking any green electricity purchased into account. The calculation of emissions related to heating assumes that the emission intensity equals that of electricity (location-based) for the specific country. <a href="#">Source: Energinet, 2022 and Association of Issuing Bodies (AIB), 2022</a>
Scope 3 emissions	Indirect GHG emissions in Maki's value chain included from the following categories: ①: Re. purchased goods from Maki's largest suppliers of toys, 47% of total purchase volume and then extrapolated to 100%. ④: Re. inbound/outbound transportation of goods paid by Maki, 100% of total transported volume. ⑥: Re. business travel made by car by Maki's employees (while employee commuting and business travel by plane, train, etc. are not included) <a href="#">Source: Department for Business, Energy &amp; Industrial Strategy (BEIS), 2022</a>
Diversity measures	- Female FTE's / All FTE's x 100% - Female managers / All managers x 100% - Female board members / All board members x 100%
Pay Ratio measures	- Median salary Female / Median salary Male - Salary CEO / Median salary Employees
Employee turnover	(Voluntary + involuntary FTE's leaving) / All FTE's x 100% (Excluding temporary employees)
Sickness absence	No. of sick days for all FTE's / All FTE's
Lost Time Injury Rate	No. of work-injuries leading to a loss of at least one off-day / no. of available working days x (100 FTE's / All FTE's)