



Sustainability report 2021

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 now 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 we will now make the UN Sustainable Development Goals (SDG's) an integral part of our business. We will fully support the UN SDG's and UN Global Compact core principles and work to implement those in our business practices. We will annually report to the Communication on Progress (CoP) platform, starting with this report.

At Maki, we have always focused on protecting our employees and our end-consumers, the children. We strive to support the society we are part of and work closely and consistently with suppliers and customers to ensure safe production and delivery of toys that are both safe to use and provide meaning (e.g. education) to smaller children.

But we now want to increase our contributions even more by further initiatives e.g. by accelerating the reduction of our CO2e emissions and energy consumption in both our supply chain and in our offices.

In this report, we will present both what we have done so far and what we will be working on going forward. As we reach our goals, we will 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, 5 May 2022

Michael Jensen

CEO

2. Business model

Since 1995, Maki has imported and distributed toys and products for kids aged 1-12 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 75 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

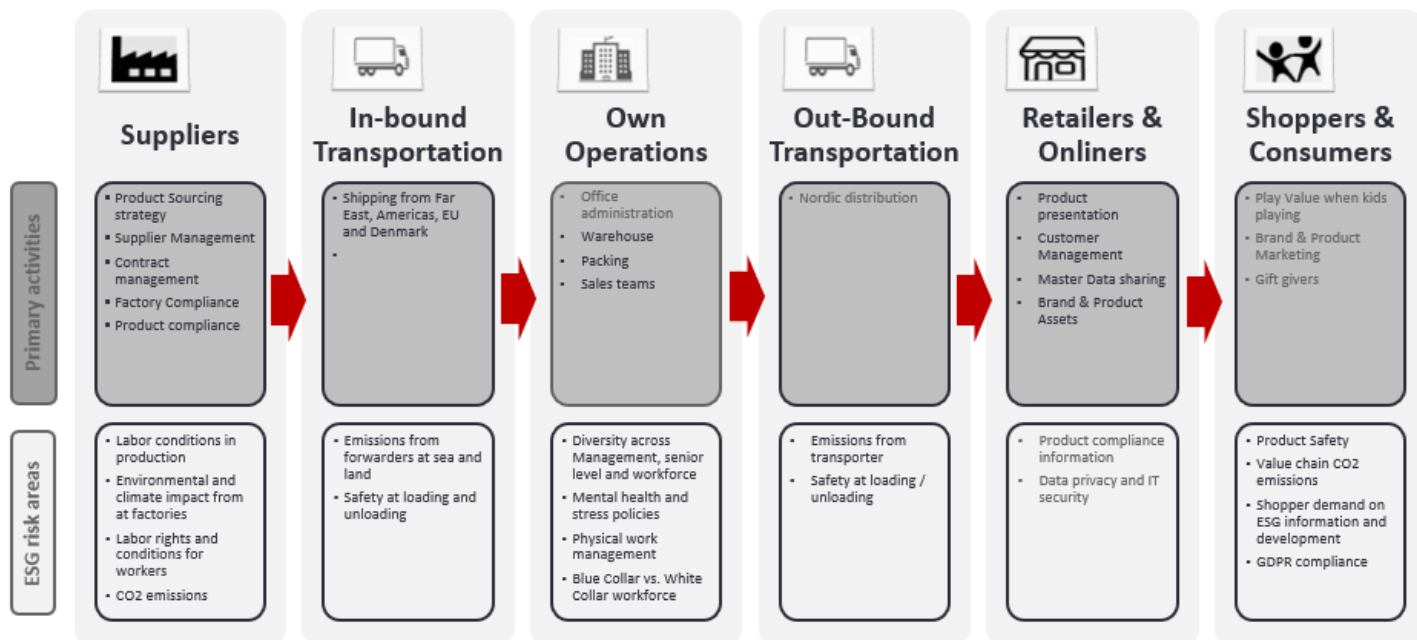
“Maki will by 2025 be the undisputed leading Nordic distributor of toys for kids. We will offer both our customers and our vendors a broad and attractive product portfolio backed by innovative services and solutions, which creates an outstanding value for customers and vendors and leads to high organic growth and delivering a premium offering compared to competitors in the market.

We will at all time 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 8, 7, 12 and no. 5 as areas where we may increase our efforts to add the most to a sustainable world.

Maki UN SDG targets chosen

SDG TARGET	SDG GOAL	OUR CONTRIBUTION
	<p>GOAL 8: DECENT WORK AND ECONOMIC GROWTH Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p> <p>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.</p>	<p>We have established an AMO group and a HR function and implemented various HR initiatives e.g. policies for stress, anti-bullying and whistleblower, an improved pension & healthcare scheme and ergotherapy. We offer our employees flexibility (work from home), training/coaching and support and fund team activities. We plan to implement semi-annual employee surveys, an Employee Code of Conduct and employee handbook and invest further in training and education.</p>
	<p>GOAL 7: AFFORDABLE AND CLEAN ENERGY Ensure access to affordable, reliable, sustainable and modern Energy for all</p> <p>Goal 7.2.1: Renewable energy share in the total final energy consumption</p>	<p>We have implemented tracking and estimation of CO2e emissions and set targets for greater energy efficiency, and will start monitoring logistic partners' CO2e emissions. We actively encourage use of electric or hybrid cars and plan to downsize fossil car use significantly. We support our employees to work from home and use digital meeting platforms rather than commuting and business travelling. We aim to design our new HQ/warehouse with modern clean energy solutions and will also consider purchasing green certificates.</p>
	<p>GOAL 12: RESPONSIBLE CONSUMPTION AND PRODUCTION Ensure sustainable consumption and production patterns</p> <p>Goal 12.6: Encourage companies to adopt sustainable practices and sustainability reporting</p> <p>Goal 12.9 A: Support developing countries to strengthen their scientific and technological capacity to move towards more sustainable patterns of consumption and production.</p>	<p>We challenge all key suppliers on their ESG strategy and execution and communicate any new 'ESG push' from the market place, 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 formalise our efforts in this area over the coming years - e.g. implementing a Supplier Code of Conduct, formal supplier audits, a 'traffic light' tracking system, processes and tracking of packing/waste/in-store material as well as opportunities for FSC/recycling.</p>
	<p>GOAL 5: GENDER EQUALITY Achieve Gender equality and empower all women and girls</p> <p>Goal 5.1: End all forms of discrimination against all women and girls everywhere</p> <p>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</p> <p>Goal 5.5.2: Proportion of women in managerial positions</p>	<p>We embrace diversity in our marketing strategy by designing role models, storytelling, etc. and actively challenge our suppliers and marketing channels to support gender equality. We've implemented policies for the under-represented gender at Board and management levels and strive to embed gender equality in our recruiting</p>

4. Environment

We work constantly to reduce our impact on the environment and climate, i.e. through recycling initiatives, use of green energy, etc. but will invest further as part of a relocation of our Danish HQ/warehouse

operations within the next year. Whether relocating to new or newly refurbished buildings, we will identify and implement various green energy initiatives and expect to report on this in future sustainability reports.

Through domestic organisations in each market we comply with applicable producer compliance schemes (PCS) for waste from electrical and electronic equipment (Weee), e.g. we report volumes sold in Denmark to Elretur thereby supporting SDG goals 11, 12 and 14.

During 2021, we established goals and continuous measurement of our CO2e emissions (scope 1-3).

In the table below we have listed a number of environmental risk and opportunities, which our company is facing. The risk and opportunities have been categorized in accordance with recommendation of the TCFD framework (Task Force on Climate-related Financial Disclosures).

TCFD risk assessment

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"> ● Ensure close collaboration and dialogue with Top 5 suppliers to understand the impact to products. ● In 2025 we will measure top 500 product CO2e emissions ● Set up on how to monitor financial impact to Categories and brands ● Establish closer dialogue and collaboration with top 5 customers
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"> ● Monitor and collect impact from Inbound and outbound distribution ● Decrease CO2e emissions by investing in sustainable distribution methods.
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"> ● Obtain timely experience by slowly exploiting the emerging technologies such as electric transport etc. ● Investing in solar energy at new HQ, company cars must be hybrid/electric, no-paper policy
Market			
Customers (retailers) are becoming more conscious about sustainability in their choice of supplier 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	Long	<ul style="list-style-type: none"> ● Live up to sustainability-related expectations and communicate transparently with stakeholders, e.g. on Maki web, reports and sales material ● Make sure to have all reporting on environmental impact (transport, packaging etc.) ● Furthermore, observe and adjust changes in demand relative to sustainability in our strategy and product execution
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	Medium	Medium-Long	<ul style="list-style-type: none"> ● Monitor and document consumer expectations to optimize these and ensure consumer trust to avoid to be deselected from stores ● Establish brands and products that deliver on sustainable elements like use of sugar cane, cork, reusable material etc. ● Ensure we are pushing suppliers to find alternative materials that are sustainable based ● Include sustainability as a USP / ESP in development of own brands
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"> ● Systematic monitoring of stakeholder expectations related to sustainability aspects of products amd transparent communication and reporting on product sustainability profiles
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"> ● 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.

Description of opportunity	Materiality level	Time Horizon	Planned supporting activities
Resource Efficiency			
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"> • New Maki HQ to include sustainable and low emissions impact • 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
Energy Source			
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"> • Shift energy usage toward low-emission energy sources could potentially save on annual energy costs.
Products and Services			
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"> • Maki to invest in further resource, external and eventual internal resource to lead and execute the needed initiatives to ensure a competitive edge.
Products and services putting greater emphasis on CO2e 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"> • Innovate and develop agreements with suppliers ensuring new low-emission products and packing. Furthermore, consider recycling or remarketing of outdated or old products

5. Social

While not having a labour 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 labour 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 endeavour to create a both safe and inspiring work environment. If we fail in attracting, caring for and retaining skilled employees, it poses significant risks to Maki, which eventually will damage our company.

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

During 2021, we continued the work of improving the working environment based on the APV survey, and have, among other things implemented several policies within stress, anti-bullying etc. The Danish Working Environment Authority has pointed out a few conditions along the way, but these have now been remedied.

The number of accidents at work, where absence amounted to more than one working day, was zero in 2021. We will continue the work with well-being and working environment, i.e. through the new HR function, that will bring new perspectives, ideas and concrete results in this area.

In 2021, COVID-19 put additional pressure on our employees physical and mental well-being, but we did our best to shield our employees during that period by implementing new procedures and protocols,

providing equipment for remote work, protection, etc. We believe to have added to the health and well-being of our employees during the pandemic by this.

In the composition of the Board of Directors, our goal is that at least 33% (one) be women no later than end of fiscal year 2022. This goal was not met by end of fiscal year 2021 despite forming a new Board of Directors during the year as the five-person Board were all men. First and foremost, we will always base the Board's composition on the value the candidate is expected to be able to add to Maki in the form of business development, special competencies etc.

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. We strive for a minimum of 33% in this management layer made up of women, but with 20%, the target was not met by the end of the fiscal year 2021. In the process of recruiting a new leader, 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 labour, forced labour or any form of human trafficking. These principles are core to Maki, our management and employees and will be a key component of an Employee Code of Conduct which we intend to design and implement during 2022. Adequate internal reporting systems will be developed accordingly.

We mainly operate in Nordic countries, 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 in general are deemed higher. However, we estimate risks of violation as relatively low in practice as we do business with internationally reputed brand owners resting on strong governance frameworks.

During 2021 we implemented and introduced a Whistleblower Scheme which is now accessible on our Maki website. Among other things, breaches 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	2021	2020
Scope 1 emissions	Ton CO2e	(n/a) ¹	126	115
Scope 2 emissions (location based)	Ton CO2e	(n/a) ¹	33	35
Scope 2 emissions (market based)	Ton CO2e	(n/a) ¹	87	93
Scope 3 emissions	Ton CO2e	(n/a) ¹	10	17
Total emissions (market based)	Ton CO2e	(n/a) ¹	223	225
CO2e/Revenue	Ton CO2e/DKKm	0,30 ¹	0,37	0,45
Employee diversity	%	40%	41%	40%
Management diversity	%	33%	20%	22%
Board diversity	%	33%	0%	0%
Pay ratio (male/female)	Ratio	1,0	1,1	1,1
Pay ratio (CEO/employee)	Ratio	4,0	3,9	4,1
Employee turnover	%	7,5%	12,1%	8,9%
Sickness absence, office	Days/FTE	2,0	1,9	3,9
Sickness absence, warehouse	Days/FTE	5,0	9,8	16,5
Lost Time Injury Rate	No./100 FTE's	0,0	0,0	1,5

Note 1: A relative target (ton CO2e / 1m revenue) is chosen as we expect to continue growth. We may revise this target as further emission sources are added to the estimations.

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). Source: U.K. Department for Environment, Food and Rural Affairs (DEFRA), 2021
Scope 2 emissions (location based)	Indirect GHG emissions from purchased electricity and heating in Denmark, Norway, Sweden and Finland (offices and showrooms) Source: Association of Issuing Bodies (AIB), 2020
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 Source: Association of Issuing Bodies (AIB), 2020
Scope 3 emissions	Indirect GHG emissions from fuel for employee cars: Compensated mileage but not commuting. Neither is business travel by plane, ferry, etc. included Source: U.K. Department for Environment, Food and Rural Affairs (DEFRA), 2021
Diversity measures	Female (FTE's managers board members) / All (FTE's managers board members) x 100%
Pay Ratio measures	Median salary (Male CEO) / Median salary (Female 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)