



**Non-Financial
Information Report**
Financial Year 2020

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1. Business model

Musti Group is the market leader in the growing and resilient Nordic pet care market, with a market share of 24%. Our mission is to make the life of pets and their parents easier, safer, and more fun.

Musti Group's product assortment comprises a complete range of pet supplies and accessories related to pets' well-being as well as pet food and services. Services include grooming, training, and massage as well as diet services, and the company also provides veterinary services in selected stores. In addition to commercial services, Musti also provides services that aim towards building an engaging community around Musti and enhancing customer satisfaction, such as puppy dates.

At the end of the financial year 2020, Musti Group had in total 293 stores in Finland, Sweden, and Norway. 62 of the stores were run by franchising partners. During financial year 2020 Musti Group employed on average 1,145 Musti experts. The Musti retail concept is based on a wide assortment of pet food and accessories in combination with a culture of dedicated, knowledgeable, and service-minded employees. The Musti Group Head Office is located in Helsinki, Finland. Group net sales in the financial year 2020 were EUR 284.4 million.

2. Responsibility focus areas, key performance indicators and management of responsibility

As a forerunner in our market, we want to do business responsibly. For Musti Group, this means putting the welfare of pets and people first, having high standards for quality, safety, and expertise, as well as always looking into more sustainable ways to develop our business.

During the financial year 2020, Musti launched a renewed responsibility approach, “Trusty”, and it consists of three main themes: Pets and their parents, Employees, and Communities. These themes stand on a solid basis of a responsible supply chain, reducing environmental impact and good governance and high ethics.

The Trusty responsibility approach:



Musti Group's material aspects, responsibility targets, key performance indicators and results for the financial year 2020:

NFI category	Musti theme	Material aspects	Targets	Key performance indicators	FY2020 results
Employee and social matters	Pets and their parents	High quality and safe products and services	Comprehensive quality monitoring	Customer feedback on products and services	Effect on NPS +9
		Satisfied and loyal customers	Good NPS	NPS (scale -100 to +100)	79
	Employees	Thriving experts	Employee turnover below 15%	Employee turnover %, trend	14%
		Well-being at work	Great Place To Work at minimum 70% level	Employee satisfaction level %, trend	76%
	Communities	Working together for the common good	Impactful community collaboration	Yes/no, Collaboration examples	Yes Collaboration in all markets, see p. 6-7
Environmental matters	Reducing environmental impact	CO ₂ emissions and energy management	Reduce logistics emissions by 10–15% by the end of 2021 compared to 2019 in relation to net sales	% CO ₂ e reduced	Data gathering started *
			100% renewable energy sources by 2021 in our Nordic operations	% renewable energy	86% **
			Improving energy efficiency and reducing energy footprint	KWh/year/warehouse m ²	96 KWh/ warehouse m ² **
		Recycling and waste management	100% of packaging materials in our operations reused or recycled by 2021	% reused or recycled packaging material	100% **
			20% reduced packaging material by 2021 in our Nordic operations compared to 2019 in relation to net sales	% reduced packaging material in relation to net sales	2% increase **
Human rights matters	Responsible supply chain	Suppliers committed to Musti's requirements on responsible business practices	All key suppliers are committed to Supplier CoC	% of key suppliers have signed Supplier CoC	Supplier Code of Conduct updated during FY2020, rollout in FY2021
			100% of tier one suppliers in high-risk countries audited by the end of 2021	Coverage (%) of amfori BSCI audits	82%
Anti-corruption and bribery matters	Good governance and high ethics	Compliance with policies and principles	100% of our employees have completed ethics training	% of employees have completed ethics training	72%

*Covers store and e-commerce distribution, the information is based on figures received from the service provider

**Covers warehouses, the information is based on figures received from the service provider

The corporate responsibility approach is approved by Musti Group's Board of Directors. The responsibility function is headed by the Group Head of HR, who is a member of the Musti Group Management Team. Corporate responsibility related topics and viewpoints are regularly discussed at management and Board meetings.

The corporate responsibility work at Musti Group is guided by the following policies and principles:

- The Musti Group Code of Conduct
- The Supplier Code of Conduct
- amfori BSCI Code of Conduct
- The People Principles
- The Product Safety and Quality Principles
- The Animal Welfare and Pet Parenting Support Principles
- Information Security Policy

Musti Group is a member of the United Nations Global Compact since 2013 and amfori BSCI since 2016.

Musti Group is entitled to perform an auditing or inspection visit to verify social and environmental responsibility issues of its suppliers. At the company's request, the suppliers must provide Musti Group with copies of the certificates and auditing reports.

3. Social and employee matters

Social and employee matters are at the core of Musti's responsibility approach, Trusty. Pets and their parents, employees and being part of the community are the main themes in the Trusty approach. Musti Group invests in being the most desirable and appealing employer in the retail business. At Musti Group, we believe that good customer experience cannot be achieved without satisfied employees.

Musti Group considers labor principles based on accepted international laws and practices, such as those of United Nations' Universal Declaration of Human Rights, International Labor Organization and the United Nations Global Compact principles, as fundamental and universal in its business activities. Freedom to associate, collective bargain or form employees' responsible bodies are recognized and supported by Musti Group. The labor practices at Musti Group are guided by Musti Group's Mission statement, general management principles, Equality Plan and People Principles.

Identified potential responsibility risks related to employee matters at Musti Group and the retail industry in general are related to treatment of young workers, high employee turnover, long-term sickness and absence from work, discrimination, harassment, and accidents. Potential responsibility risks related to social matters include weak community and customer acceptance and poor product quality causing negative impacts on pets or their parents.

The most impactful way to manage these risks is Musti Group's commitment to a company culture built on trust and sharing, and commitment to investing in employee well-being and satisfaction. This commitment applies to people working in the stores, warehouses, and offices across all Musti Group operating countries. Musti Group involves its personnel in planning and decision-making wherever possible and uses crowdsourcing to collect employee views and feedback to further improve its ways of working.

The Musti Group culture includes treating every employee in an equal manner and embraces diversity. Musti Group offers its employees an equal workplace with development opportunities for all own personnel. Musti Group encourages men and women equally to seek opportunities at all organizational levels. Musti Group respects the privacy and personal characteristics of every individual and does not accept any discrimination, intimidation, or harassment at work.

Employee turnover is typically high in the retail industry as many of the employees are young and in their first job. At Musti, employee turnover has always been on a low level. In the financial year 2020, employee turnover was 14%.

Musti Group prevents long-term sickness and absence from work by supporting job rotation and flexible working conditions. Musti Group's occupational health services cover all personnel. The services are arranged by an external health service provider. Musti Group pays special attention to work safety and ensures that e.g. safety equipment is used. Musti Group is taking the necessary steps to prevent accidents by minimizing and eliminating hazards from the working environment and by ensuring that all employees have been trained to work in a safe way. A strong safety culture is built on cooperation with all employees and business partners.

Musti Group aims at being a fair employer and is strongly in favor of employee well-being and discussion on what it means in practice to be a fair employer. The Great Place to Work employee survey shows particularly high employee satisfaction, but a few qualities have stood out in particular: excellent camaraderie and high pride. Musti Group also receives exceptionally high points in all countries in the fair and equal treatment of people.

Trust among employees is measured by using the results of the Great Place to Work's Trust Index survey. In 2020, the overall employee satisfaction rate measured by the Great Place to Work was 76% in Musti Group (2019: 74%). Teams discuss the results of the Trust Index survey and agree on development targets. Musti Group actively crowdsources employee ideas on key initiatives and various other matters.

In addition to the statutory parental leaves of each country, Musti Group employees are entitled to three months' paid maternity leave and to 54 days' paternity leave. Most of the Musti Group employees have pets. Musti Group wants to make pet parenting easier for its employees. From the beginning of June 2018, Musti Group offers three days' paid pet parental leave, "pawternity leave", to employees with new pets at home. Pets are also allowed at the office.

Musti Group offers employees many opportunities for professional and personal development, enabling them to serve customers even better and, depending on their roles, to also lead their teams and the business better. Musti Group has specific training

programs and other development opportunities for different personnel groups, e.g. for customer service personnel in stores, personnel working at the logistics center and for managers and office staff.

Training sessions are complemented with on-the-job learning and sharing, job rotation and online solutions to boost different ways to develop knowledge and competencies. Musti Group induction guidelines for store personnel are in use in the stores and at the office. Basic training in the stores is conducted using Musti Group's learning management system Campus.

The store employees are highly appreciated at Musti Group due to their unique knowledge of pet care and deep understanding of customer expectations. The store employees receive regular business training to complement their deep knowledge and good competences on pet care. Training is also regularly provided on the products sold in the Musti Group stores and on services such as dog grooming. The Musti Group store managers receive regular business and people leadership related training.

Employees working in the central warehouse in Sweden and the warehouse in Finland are trained on the operational processes in the warehouse and on other practical issues such as first aid. Job rotation in the warehouse in Finland offers supervised employees an opportunity to learn new skills and to advance in their careers. The employees are in general offered e.g. manager training.

At Musti Group, it has always been important to put effort on employees' vocational education, and systematic work has been done to promote education that aims for a diploma or a degree. For example, the store managers are offered the opportunity to complete a degree in business administration (upper secondary education).

Musti Group also cooperates with vocational education institutions to ensure the supply of high-quality workforce in the future. Musti Group offers e.g. internship opportunities for students and has a trainee program to support unemployed persons in Finland.

Other community involvement activities include:

- Donating broken package and best before day products from stores to local cat/dog shelters in Finland, Sweden, and Norway
- Collaboration with The Children and Youth Foundation in Finland to provide positive experiences for young people in the workplace and for Musti employees to increase their skills in youth coaching
- Charity box campaign at stores in Finland, where customers can donate pet food and accessories to Finnish low-income families
- Supporting Svenska Djurambulansen (Animal ambulance) in Sweden
- Official partner of Red Cross Service in Norway: Besøksvenn med hund (Visit friend with a dog)

The recruitment process at Musti Group is fair and treats all candidates in a respectful and equal manner. The recruitment process for Musti Group store personnel has been documented and there are instructions for hiring in the recruiting handbook. The vacancies are always opened internally before being communicated externally. The recruitment process is done both in-house and by using external recruitment service providers. Many team members participate in the recruitment process, which has proven to be a good system for recruiting talented employees. Agile tools such as video interviews are used as part of the recruitment process.

Musti Group continuously monitors the quality of its products and packaging by working closely with the suppliers as well as collecting comments from store personnel and customers. Before introducing a product, Musti conducts quality checks as well as functional testing. All major suppliers who have been officially approved as Musti Group's suppliers in high-risk countries and provide a continuous assortment of Musti's own brands are audited. Musti Group's high-risk country suppliers are required to comply with the amfori BSCI Code of Conduct. All supplier audits are reported and stored according to the company policy.

The key performance indicators for the quality of products and customer satisfaction are customer feedback on products and services and NPS level. In the financial year 2020, customer feedback on products and services had an impact of +9 points on the total NPS score. The overall NPS score was 79 (on a scale from -100 to +100).

The product quality monitoring practices at Musti Group are guided by The Product Safety and Quality Principles, The Animal Welfare and Pet Parenting Support Principles, The Supplier Code of Conduct and amfori BSCI Code of Conduct.

4. Environmental matters

The focus of Musti Group's environmental work is in energy management, reducing CO₂ emissions, and in recycling and waste management.

In Musti Group's business, the risk of major environmental damage is low. Carbon dioxide emissions from production of products sold, logistics, energy consumption of facilities, commuting and business travel, product packaging, and use of products contribute to climate change. Musti's potential climate risks can be considered to include increasing distribution costs due to use of fossil fuel and failure in reducing waste. Changes in consumer behavior towards climate friendly consumption include both risks and business opportunities for Musti.

Musti Group is committed to environmental and sustainable work in its own sphere of influence as well as in its whole supply chain and with other partners. Musti Group communicates about environmental aspects internally through the Group's and local chains' intranet. Environmental aspects are also included in the Musti Supplier Code of Conduct and an e-learning course on the Musti Group Code of Conduct, which all employees have to complete.

To manage climate risks in logistics, Musti has set environmental targets to reduce emissions and improve recycling and waste management. Musti for example requires transport companies to use trucks with the EURO 6 standard or higher and biodiesel. Musti has also managed to reduce the number of shipments from warehouses to stores by ca. 5% by increasing the size of consignments. In the financial year 2020, Musti has started to collect CO₂e data from logistics partners and will report the reductions from 2019 to 2021 in the next reporting period.

Musti Group acquires renewable energy in all its locations whenever the electricity contract is directly influenced by the company. In the financial year 2020, 86% of Musti Group's energy consumption came from renewable sources, covering warehouse operations, and the energy efficiency of warehouses was 96 KWh/m².

Musti Group strives to reduce the use of packaging material, especially the use of plastic, and aims to keep the amount of waste to be sent to landfill minimal. In the financial year 2020, Musti Group did not meet the target as there was a 2% increase in packaging material in relation to net sales compared to the 2019 level in the warehouses. 100% of materials were either reused or recycled, and 0% of the central warehouse waste was sent to landfill. In the financial year 2020, Musti Group recycled 110.6 metric tons of carton and paper and 42.6 metric tons of plastic in the central warehouse.

The central warehouse has been using thinner plastic wrap since 2017. When packing goods, paper is used instead of plastic whenever possible. Musti Group reuses packaging materials in the warehouses and has as priority to reduce the amount of packaging material.

Musti Group has initiated collection and recycling of empty pet food bags in some of its stores in Finland. Recycling is an important environmental theme in the stores, and the aim is to increase the number of empty bags collected and recycled, and also to find ways to apply the initiative in all Musti Group stores. For example, in the Turku area, pet food bags are used in the same area for the manufacture of cement additives that can

replace coal dust. Musti Group also has an outlet store in Sweden in order to recycle food that has passed its best before date.

Since 2017, Musti Group has aimed to reduce the consumption of plastic bags in stores. Musti Group's Swedish chain Arken Zoo has completely replaced plastic bags with paper bags in the Group's stores in Sweden. Musti Group has joined the Green Deal agreement of the Ministry of the Environment in Finland and is committed to measures to reduce the consumption of plastic carrier bags. From September 2016 to the end of the financial year 2020, Musti stores in Finland have reduced the use of plastic bags from 1.1 million per year to 440,000 per year. In Finland, Musti stores sell also reusable bags made of 80% recycled plastic.

The Musti Group Head Office in Finland obtained the WWF Green Office certificate in 2016 as a result of developing the environmental management system of the office and efforts to raise the environmental awareness of personnel. In 2020, the Green Office Consumer Habit Survey score was 71.3 out of 100 (2019: 68.1).

To answer the climate friendly consumption trend, the company has introduced the Gaia brand with products made of recycled, organic, or otherwise environmentally sustainable materials. In addition, Musti is constantly increasing its selection of organic dog and cat food products, as well as pet products made of recycled materials.

To manage environmental risks in the supply chain, Musti Group takes environmental impacts into consideration in the procurement of products. Musti Group wants to raise awareness among suppliers and reduce potential environmental risks, especially in high-risk countries. Membership in the amfori BSCI gives Musti Group a tool to reduce environmental risks in its supply chain in high-risk countries, e.g. by conducting supplier audits.

5. Respect for human rights

Musti Group recognizes that human rights should be considered fundamental and universal, based on accepted international laws and practices, such as those of the United Nations' Universal Declaration of Human Rights, International Labor Organization, and the United Nations Global Compact (UNGC) principles.

Musti Group operates in Finland, Sweden, and Norway. All countries are among low-risk countries, according to Verisk Maplecroft's Human Rights Index 2018 and the amfori BSCI country risk classification. Therefore, the immediate risk for serious human rights offenses in Musti Group's main operating countries can be seen as reasonably low. Musti Group, however, has an indirect impact on human rights through its supply chain.

Musti Group's suppliers must comply with all national laws and regulations. In addition to meeting national legislation, all suppliers are required to meet the provisions of the Musti Group Supplier Code of Conduct and suppliers in risk countries must sign the amfori BSCI Code of Conduct.

Musti Group aims at knowing its suppliers well. Musti Group's representatives visit all officially approved major suppliers' factories and premises to see that the suppliers are in compliance with Musti Group's requirements, which include respecting internationally recognized human rights.

Musti Group categorizes its suppliers according to the risk level. Suppliers are divided into high-risk country suppliers, low-risk country suppliers, suppliers delivering from both high- and low-risk countries and also according to the type of purchase (directly from the manufacturer, a wholesaler, or brand owner). The volume Musti Group buys directly from companies located in high-risk countries is small, less than 5% of total annual spend. Also, wholesalers or brand owners are required to ensure that responsibility aspects are taken into account in their operations, including their own supply chain, when Musti Group purchases from them.

The responsibility work with suppliers is a continuous effort at Musti Group. Musti Group is developing its responsible sourcing as part of its corporate responsibility approach. Musti Group will improve the transparency of its supply chain in order to better evaluate supplier performance against the amfori BSCI Code of Conduct. By the end of the financial year 2020, 82% of the suppliers in high-risk countries had passed an amfori BSCI audit (FY2019: 59%).

6. Anti-corruption and bribery matters

Musti Group embraces and supports the UN Convention Against Corruption. Compliance with the Musti Group Code of Conduct is an essential element in Musti Group's business success and all its employees, including management and board, are responsible for following these principles in their work. The Code of Conduct guides the work of all Musti Group employees in all business areas and countries. In no situation is unethical behavior accepted or tolerated.

According to the Musti Group Code of Conduct, its employees must avoid any activity that can lead to a conflict of interest. Musti Group employees do not give or receive, whether directly or indirectly, bribes or other improper advantages for business or financial gain. Musti Group does not offer or give contributions to political parties.

Musti Group promotes fair business practices and does not engage in any illegal or restrictive trade practices. Musti Group conducts its operations in accordance with the principles of fair competition and all applicable regulations.

Musti Group recognizes the importance of confidentiality and ensures that confidential information received is not disclosed to unauthorized people or companies.

The same standards apply to all suppliers. The goal is to have all suppliers commit to either the Musti Group Supplier Code of Conduct or the amfori BSCI Code of Conduct.

In Transparency International's Corruption Perceptions Index, Finland, Sweden, and Norway are ranked extremely well. Therefore, the immediate risk for corruption in Musti Group's main operating countries can be seen as reasonably low.

Employees can, at all times, report any misconduct to their supervisors or to Musti Group Management. The Musti Group corporate culture emphasizes trust between people and encourages employees to express and communicate their concerns openly with the management.

Musti Group's e-learning course on the Musti Group Code of Conduct includes aspects on anti-corruption principles. Every employee of Musti Group has to complete the e-learning course. By the end of the financial year 2020, 72% of all employees had completed the Code of Conduct e-learning course.

Musti Group's work contract for store managers categorically forbids accepting any gifts or benefits without the employer's (Musti Group's) written approval. The sourcing department also informs its employees to reject any gifts and other benefits offered by business partners.

Musti Group has internal controls for monitoring the accounting and financial transactions and for trying to prevent abuses. Musti Group's internal controls are monitored annually by an external auditor.

Musti Group has had a whistleblowing channel in place since early 2020 for internal and external reporting of misconduct (codeofconduct@mustigroup.com). In financial year 2020, there were no reported cases of misconduct through the whistleblowing channel.

Helsinki, 18 December 2020

Board of Directors



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