

Non-Financial Information Report

2022



Non-Financial Information Report

Financial Year 2022

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1. Business model

Musti Group plc ("Musti Group") is the market leader in the growing and resilient Nordic pet care market. Musti Group's mission is to make life easier, safer and more fun for pets and pet parents throughout their pets' lives.

In addition to our product offering, we want to be a full-service provider for our customers - both physically and digitally. Musti Group believes that our full-service ecosystem provides a unique value proposition that enhances and strengthens good customer relationships and differentiates us from our competitors. We strongly believe that as customers become part of our ecosystem and shop across more product categories and channels, their consumption and Musti Group's customer share will grow exponentially. Building a full-service ecosystem is the strategic differentiator driving future growth.

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 the product offering, we want to provide the customers with full experience of services – both physical and digital. Digital services, such as live lectures and live shopping, have been added to the selection. 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.

Musti Group serves their Nordic customers in all channels through chains Musti ja Mirri, Musti, Arken Zoo, Djurmagazinet and Peten koiratarvike, and through pureplay online retail brands such as Vetzoo and Peten Koiratarvike.

At the end of the financial year 2022, Musti Group had in total 335 stores in Finland, Sweden, and Norway. 16 of the stores were run by franchising partners. During financial year 2022 Musti Group employed on average 1,523 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 2022 were EUR 391,1 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.

Musti Group's responsibility approach, "Trusty" is divided into six sections. Pets and their parents, Employees and being part of the Community, are the main themes of the Trusty approach. Our work is based on a responsible supply chain, reducing environmental impact, good governance, and high ethics.

Trusty topics give an overview of what matters most to our stakeholders and us as a company. Our values – expertise, trust and our company culture, described as the Musti feeling – guide us in everything we do.

In the financial year 2021 Musti Group conducted stakeholder interviews, to improve understanding of stakeholder expectations on Musti's responsibility work and to develop Trusty approach. Based on the stakeholder views and revision of materiality assessment Musti added two new material aspects, Customer privacy and Transparency of supply chain, to the Trusty approach and set new responsibility targets (and KPIs) for 2022–2025 during financial year 2022 (please see page 4-5).

The Trusty responsibility approach:

Trusty

The Musti responsibility approach

THEMES



Pets and their parents

High quality and safe products and services
+
Satisfied and loyal customers
+
Customer privacy



Employees

Thriving experts
+
Well-being at work



Communities

Working for the common good
+
Openness for new inventions

BASIS

Responsible supply chain

Suppliers committed to Musti's requirements on responsible business practices
+
Transparency of supply chain



Reducing environmental impact

CO₂ emissions and energy management
+
Recycling and waste management



Good governance and high ethics

Compliance with policies and principles

NFI category	Musti theme	Material aspects	Targets	Key performance indicators	Target by FY25	FY21	FY22
Employee and social matters	Pets and their parents	High quality and safe products and services	Comprehensive quality monitoring High product quality	Effect of customer feedback concerning products and services on NPS + / -		+ 10.2	+ 10.9
				KPI starting from the end of FY22 and target set for FY25 Consumer complaint index	Reducing the amount of complaints	New KPI	New KPI New tool launched Development on going
				Time spent to complete product recall (hours)	Recall done within 1 hour	New KPI	Recall exercise on 29 March 2022
		Satisfied and loyal customers	Good NPS	NPS (scale -100 to +100)	Good NPS	All 77	All 75
		Customer privacy	Zero cases annually	No identified leaks, thefts, or losses of customer data that have led to substantiated complaints from the data protection ombudsman	0	New KPI	0
	Employees	Thriving experts	All employees complete a personal training path within 4 months of starting in their job	80% of employees have completed the role-specific learning path	> 80%	New KPI	New KPI Development on going
			Employee turnover below 17%	Employee turnover %, trend	Max 17%	15%	17%
		Well-being at work	Employee survey average score above 70%	KPI starting during FY22 Internal yearly survey score (Employee Satisfaction Index), survey 4 times / year	Above 70%	New KPI	81%*
			Equality survey score	Equality survey score	Promoting balance in management teams 40/60 (GMT and middle management), improving score by 10%	New KPI	Board 40/60 GMT 50/50
	Communities	Working together for the common good	Impactful community collaboration	Yes/no, Examples of collaboration	Yes	Yes Collaboration in all markets	Yes Collaboration in all markets
		Support good pet life within communities	Increasing the number of trained pet parents	Share of trained puppy families from the new puppies registered in Musti system during the current FY, per year, %	20%	New KPI	New KPI Development on going

NFI category	Musti theme	Material aspects	Targets	Key performance indicators	Target by FY25	FY21	FY22
Environmental matters	Reducing environmental impact	CO ₂ emissions and energy management	Reducing emissions from own operations (scope 1 and 2)	Scope 1 and 2 CO ₂ e tonnes & reduction % Direct and indirect emissions from own operations	Reducing emissions	New KPI	New KPI Development on going
			Reducing emissions from the supply chain	Share of suppliers who have set emission reduction targets, %	100% of our significant product suppliers have set an emissions reduction target and action plan	New KPI	New KPI Development on going
			Reducing emissions from the supply chain	Scope 3 tonnes & reduction (GHG protocol)	Reducing emissions	New KPI	New KPI Development on going
		Recycling and waste management	100% of packaging materials in our operations reused or recycled	Reused or recycled packaging material (%), warehouse / product packaging	100%	13%	31%
			Reducing packaging material including plastics	Packaging material reduced (%), including plastics, in relation to net sales	50%	2.7% decrease	5,5% increase
Human rights matters	Responsible supply chain	Suppliers committed to Musti's requirements concerning responsible business practices	All key and major product suppliers are committed to Supplier CoC	Percentage of suppliers who have signed the Supplier CoC	100% of product suppliers have signed CoC	100% Extended target scope for FY22	100%**
			100% of tier one suppliers in high-risk countries audited	Share of suppliers (%) covered by amfori BSCI audits	100%	95%	100%
			100% of tier one suppliers in high-risk countries in BEPI	Share of suppliers (%) covered by amfori BEPI	50%	New KPI	New KPI Development on going
		Transparency of supply chain	Improved transparency of the origin of the products	Value and share of direct purchases from the Nordics (FIN, SWE, NOR) and from high-risk countries	Baseline communicated concerning value and share of direct purchases from the Nordics and high-risk countries from total purchases	New KPI	Nordics 5.2% High-risk countries 11.8%***
Anti-corruption and bribery matters	Good governance and high ethics	Compliance with policies and principles	100% of our employees have completed an ethics training	% of employees have completed an ethics training	100%	53%	60%

*Change during FY22 to Internal Yearly Survey from Great Place to Work survey. Comparable figure not available.

**Scope increase for FY22 including Key and Major Suppliers (Scope FY21: Key Suppliers)

***Musti Group direct purchases (tier 1) from high-risk countries

In this report, the non-financial disclosures stipulated by the Accounting Act are covered as stated in the table.

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. During financial year 2021 Musti appointed a CSR & Quality Manager to group level operations. Corporate responsibility related topics and viewpoints are regularly discussed at management and Board meetings. During financial year 2022, Sustainability Steering Group was established, to support the management of responsibility related topics at Musti Group and responsibility aspects are regularly discussed also in Pet Expert Advisory Board. During financial year 2022, new Group intranet was launched, to support the management and knowledge sharing within the company. Trusty stories were continued as these are an important part of the communication that we are doing, as a company, offering great snap shots to be shared publicly of the responsibility work, that Musti Group is doing.

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 and Data Protection Policy ([link to website](#))

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

3rd of June 2022

Musti Group CEO statement of continued support for the UN Global Compact and its ten principles

To our stakeholders:

I am pleased to confirm that Musti Group reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labor, Environment and Anti-Corruption.

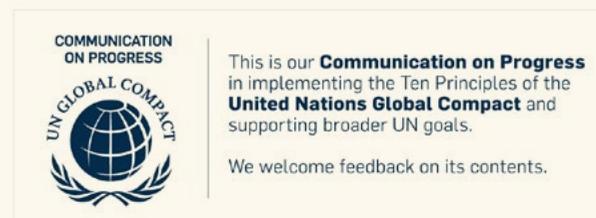
Musti Group has been committed to UN Global Compact since year 2013. We are committed to develop our business in line with the UN Global Compact and its ten principles. We are continuously developing and refining our Responsibility approach in every aspect of our business.

In this annual Communication on Progress, we describe our actions to continuously improve the integration of the Global Compact and its principles into our business strategy, culture, and daily operations. We also commit to sharing this information with our stakeholders using our primary channels of communication.

We are happy to continue to support the Ten Principles of the United Nations Global Compact going forward.

Sincerely yours,

David Rönnberg,
CEO of Musti Group



3. Trusty responsibility approach, main themes

Pets and their parents, employees and being part of the community are the main themes in the Trusty approach.

Pets and their parents

High quality and safe products and services + Satisfied and loyal customers + Customer privacy

The key performance indicators for the quality of products and customer satisfaction are customer feedback on products and services and their effect on the NPS level. In the financial year 2022, customer feedback on products and services had an impact of +10.9 points on the total NPS score (FY21 result +10.2). The overall NPS score of Musti Group was 75 (scale from -100 to +100) (FY21 result 77).

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. During financial year 2022, process to collect customer feedback was improved and new way of collecting data was introduced to the stores as a pilot. During financial year 2023, we will monitor the success of the new tool and evaluate how new method is working and deciding how to move forward.

Before introducing a product, Musti conducts quality checks as well as functional testing. We are constantly developing the selection to meet customer demand and have expanded the assortment with more locally produced products and more sustainable options.

During financial year 2022, new product range SMAAK, that is produced in Finland, was introduced to the market. Key elements in this product range are that the products are produced close to the market, where we operate, with renewable energy and locally sourced raw materials.

Our own sustainable Accessories brand Gaia was created already in 2018, which we keep developing constantly. Gaia products are manufactured from natural, recycled, and organic raw materials. We also carry Resploom Accessories brand as exclusive in Nordic markets. Resploom products are manufactured from recycled PET bottles, and they collaborate closely with WWF. Sustainability is included as one of our strategical must win's within category work. Musti is constantly working with looking for new opportunities to offer new more sustainable accessories to our customers.

Potential responsibility risks related to social matters include a failure in product safety control or supply chain quality assurance may result in financial losses, loss of customer trust or in the worst case, a health hazard to a pet. Customers or employees may also make allegations against Musti Group publicly concerning the quality of the company's product or services. This could result in a reputational loss for Musti Group. The product quality monitoring practices at Musti Group are guided by The Product Safety and Quality Principles, HACCP, The Animal Welfare and Pet Parenting Support Principles, The Supplier Code of Conduct and amfori BSCI Code of Conduct. More detailed risk profile is found from Board of Directors' Report.

Description EU regulation on product and food safety

The manufacturing of pet food is highly regulated in the EU, and there are more than 50 pieces of legislation governing the manufacture of pet food. Directly all foods for animals are governed by the same legislation and, as farm animals form part of the human food chain, the laws are necessarily stringent. Furthermore, as pet food is manufactured and distributed in the same way as human food, some legislation governing human food is equally applicable to pet food.

Indirectly, pet food enjoys the additional legal protection of the law which was designed to safeguard raw materials destined for the human food chain, from which the pet food industry also sources its raw materials. Examples of this include the laws restricting the residue levels of veterinary substances in meat and those of pesticides in cereal products. In addition, there is specific legislation governing pet food.

HACCP Plan and Description of QA process

Supplier selection is one of the most important elements of feed safety risk management in Musti Group.

The aim is to select only suppliers who are qualified with the high standards of Musti. Majority of the risk management is based on the HACCP and risk management on sites/factories by suppliers, and Musti Group demands reports every second year for the food safety and analysis.

A loss of significant supplier or an inability to source products from such suppliers that meet Musti Group's standards and requirements, or a supply reduction or cost increases demanded by suppliers may have a material adverse effect on the customer relationships and competitive position.

Musti Group's Group Sourcing manager is responsible for ensuring all pet food manufacturing facilities have an audit certificate before supplier acceptance. Audit certificate should cover following areas are audited, other falls under Code of Conduct:

- Factory facilities
- Raw material acceptance and storage
- HACCP for manufacturing process for dry complete food
 - Must contain following elements: dosing, cooking <120 degrees, cooling and moisture.
- Laboratory facilities and batch traceability until Best Before Date (BBD)
- Metal detectors in packing line

The Supplier is responsible for and warrants that all products meet the current laws and regulations imposed by the EU. Musti Group selects only products, where all pet food additives are EU approved, and all pet food ingredients are included into labelling texts (ingredient lists, macro nutrient break down and additional additives) according to EU labelling instructions. Musti Group do not list pet foods which are exceeding the EU-approved GMO traces. For animal pet foods and treats, Musti Group requires GMO-free documentation from the Supplier, if the intention is to sell goods in Norwegian market.

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.

For pet food products, the package labelling must be marked with best before date, as well as the manufacturing batch number. These things play a major part in the traceability. During financial year 2022, recall exercise was performed at Musti Group to strengthen even more the processes around emergency preparedness.

Customer privacy is an important part of a high-quality customer experience, and breach of customer data is a potential human rights risk for Musti Group. Information Security and data protection are key parts of Musti's ongoing compliance, risk management and responsibility principles. All Musti's operations are in the EU, thus, strict privacy regulation set high standards for information security and data protection management practices.

Musti Group depends on the continuous availability and reliability of its ICT platforms, which, in turn, depend on the functioning of its IT hardware. This includes operational risks, such as the occurrence of equipment and software failures, power interruptions and unlawful conduct by third

parties or human error. Musti Group's IT systems are also exposed to cyber security risks relating to, for example, viruses, malware, hacking, phishing attacks, penetrating, or bypassing security measures in order to gain unauthorized access to Musti Group's networks and systems.

To prevent and mitigate risks related to human rights, operational and cyber security Musti has adopted a continuous development approach to information security management. Information security management processes include annual activity planning, identity and account management, privacy tool maintenance, systematic auditing and internal training and communication.

Musti Group improved further information security processes and strengthened both internal and external capacity to manage information security and data protection.

Musti Group is using a privacy management platform to automate privacy-related documentation and to ensure the compatibility of operations with the law.

During the year 2022, new internal information security and data privacy training program was developed and launched. The program includes information security training held by the security personnel, and in addition, new information security and data protection training courses will be published in the company's self-learning environment at the beginning of 2023. This will also be included as part of the orientation program for all new employees.

Musti Group also launched during 2022 a new intranet platform, where is an information security section to support Musti employees.

The objective is that by 2023 all Musti employees have participated in these training programs, and they have achieved a good awareness of the subject area. Musti Group's Information Security Policy and Data Privacy Policy are published on Musti Group's website.

Employees

Social and employee matters are at the core of Musti's responsibility approach, Trusty. 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. The most important aspects under this theme are thriving experts and well-being at work.

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.

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. During financial year 2021 equality assessment was done and based on the results, during financial year 2022 new employee survey structure was developed and launched. This offers good visibility to how Musti employees feel also about equality at Musti. Musti Group employees rated 90% positive scores, in the yearly survey conducted in financial year 2022, in the fairness category, which is covering the equality aspects at Musti Group.

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 2022, employee turnover was 17% (2021: 15%).

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 favour of employee well-being and discussion on what it means in practice to be a fair employer.

Employee satisfaction is measured by using the results of the Musti Group's internal yearly survey results. New survey structure was developed and launched during financial year 2022. It consists of two elements: yearly survey and three eNPS surveys throughout the year. With this new developed structure, Musti Group will strengthen its ability to follow up the employee satisfaction throughout the year. Employee satisfaction index was at a level of 81% in financial year 2022. Comparable figure from the last financial year is not available, as internal yearly survey was launched during financial year 2022. Previously employee satisfaction was measured with Great Place To Work survey and result for GPTW for FY21 was 73%.

Teams discuss the results of the employee satisfaction 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. During financial year 2022, 34 Musti Group's employees took pawternity leave. Pets are also welcomed 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.

During financial year 2022, Musti Group launched a new competence development academy, Musti Pawcademy, to support employees even more. Musti Pawcademy is a learning framework to assure sufficient knowledge all around the company. Musti Pawcademy consists of three main competence development areas: E-learning, Face-to-face training, and Community learning. All training and recordings are available on an online platform that is accessible to our employees at any time. The e-learning form the basis of Musti Pawcademy. They include mandatory training on topics such as Musti's Code of Conduct, work environment, product knowledge and sustainability.

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 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 employees an opportunity to learn new skills and to advance in their careers. The employees are in general offered e.g. manager training. During financial year 2022, the recycling practises at the Central Warehouse in Sweden, were elevated, by offering more detailed training about recycling methods to warehouse personnel.

Musti Group cooperates with vocational education institutions to ensure the supply of high-quality workforce in the future and offers e.g. internship opportunities for students in Finland.

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) in Finland operations.

The recruitment process at Musti Group is fair and treats all candidates in a respectful and equal manner. The recruitment process for Musti Group personnel has been documented and there are instructions for hiring in the recruiting process. 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.

Communities

Community acceptance of pets in general and Musti Group as a company is essential to Musti's success. The most important aspects under this theme are working for the common good and openness for new inventions. Musti Group wants to be a full-service provider for our customers – both physically and digitally. Musti Group believes that our full-service ecosystem provides a unique value proposition that enhances and strengthens good customer relationships and differentiates us from our competitors.

Digital services, such as live lectures have been added to the selection, to support pet parents. This helps Pet Parents to have a good and long relationship with their pet. 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. These activities engage pet parents together and increase social life of pet parents.

Musti Groups has continued to work with the following community initiatives also during FY22:

- Official partnership with the Red Cross in Norway: Besøksvenn med hund (visit a friend with a dog)
- Supporting Svenska Djurambulansen (Animal ambulance) in Sweden
- SEY (Animal Welfare Finland) in Finland
- The Hot Dog campaign, in cooperation with SEY, will also continue. Bumper stickers and information about dogs' needs in the summer heat will be distributed in our stores.
- The campaign for abandoned cats, launched with SEY in 2020, will continue.
- Food donations through SEY and its sub-associations to those in need, such as Ukraine or local animal shelters.
- Donating broken package and best-before-day products from stores to local cat/dog shelters in Finland, Sweden, and Norway.
- Official partnership with Finnish Pride.
- A business partnership with Mieli Ry and a sales channel for the Mielinauha in Finland.

During financial year 2022, Musti Group also supported Red Cross and their work in Ukraine by making a donation and also by offering Musti Groups customers the possibility to donate to Red Cross in our stores and webstores.

4. Trusty's solid basis

Responsible supply chain, reducing environmental impact, good governance and high ethics form the solid basis of Trusty approach.

Responsible supply chain

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. Suppliers in high-risk countries must sign the amfori BSCI Code of Conduct and be audited by amfori BSCI.

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 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 has improved the transparency of its supply chain during financial year 2022. For Musti this means being transparent about the origin of our products. The volume Musti Group buys directly from companies located in high-risk countries is small, direct purchases from high-risk countries was 11.8% of total annual purchases. And 5.2% was purchased from Nordic Countries, where responsibility related risks can be seen smaller.

Also, wholesalers or brand owners are required to ensure that responsibility aspects are considered in their operations, including their own supply chain, when Musti Group purchases from them.

All Musti Group's suppliers in high-risk countries are required to be part of amfori BSCI and to be audited by amfori BSCI. In financial year 2022 the coverage of amfori BSCI audited suppliers in high-risk countries was 100% (FY21 result 95%).

Reducing environmental impact

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 behaviour 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 must complete.

Musti Group has set a target, to reduce their CO₂ emissions by the end of financial year 2025 and to have their most significant products suppliers to set their own emission reduction targets by the end of financial year 2025. To support this work, Musti Group has attended to UN Global Compact Climate Ambition accelerator program during financial year 2022. This shows the commitment, that Musti Group has, to manage even better, the emissions of their own operations as well as the emissions in the whole value chain. During financial year 2022, Green House Gas emission inventory was started.

Based on the conducted analysis of IT equipment, Musti Group found a significant potential to extend the life cycle of used IT devices. One the key actions was to start a co-operation with a certified partner to recycle our end-of-life IT equipment effectively. Our partner classifies used devices into several categories based on their physical and functional condition. Most of the recycled equipment is refurbished for reuse, the rest are recycled in an environmentally friendly manner.

In financial year 2022, 59% of our end-of-life IT equipment we delivered for recycling were refurbished for new use. By using this service, we avoided 5,344 kg of CO₂ emissions from IT equipment.

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. 10% by increasing the size of consignments. In the financial year 2020, Musti has started to collect CO₂e data from logistics partners. During financial year 2022 emissions from the B2B transportation were 5,05 CO₂ tonnes per million euros and emissions from the B2C transportation were 3,11 CO₂ tonnes per million euros. We are seeing more distribution companies handling business to customer deliveries, introducing emission reduction programs. Musti Group has also implemented during financial year 2022 HVO on Norwegian linehaul, for business to customer deliveries.

Musti Group aims to acquire 100% renewable energy in its locations whenever the electricity contract is directly influenced by the company. In the financial year 2022, 100% of Musti Group's energy consumption at warehouse operations and operations in Sweden (where the electricity contract is directly influenced by the company) came from renewable sources.

The energy efficiency of warehouses was 98.1 kWh/m² (FY21 result 99.0 kWh/m²). When new warehousing facilities are introduced through service providers or through own actions, Musti Group seeks the most environmentally friendly solutions.

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 2022, Musti Group did not meet the target as there was a 5.5% increase in packaging material in relation to net sales compared to the 2019 level in the warehouses. Increase came from the usage of carton as the usage of plastic was reduced by 5.3% compared to the FY21 figures.

During financial year 2022, 31% of packaging materials were either reused or recycled (FY21 result 13%). During financial year 2022 corrective measures were taken to increase the level of recycling at the central warehouse. Corrective measures included clearer communication of different waste bins, waste fractions, separation of waste and training of the employees. In the financial year 2022, Musti Group recycled 209 metric tons of carton and paper (FY21 result 115 tons) and 25.9 metric tons of plastic (FY21 result 22 tons) 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. During financial year 2022 Musti Group consolidated business to customer packing materials to one supplier and optimized the usage of carton. Musti Group's target was to reduce the number of different carton packages and to reduce overall carton used. New development projects for optimizing packing and packing process is ongoing.

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 to reduce the amount of food waste.

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 2022, Musti stores in Finland have reduced the use of plastic bags from 1.1 million per year to 0.59 million per year (FY21 0.598 million 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 among its personnel. In May 2022, Head Office was inspected by WWF and certificate was renewed. In 2022, the Green Office Consumer Habit Survey score was 74.4 out of 100.

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 sustainable and locally produced products as well as pet products made of recycled materials.

Pet food playing important role in Musti Group product portfolio, the launch of SMAAK dog dry and cat dry food has significantly developed our shift towards locally sourced and close by produced food for pets. The brand has received very warm welcome among Nordic pet parents.

An example of a category where Musti can see consumers looking for more sustainable material is incat litter, where we see an increasing sales trend in more sustainable products as wood pellets. Musti Group has also introduced products with insects to offer a variety of protein sources for consumers.

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 social risks in its supply chain in high-risk countries, e.g. by supplier audits conducted by amfori BSCI.

Good governance and high ethics

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. All Musti Group's employees, including the management and the board of directors, are responsible for following the Code of Conduct in their work in all business areas and countries. Musti Group has zero tolerance for unethical behaviour.

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.

According to the Musti Group Code of Conduct, its employees must avoid any activity that may lead to a conflict of interest. In the event of a conflict of interest occurs, employees are required to bring the matter to the attention of their manager, or Legal or HR function prior to taking any action.

Musti Group employees must not give or receive, whether directly or indirectly, bribes or other improper advantages for business or financial gain. Musti Group's employment contract for store managers categorically forbids accepting any gifts or benefits without the employer's (Musti Group's) written approval. The sourcing department also prohibits its employees from accepting any gifts and other benefits offered by business partners. 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 shall not be disclosed to unauthorized persons.

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

Musti Group's e-learning course on the Musti Group Code of Conduct includes aspects on anti-corruption principles. Every employee of Musti Group must complete the e-learning course. By the end of the financial year 2022, 60% of all employees had completed the Code of Conduct e-learning course (FY21 result 53%).

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

Musti wants to be a responsible employer and we are committed to maintaining transparency and high ethics. We encourage our employees and stakeholders to raise possible concerns at a low threshold. Employees may, at all times, report any misconduct, through anonymous whistleblowing channel or 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 has had a whistleblowing channel in place since early 2020 for internal and external reporting of misconduct. During financial year 2022, Musti's Whistleblowing channel (<https://whistleblowermustijamirri.efectecloud.com/>) was renewed to comply with the new requirements of whistleblowing directive. New channel offers employees and other whistleblowers a reliable and anonymous channel for reporting suspected misconduct in our organization.

In financial year 2022, there were no reported cases of misconduct (FY21 result 0).

5. Trusty 2022–2025 – more actions, higher ambitions

In the financial year 2022 Musti Group revised and published new responsibility targets (KPI's) and added two new material aspects, Customer privacy and Transparency of supply chain, to Trusty approach. Revision was done based on the stakeholder interviews conducted during financial year 2021. New material aspects and new KPIs will guide Musti towards even more ambitious approach to sustainability. New targets have been set up until the end of financial year 2025 and systematic steps will be taken during these years towards new targets.

Musti Group is aiming to be even better in their sustainability work, to fulfil the expectations of their stakeholders in all levels and to make positive impact on the world around us.

EU taxonomy

Musti Group's reporting on EU Taxonomy complies with Regulation (EU) 2020/852 of the European Parliament and of the Council (18 June 2020). In accordance with the Taxonomy regulation, the proportion of Group net sales, capital expenditure, and operating expenditure derived from activities referred to in the Taxonomy are reported as Taxonomy-eligible activities. Musti Group has evaluated the NACE classification and analyzed its business against the classification. The primary economic activities from which Musti Group recognises revenue are the sales of goods and services to customers. The sale of goods is not included within the Taxonomy scope. Services are mostly related to products sold. The inclusion of a Taxonomy-eligible activity in reporting is primarily tied to recognition of revenue, which is why, the proportion of Taxonomy-eligible activities of all Musti Group activities is minor. The share of Taxonomy-eligible of Musti Group's net sales, operating expenditure and capital expenditure is 0%.

Helsinki, 15 December 2022

Board of Directors



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Our annual report is available in electronic format and is published annually. To reduce the usage of printing materials, the report is available only in digital format.