

Non-Financial Information Report

2023



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Nearly 70% of pet owners feel happier thanks to them, and animals make more than half of their people feel a greater sense of well-being.



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Financial Year 2023

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Musti Group reports its non-financial information in accordance with the Non-Financial Reporting Directive (NFRD), the Finnish Accounting Act, and the European Union (EU) Taxonomy Regulation. For more on Musti Group's sustainability, see Musti Group's [Annual Report](#) and [website](#).

In April 2023, Musti Group acquired the full ownership of the petfood factory Premium Pet Food Suomi Oy in Lieto, Finland. Musti Group is in the process of integrating the new business unit into the Group's sustainability policies and risk management practices. This integration will continue during the financial year 2024 and once completed, Musti Group will include the new business unit in its sustainability reporting indicators and results.

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 a 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 Group also provides services that aim towards building an engaging community around Musti Group and enhancing customer satisfaction, such as puppy dates.

Musti Group serves its Nordic customers in all channels through the retail 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 fiscal year 2023, Musti Group had in total 342 stores in Finland, Sweden, and Norway. 12 of the stores were run by franchising partners. During the financial year 2023, Musti Group employed on average 2,200 Musti employees. 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 2023 were EUR 425.7 million.

2. Sustainability focus areas, targets and key performance indicators and sustainability governance

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 operations create value and generate economic benefits for various stakeholders in Musti Group’s operating countries and markets. Key stakeholders include employees, customers and consumers, partners and suppliers, investors and analysts as well as pet associations and other NGO partners.

Musti Group’s responsibility approach, “Trusty”, is divided into six sections and covers the most material sustainability topics for Musti Group. Pets and their parents, Employees and Being part of the Community are the three main themes of the Trusty approach. Our work is based on a responsible supply chain, reducing environmental impact, good governance, and high ethics. The material topics give an overview of what matters most to our stakeholders and relate to Musti Group’s key impacts. Our values – expertise, trust and our company culture, described as the Musti feeling – guide us in everything we do.

Musti Group engages regularly with its stakeholders to improve our understanding of their expectations on our sustainability work and to develop the Trusty approach. The current approach is based on the materiality assessment updated in the financial year 2021, in which stakeholders were asked to provide their views on key sustainability themes for Musti Group and its stakeholders. Within the revision of materiality assessment, Musti Group also set new responsibility targets for 2022–2025. Musti Group’s key responsibility targets and KPIs, which will be followed and frequently reported on at the Group level, are presented on pages 5–6.

Musti Group is currently updating its approach to material sustainability topics by considering both impact and financial materiality (‘double materiality approach’). In line with the principles of double materiality, sustainability topics will be assessed based on their relevance to Musti Group’s business and stakeholders, their impact on the economy, environment, and society, and the estimated magnitude of their effects.

The material sustainability topics for Musti Group are related to the themes in the non-financial reporting requirements: environmental matters; social and employee matters; respect for human rights; and anti-corruption and anti-bribery. The themes are covered in this report as stated in the table on the next pages.

The Trusty responsibility approach:

Trusty

The Musti responsibility approach



NFI category	Musti theme	Material aspects	Targets	Key performance indicators	Target by FY2025	FY2021	FY2022	FY2023
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	+10.8
				KPI starting from the end of FY2022 and target set for FY2025 Consumer complaint index	Reducing the amount of complaints	New KPI	New KPI New tool launched Development on going	Implementation of new tool and reporting system. FY2024: Systematic data generation from the tool for the index.
				Time spent to complete product recall (hours)	Recall done within 1 hour	New KPI	Recall exercise on 29 March 2022	Recall exercise on 18 April 2023 incl. PPF factory.
		Satisfied and loyal customers	Good NPS	NPS (scale -100 to +100)	Good NPS	All 77	All 75	All 75
	Customer privacy	Zero cases annually	# identified leaks, thefts, or losses of customer data that have led to substantiated complaints from the data protection ombudsman	0	New KPI	0	0	
	Employees	Thriving employees	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	Reporting and follow-up system in place and role-specific learning paths defined. FY2024: Monitoring and reporting on progress.
		Well-being at work	Employee turnover below 15%	Employee turnover %, trend	Max 17%	15%	17%	16.7%
			Employee survey average score above 70%	KPI starting during FY2022 Internal yearly survey score (Employee Satisfaction Index), survey 4 times/year	Above 70%	New KPI	81% Change during FY2022 to Internal Yearly Survey from Great Place to Work survey	83%
	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	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	Ongoing launch of the puppy training concept; training already provided to families with newly registered puppies in the system. FY2024: Training concept and reporting system fully implemented.

NFI category	Musti theme	Material aspects	Targets	Key performance indicators	Target by FY2025	FY2021	FY2022	FY2023
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 and reduction % Direct and indirect emissions from own operations	Reducing emissions	New KPI	New KPI Development on going	Scope 1 & 2 CO ₂ calculations started. FY2024: Scope 1 & 2 CO ₂ calculations completed and first emission reduction targets set.
			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	Significant suppliers have been identified. FY2024: Evaluation of suppliers' emission reduction targets and reporting on their progress.
			Reducing emissions from the supply chain	Scope 3 tonnes and reduction (GHG protocol)	Reducing emissions	New KPI	New KPI Development on going	Scope 3 data gathering started. FY2024: Scope 3 CO ₂ calculations and developing further Scope 3 screening.
		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%	65% Recycling rate in warehouse operations
			Reducing packaging material including plastics	Packaging material reduced (%), including plastics, in relation to net sales	50%	2.7% decrease	5.5% increase	Packaging materials in relation to net sales 3.0 tonnes/mEUR ²
Human rights matters	Responsible supply chain	Suppliers committed to Musti's requirements concerning responsible business practices	All key, major and minor product suppliers are committed to Supplier CoC	% of suppliers who have signed the Supplier CoC	100% of product suppliers have signed CoC	100% Extended target scope for FY2022	100% Extended target scope for FY2023	98.4% ³
			100% of tier one suppliers in risk countries audited	Share of suppliers (%) covered by amfori BSCI audits	100%	95%	100%	100%
			100% of tier one suppliers in risk countries in BEPI	Share of suppliers (%) covered by amfori BEPI	50%	New KPI	New KPI Development on going	The amfori BEPI risk assessment launched to tier one suppliers in risk countries and self-assessments covering environmental performance areas on going
		Transparency of supply chain	Improved transparency of the origin of the products	Value and share of purchases from Nordic (FIN, SWE, NOR) and from risk countries	Baseline communicated concerning value and share of purchases from the Nordics and risk countries from total purchases	New KPI	Risk countries 11.63% Nordic countries 24.83% ⁴	Risk countries 7.98% ⁵ Nordic countries 55.83%
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%	76%

¹Fairness Index introduced in FY2023. The index is based on fairness and equality related aspects measured through the annual Musti View Survey.

²Due to a methodology change, a percent progress towards this target is not reported for FY2023. With this change of methodology, FY2022, the packaging materials used in relation to net sales would have been 2.95 tonnes/mEUR. In comparison between fiscal years 2022 and 2023, the amount of packaging materials used increased by 1.7% in relation to net sales.

³Scope increase for FY2023 including key, major and minor suppliers (FY2022: Key and major suppliers). Calculated against suppliers and spend covered in a central procurement tool.

⁴The figure for FY2022 was restated in connection with the reporting on FY2023.

⁵Includes Musti Group direct purchases (tier 1) from suppliers located in risk countries.

The corporate responsibility approach is approved by Musti Group’s Board of Directors. The responsibility function is headed by the Group Head of HR & ESG, who is a member of the Musti Group Management Team. The corporate responsibility approach, related targets, and all supporting policies are owned, driven and monitored by Musti Group’s Management Team. The Group level operations are led by the CSR & Quality Manager.

Corporate responsibility related topics and viewpoints are regularly discussed at Group Management and Board meetings. To support sustainability governance, the Sustainability Steering Group drives and follows the progress of Musti Group’s sustainability efforts towards the targets, providing status updates and guidance on implementation quarterly. Sustainability matters are regularly discussed also in the Pet Expert Advisory Board.

The Group intranet supports sustainability management and communications, strengthening both employee engagement in sustainability practices and the corporate culture of Musti Group. The Group’s sustainability efforts are communicated through Trusty stories, which, in addition to engaging the Group’s own people, offer great snapshots to be shared publicly.

Key Group-level policies that guide Musti Group’s operations include the following policies and principles:

- The Musti Group [Code of Conduct](#)
- The Supplier [Code of Conduct](#)
- The 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 has been a member of the United Nations Global Compact since 2013 and amfori BSCI since 2016.

During the financial year 2023, Musti Group achieved an AA rating in the MSCI ESG Rating Index measuring companies’ resilience against long-term ESG risks.

26 May 2023

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

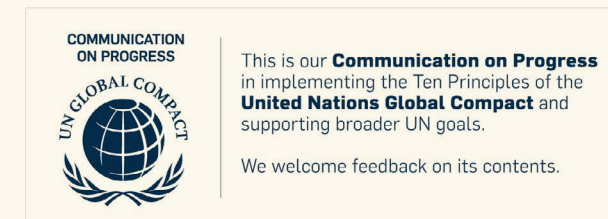
To our stakeholders:

I am pleased to reconfirm our support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labor, Environment, and Anti-Corruption.

In this annual Communication on Progress, we disclose our continuous efforts to integrate the Ten Principles into our business strategy, culture, and daily operations, and contribute to the United Nations’ goals, particularly to the Sustainable Development Goals.

Sincerely yours,

David Rönnerberg
CEO of Musti Group



3. Social and employee-related matters

Musti Group invests in being the most desirable and appealing employer in the retail business. At Musti Group, we believe that a good customer experience cannot be achieved without satisfied employees. The most important aspects under this theme are thriving employees and well-being at work.

Musti Group considers labor principles 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 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.

Alongside customers, employees, and partners, Musti Group works towards the common good, aiming to have a positive impact on the societies and the local communities in which the company operates. As taking care of pets and their parents in need is deeply rooted in Musti Group's company culture, we encourage our employees to remain vigilant for collaboration opportunities and new innovations.

Employees

Employee turnover is typically high in the retail industry, as many of the employees are young and in their first job. At Musti Group, employee turnover has always been on a low level. In the financial year 2023, employee turnover was 16.7% (FY2022: 17%).

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.

At Musti Group, we expect all employees to have an interest and expertise in animal well-being, and most of our staff are pet owners. Pets hold a significant place in Musti Group's culture, making pet-friendly workplace policies an integral aspect of our social responsibility approach. We warmly welcome pets at the office and the stores, further emphasizing our commitment to creating an inclusive environment for both employees and their furry companions.

To ensure that our employees in Finland, Sweden, and Norway can establish a strong bond with their new pets, we offer a 3-day paid "Pawternity leave". Introduced in 2018, Pawternity leave has been acknowledged as a valuable benefit for enhancing flexibility among Musti Group employees who are pet parents. The Group consistently communicates about this opportunity and actively encourages employees to take advantage of it. Pawternity leave has been popular and appreciated among the employees since its introduction. Musti Group has continued actively promoting this benefit, and during the financial year 2023, 164 Musti Group employees took Pawternity leave (FY2022: 34).

Taking our employees' opinions into account and actively listening to them promotes understanding and empathy. Ensuring that our teams know their voices have been heard and responding to their input demonstrates a strong commitment to their well-being. Consequently, we regularly conduct engagement surveys as an effective method for assessing and enhancing the key factors that contribute to the development of our corporate culture.

Employee satisfaction is measured using the results of Musti Group's internal yearly survey. The financial year 2023 marked the second year for the Group with the renewed Musti View Survey. The survey consists of two elements: a yearly survey and three eNPS surveys throughout the year. With this developed structure, Musti Group has strengthened its ability to follow up on employee satisfaction throughout the year. In the financial year 2023, the employee satisfaction index raised to a level of 83% (FY2022: 81%). The employee survey is conducted by an external partner to ensure objectivity and maintain the integrity of the results. Teams discuss the results of the employee satisfaction survey and agree on development targets.

Identified potential responsibility risks related to employee matters at Musti Group are related to the 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.

Diversity, equity and inclusion

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. According to the Musti Group Code of Conduct, the Group respects the privacy and personal characteristics of every individual and does not accept any discrimination, intimidation, or harassment at work.

During the financial year 2023, Musti Group continued to implement work plans and monitoring and assessment systems to foster equality and inclusion in our workplaces. The main initiative for monitoring equality among employees is the annual employee survey, Musti View, launched in the financial year 2022. The Musti View Survey allows us to obtain and assess our employees' feedback on various aspects of their day-to-day life, such as skills development, personal well-being, equal opportunities, respect, and fairness. In addition, we created the first Fairness Index to measure how our organization succeeds in building a fair work environment, promoting equality. The results were positive: our Fairness Index was 70.7% favorable.

Furthermore, an equality assessment is conducted every two years. Through these assessments, Musti Group monitors aspects such as equal pay, training and skills development, and workforce development. Based on the most recent equality assessment, conducted during the financial year 2023, an Equality Promotion Plan was developed. This action plan is updated every two years. In the action plan, which sets targets for 2023–2024, the key focus areas for Musti Group include the development of recruitment practices and the revision of equality questions in the Musti View Survey. Along with the actions of the plan, two additional questions were included in the survey.

Training and development

Employee well-being and development is one of the main themes of Musti Group's responsibility approach. To ensure that all Musti Group employees have the best possible know-how and skills, the Group has invested significantly in competence development, training, and education.

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.

Musti Pawcademy is a learning framework to assure sufficient knowledge across the company consisting of three main competence development areas: E-learnings, 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-learnings 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 as well as a tailor-made, employee specific learning path based on their role.

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. During the financial year 2023,

Musti Group organized monthly live training sessions called "Finally Wednesday" to share information, tips, and inspiration around specific themes. These trainings, targeted at the store staff, gathered approximately 300–400 participants within each training session. Along with promoting an interactive way of learning, the trainings offer great opportunities to introduce new products and their selling points, including any sustainability features they may have.

In the financial year 2023, a new Nordic training concept "My Musti Development", aimed at Musti Group office employees and managers, was launched. Including interactive training, live-trainings and workshops, the framework provides tools for self-determination, giving and receiving feedback and assessing personal growth and leadership skills.

Musti Group induction guidelines for personnel are in use in all entities. 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 of and good competences in 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.

At Musti Group, it has always been important to put effort into 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 the Finnish operations. 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.

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 to 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 Group and enhancing customer satisfaction, such as puppy dates. These activities engage pet parents together and increase the social life of pet parents.

Musti Group has continued to work with the following community initiatives also during the financial year 2023:

- 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
- Food donations through SEY and its sub-associations to those in need, such as 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 Mental Health Finland and a sales channel for the "Mielinauha" in Finland
- Charity walk "Haukutuin lenkki" (most barked walk): For each participant, 1 kg of food was donated to animal welfare associations

In the financial year 2023, Musti Group cooperated with Helsinki Pride week and participated in the event through Musti ja Mirri. Musti ja Mirri published three works of art with animal figures in honor of the Helsinki Pride collaboration which adapt the iconic drawings of Tom of Finland, aka Touko Laaksonen, from the late 20th century. Tom of Finland continues its efforts to promote healthier and more tolerant attitudes toward sexuality. With pictures set in the animal world, Musti Group wanted to support their employees' right to an unprejudiced workplace and the right to be yourself. We firmly believe that equality and diversity create opportunities for employees to flourish.

At the turn of the year 2023, we launched an ad campaign to raise awareness about the difficulties dogs and their owners face on New Year's Eve. The loud sounds and lights of fireworks cause enormous torment and even long-term trauma to pets every year. In the campaign, we created a virtual Musti dog to represent Finnish dogs which reacts to fireworks like real dogs by panicking, running away and hiding. The ad campaign was brought out to the streets in the center of Helsinki on New Year's Eve.

4. Sustainability in value chain

Musti Group is developing sustainability and responsibility in its value chain by, for example, supporting customers' sustainable choices and developing its responsible sourcing practices. The sustainability and transparency of Musti Group's supply chains is one of the focus areas of Musti Group's responsibility approach.

Musti Group together with suppliers is responsible to the products' end-users for ensuring that the products comply with all the requirements of Nordic and EU legislation, are safe for users, and meet quality promises. Before introducing new products into its offering, Musti Group conducts consumer, quality and functional testing. We are constantly developing the selection to meet customer demand and have expanded the offering with more locally produced products and more sustainable options.

Product quality and safety

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 2023, customer feedback on products and services had an impact of +10.8 points on the total NPS score (FY2022: +10.9). The overall NPS score of Musti Group was 75 (scale from -100 to +100) (FY2022: 75).

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. Launched as a pilot in the financial year 2022, Musti Group continued the development of a new way of collecting customer feedback data at the stores. The customer feedback data is an important part of Musti Group's quality control and supplier evaluation processes. Through a unified way of working – a digital application for managing the Group's customer feedback – we can concentrate feedback related to products and brands under one system.

With the active use of the application, Musti Group can react to customer feedback and possible quality challenges even faster. During the financial year 2023, Musti Group continued implementing the application and new operating method in the stores by, e.g., training the store staff. We will monitor the success of the new tool during the financial year 2024, evaluate the data collection process and decide how to move forward.

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

A loss of a 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.

To develop the quality assurance framework, Musti Group aims to ensure that 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 in labelling texts (ingredient lists, macro nutrient break down and

additional additives) according to EU labelling instructions. Musti Group does 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 the 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 a best before date, as well as the manufacturing batch number. These things play a major role in traceability. During the financial year 2023, a recall exercise was performed at Musti Group to further strengthen the processes around emergency preparedness.

Sustainable products

In April 2023, Musti Group acquired a full ownership of the petfood factory Premium Pet Food Suomi Oy in Lieto, Finland. The factory was granted FSSC 22000 (Food Safety System Certificate) and ISO 14001 (environmental management system) certifications in May 2023. Localness is one of the key elements in Premium Pet Food's approach to sustainable pet food production. Most of the ingredients come from nearby farms, and the salmon and lamb are Nordic. The factory produces both dry foods and frozen foods. This acquisition allows Musti Group to deepen its commitment to sustainably produced products, demanded by an increasing number of pet parents.

Introduced to the market during the financial year 2022, a product range called SMAAK strengthened its position in the Nordic market, being one of the biggest brands in Musti Group's portfolio during the financial year 2023. Key elements in this product range are that the products are produced close to the market where Musti Group operates, with renewable energy and locally sourced raw materials. We continuously develop the SMAAK brand to respond to the increasing interest towards products that are produced sustainably.

After the financial year 2023, Musti Group withdrew the SMAAK Adult Grain-Free Fish dog food and SMAAK Adult Grain-Free Chicken for Cats products from the market following a suspected quality defect and customer complaints. Based on analyses, the reason for the symptoms was high concentration of glycoalkaloids caused by a batch of imported potato flakes, only used in these two products. As a consequence of the recall, Musti Group has improved its self-monitoring at the Lieto factory and terminated cooperation with the supplier in question.

Our own sustainable Accessories brand Gaia, which we develop continuously, was created already in 2018. Gaia products are manufactured from natural, recycled, and organic raw materials. We also carry the Resplot Accessories brand exclusively in the Nordic markets. Resplot products are manufactured

from recycled PET bottles, and they collaborate closely with WWF. Sustainability is included as one of our strategic must wins within category work. Musti Group is constantly looking for new opportunities to offer new, more sustainable accessories to our customers.

Responsible supply chain and human rights

Musti Group impacts people's lives throughout its global value chain. The company respects human rights and supports the equality of people, promoting the principles set by United Nations' Universal Declaration of Human Rights, International Labor Organization, and the United Nations Global Compact (UNGC).

Musti Group is committed to full compliance with all applicable laws and regulations of relevant countries. All business is conducted according to the law and with integrity, and 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. During the financial year 2023, among the key, major and minor suppliers by spending, the Code of Conduct coverage was 98.4%. Among the key suppliers accounting for over 1.2% of total spending so far this year, the coverage was 100%. Similarly, among the major suppliers accounting for over 0.6% of total spending so far this year, the coverage was 100%. Among suppliers accounting for less than 0.6% of total spending, the coverage was 90.86%.

Musti Group appreciates long-term and localized suppliers. Compliance with laws and regulations as well as respect for international human rights are required of each supplier. We carefully select our suppliers, considering objective criteria such as quality, reliable delivery, sustainability, and pricing.

Musti Group categorizes its suppliers according to the risk level. Suppliers are divided into 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. For the Group, this means being transparent about the origin of our products. The volume Musti Group buys directly from companies located in risk countries is small: the share of direct purchases from suppliers in risk countries was 7.98%, and the share of direct purchases from suppliers in the most severe risk countries was 0% of total annual purchases.

Musti Group strives to increasingly shift production to the Nordic countries, and during the financial year 2023, direct purchases from suppliers in the Nordic countries accounted for approximately 55.83% of Musti Group's total annual purchases. Moreover, the share of direct purchases from suppliers in the EU countries, classified as low-risk countries, was 23.76%, and 12.43% from non-EU countries, classified as low-risk countries. In the risk assessment of supply countries, Musti Group utilizes the amfori Country Risk Classification based on Worldwide Governance indicators published by the World Bank.

Membership in the amfori BSCI gives Musti Group a tool to reduce social risks as well as assess and control potential human rights impacts in its supply chain in risk countries, e.g., by supplier audits conducted by amfori BSCI. All Musti Group's suppliers in risk countries are required to be part of amfori BSCI and to be audited by amfori BSCI. In the financial year 2023, the coverage of amfori BSCI audited suppliers in risk countries was 100% (FY2022: 100%). Additionally, 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.

5. Environmental matters

The focus of Musti Group's environmental work is on energy management, reducing CO₂ emissions, and recycling and waste management. Musti Group is committed to environmental and sustainable work in its own sphere of influence as well as in its entire 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.

Reducing environmental impact

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 2023, 100% of Musti Group's electricity consumption at warehouse operations and operations in Sweden (where the electricity contract is directly influenced by the company) came from renewable sources.

Musti Group strives to continuously improve energy efficiency in the warehouses. In the financial year 2023, the specific energy consumption of warehouses was 81.79 kWh of energy per gross m² (FY2022: 105.97 kWh/m²). The specific energy consumption of warehouses decreased by approximately 22.8% compared to the previous year. In non-financial reporting 2023, Musti Group updated the reporting method of energy consumption. The update concerned consumption of district heat and electricity regarding warehouse operations in Finland. Previously, the figures also included estimated consumption. Due to improved monitoring, Musti Group now reports consumption based on actual figures. The figures from financial year of 2022 have been retroactively adjusted.

When new warehousing facilities are introduced through service providers or through own actions, Musti Group seeks the most environmentally friendly solutions. During the financial year 2023, Musti Group's frozen storage facility in Sweden was relocated to a new provider, where the supplier has

constructed a new frozen storage unit. In the new facility, the supplier has equipped the entire roof of the new facility with solar panels. Furthermore, the supplier utilizes ammonia – more environmentally friendly and lower-emission refrigerant – in the refrigerant machines and has adopted LED lighting in all its premises. In addition, the supplier uses ammonia – a more environmentally friendly and low-emission refrigerant – in its refrigerant machines, and has adopted LED lighting at all its premises. The heat from the refrigerant machines is used to heat the supplier's own premises. Charging stations for electric cars have also been made available for our own employees.

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.

The majority of waste generated in Musti Group's operations comes from the packaging materials of products arriving at the central warehouse. In the financial year 2023, Musti Group continued its efforts to reduce waste and improve recycling, increasing the recycling rate at the central warehouse. In the financial year 2023, Musti Group's central warehouse recycling rate was 65%, and 388 tonnes of cardboard and paper were recycled (FY2022*: 296 tonnes), along with 84 tonnes of plastic (FY2022*: 49 tonnes). 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 prioritizes reducing the amount of packaging material. Through the optimization of our packing process, we anticipate the possibility of almost completely eliminating plastic fillers from our B2C boxes by financial year 2024 or 2025.

Musti Group has started collecting and recycling 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 to find ways to implement 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 for recycling 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 2023, Musti stores in Finland have reduced the use of plastic bags from 1.1 million per year to 0.53 million per year (FY2022: 0.59 million per year). In Finland, Musti stores also sell reusable bags made of 80% recycled plastic.

*Recycled carton and paper figures restated for FY2022 due to minor corrections in the data.

To reduce emissions from our own operations, we have also found a significant potential to extend the life cycle of used IT devices. Since financial year 2022 Musti Group has cooperated 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.

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 environmental awareness among its personnel. Musti Group is continuously improving its environmental management system in the Head Office and has a WWF Green Office environmental certificate as a result of the audits conducted by WWF. In 2023, the Group's Green Office Consumer Habit Survey score was 73.9 out of 100.

Emission reductions in the supply chain

Transportation stands as a key focal point in Musti Group's sustainability endeavors. Musti Group monitors its CO₂ emissions and tirelessly explores optimal methods to curtail them. For example, Musti requires transport companies to use trucks with the EURO 6 standard or higher and biodiesel. Additionally, Musti Group has initiated discussions with its cargo traffic partners to delineate transport routes suitable for electric trucks. The Group has also managed to reduce the number of shipments from warehouses to stores by ca. 10% by increasing the size of consignments.

Musti Group has set a target to reduce its CO₂ emissions by the end of the financial year 2025 and to have its most significant products suppliers to set their own emission reduction targets by the end of the financial year 2025. During the financial year 2023, Musti Group determined the most significant product suppliers and started to assess their own emission reduction targets. For the financial year of 2024, we aim to finalize this evaluation and report on the progress.

Musti Group has collected CO₂e data from logistics partners since the financial year 2020. In the financial year 2023, emissions from B2B transportation were 2.89 CO₂ tons per million euros and emissions from B2C transportation were 4.28 CO₂ tons per million euros (FY2022: Emissions from B2B transportation 5.05 CO₂ tons per million euros, Emissions from B2C transportation 3.11 CO₂ tons per million euros). The increase in emissions from B2C transportation is mainly due to a change in suppliers and adjustments in suppliers' calculation methods. Before 2022, all Posti's services in Finland were fully offset and generated no emissions for customers. However, starting in 2022 Posti has decided to not to continue with offsetting.

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 risk countries. Membership in the amfori BSCI gives Musti Group a tool to reduce social risks in its supply chain in risk countries, e.g., by supplier audits conducted by amfori BSCI.

Climate-related risks and opportunities

In Musti Group's business, the risk of major environmental damage is low. Carbon dioxide emissions from the production of products sold, logistics, energy consumption of facilities, commuting and business travel, product packaging, and use of products contribute to climate change. Musti Group's potential climate risks can be considered to include the 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 Group.

To respond to 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 Group is constantly increasing its selection of sustainable and locally produced products as well as pet products made of recycled materials.

Musti Group's latest acquisition, Premium Pet Food Suomi Oy, a pet food factory in Lieto, Finland, acquired during the financial year 2023, plays a significant role in the Group's environmental goals. The factory utilizes fully renewable energy in its manufacturing process and has its own solar panels that contribute to the overall energy needs of the facility. Approximately 20% of the electricity consumed comes from the factory's solar panels, while the rest is also entirely renewable. The heat generated by the production machinery can be collected and used elsewhere within the factory. Moreover, the recovered heat is utilized to warm the washing water used in the frozen raw food production line. Recycling biowaste also generates energy. Dry pet food production requires peeled oats; hence, the oat husks and other biowaste from the factory are sent to energy plants that convert them into biogas.

An example of a category where Musti Group can see consumers looking for more sustainable material is cat litter, where we see an increasing sales trend in more sustainable products such as wood pellets.

6. Good governance and business ethics

Musti Group promotes fair business practices and treats pets, their parents and our employees in a fair and equal manner. Musti Group sells and markets its products in an ethical and non-harassing manner. As the only pet specialty business, Musti Group has committed to the United Nations Global Compact. Musti Group's operations and the daily work of our employees are guided by Group-level policies and principles as well as ethics training and other support.

Anti-corruption and bribery

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 behavior.

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. If a conflict of interest occurs, employees are required to bring the matter to the attention of their manager 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. During the financial year 2023, Musti Group updated its own Supplier 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 2023, 76% of all employees had completed the Code of Conduct e-learning course (FY2022: 60%). At the end of the financial year 2023, the e-learning course on the Musti Group Code of Conduct was updated, and the updated course will be launched during the financial year 2024.

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

Musti Group 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 an 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 to the management.

Musti Group has had a whistleblowing channel in place since early 2020 for internal and external reporting of misconduct. The whistleblowing channel offers employees and other whistleblowers a reliable and anonymous channel for reporting suspected misconduct in our organization and complies with the EU Whistleblowing Directive (EU) 2019/1937.

In the financial year 2023, there were no reported cases of misconduct (FY2022: 0).

Data protection and customer privacy

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

Musti Group's business operations are highly dependent on ICT services and solutions covering all key processes and functions across the Group. Therefore, ICT service availability and continuity is a vital cornerstone of overall business continuity for Musti. The main focus is on the proactive development of service availability based on business criticality. This is supported by disaster recovery planning to have sufficient capabilities to recover if major incidents were to occur and cause disruptions in business operations.

Information security is a critical aspect of business continuity, and due to the increased risk level in this area, it has become a higher priority at Musti, requiring continuous proactive actions to mitigate risks. Musti has a systematic process and framework in place that focuses on three main domains of information security management: processes, technology, and people.

During the financial year 2023, key improvements have been made in several areas, such as the deployment of a group-wide 24/7 security operations service, a mandatory group-wide information security and data protection training for all employees, updates to key policies, various actions in ICT solutions to mitigate security-related risks, and data privacy-related updates in vendor contracts and related documents. Musti Group's Information Security Policy and Data Privacy Policy are published on Musti Group's website.

To monitor progress in information security, regular audits are organized as an integral part of the annual process, covering all key areas of security management and data privacy. These audits are used to validate the coverage and quality of information security management, and action plans are updated based on audit results. Audits are conducted both at the group level and in specific areas of the information security management framework.

7. EU Taxonomy

The EU taxonomy is the EU's legal classification system designed to achieve the EU's climate and energy goals and fulfill the objectives set by the European Green Deal. Article 8 of the EU Taxonomy regulation introduced a requirement for Public Interest Entities under the Non-Financial Reporting Directive, such as Musti Group, to report on their Taxonomy eligibility starting from January 1, 2022, for the first two environmental objectives. All entities within the scope had to disclose the percentage of their 2021 economic activities considered Taxonomy-eligible in terms of revenue, capital expenditure (CapEx), and operating expenditure (OpEx). For the reporting year 2022, entities were also required to evaluate the Taxonomy alignment of their economic activities concerning the first two objectives: climate change mitigation and adaptation.

In its reporting for the financial year 2023, published in December 2023, Musti Group is required to provide information on its Taxonomy-aligned economic activities in addition to Taxonomy-eligible activities for the first two environmental objectives.

The current taxonomy includes six environmental objectives. To be eligible for the taxonomy, an activity must meet the description of an economic activity included in the taxonomy classification. To be aligned with the taxonomy, an activity must be classified as having a substantial contribution to at least one of the six environmental objectives without harming the others.

To define the taxonomy eligibility and alignment and to gather evidence of potential substantial contribution, Musti Group has assessed the taxonomy eligibility and alignment of the Group activities. Through this process, the aim was to identify potentially eligible activities and review the technical screening criteria (TSC) for each of the environmental objectives for all relevant business activities.

As Musti Group's primary activities cover pet products and services retail, the Group does not represent any of the sectors or activities with the highest potential to reach the EU-level goals for climate change mitigation as currently specified in the taxonomy. However, in addition to providing pet products and services on a consumer-focused market, Musti Group's activities include the production and development of the Group's own food products. These represent a minority of the overall business.

We have identified further Musti Group activities that can be allocated to the following activity presented in the EU Taxonomy: 4.17 Cogeneration of heat/cool and power from solar energy. Through the Group's fully owned subsidiary, Pet Food Premium Suomi Oy, the Group participates in the generation of electricity using solar energy. The solar energy is used in the production facility. The solar energy installation is leased from a third party, which is responsible for the operation and maintenance of the power plant and sells the energy from the installation to the Group. This economic activity has been assessed as Taxonomy-eligible but not aligned.

Given that no CapEx was spent on the solar installations in 2023 nor any OpEx costs incurred that qualify, the Group has no reportable qualifying amounts for this activity, even though it has such solar installations in operation. The Group only had costs arising from the purchase of solar energy.

As a result, it has been found that the significance of Musti Group's taxonomic functions is negligible in terms of indicators. According to the company's estimate, 0% of Musti Group's revenue, operating costs and investments are eligible under the current taxonomy and 100% are non-eligible. Furthermore, 0% of Musti Group's revenue, operating costs and investments are taxonomy-aligned and 100% are non-taxonomy-aligned. The figures are presented in the tables at the end of this section.

Musti Group is constantly working to further improve its sustainability performance. At Musti Group, sustainability is also viewed as an opportunity to respond to the increased demand for locally and sustainably produced pet food and thereby support consumers in their journey toward a more sustainable future. Musti Group acknowledges that the EU Taxonomy Regulation will keep evolving and will continue to consider its impact as well as future reporting obligations.

Helsinki, 14 December 2023

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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.