



BABYSHOP GROUP

SUSTAINABILITY

REPORT 2019





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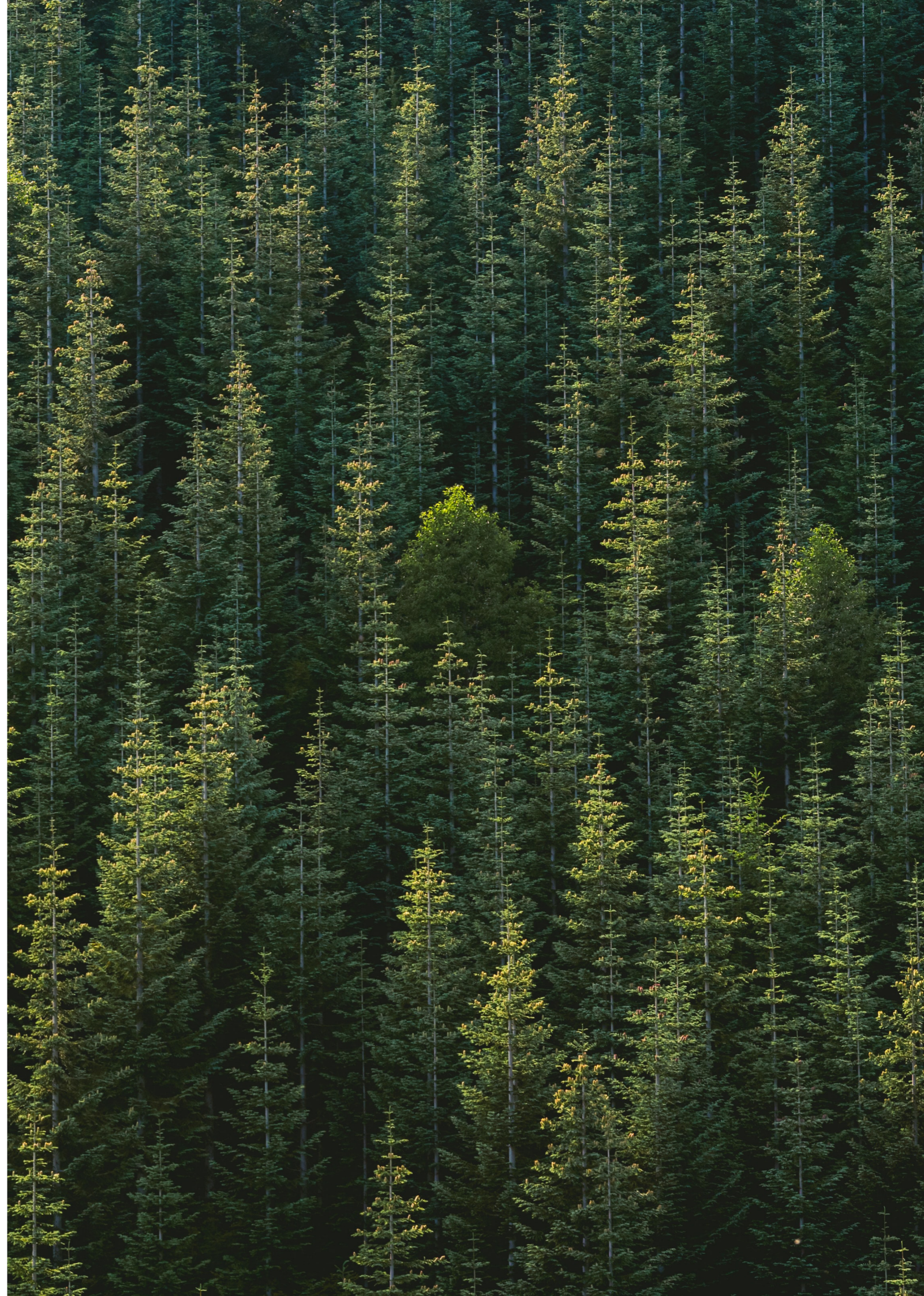
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INTRODUCTION

Babyshop Group consists of the online stores Babyshop, AlexandAlexa, Lekmer and OiiDesign as well as nine physical stores in Sweden and Norway.

Our business concept is to provide the modern parents with the best for their children, while avoiding the use of too much of the Earth's resources.

We are positive that all companies worldwide can find and implement innovative solutions towards a more sustainable business. At Babyshop Group, we believe that we should have "Sustainability at the top of the mind when making decisions". Some decisions can be tough and expensive to make in the short term, but we feel confident that they will be right in the long run.

Today it can be difficult to know if you have really made the right decision, as we are constantly learning about environmental issues and how to make responsible material choices, but we have decided to take advantage of the fact that we are a modern, fast-moving and change-prone organization and we would rather rethink and change course on our decisions than not to dare to do so at all.

Within Babyshop Group, it is easier to change and constantly improve the sustainability work within our own ranks.

It is a greater challenge to change external suppliers and their way of working, even though we realize that we can actually influence a lot by making demands on them. For example, we can segment our purchases of goods and services, choose which lines we want and what we market in our respective channels. We are constantly working on developing these buying practices.

Babyshop group works to constantly broaden our range of sustainable products. WE believe that a sustainable product is a product manufactured in a way that it has caused as little damage to our planet as possible and that it should be able to last, so it can be used and enjoyed by children for generations.

We are proud and grateful to be in the premium and luxury segments of goods, where we feel that the corporate level dares to charge for their goods and products. In general, there is a knowledge and goodwill towards sustainable business practices in a clear majority of our partners.



Linn Tagesson
Co-Founder

PURPOSE

Gearing up modern families while making our planet a better place for the next generation

CORE VALUES

- Lead Not Follow
- Own It
- Simplify
- One Family

VISION

To become the leading premium and luxury retailer for the modern family

**FUR-
FREE**
SINCE 2010



Only **fluorocarbon-free treatments**
on all our functional outerwear on our
private-label brands since 2017



28 650
RECYCLED 500ML PET
BOTTLES HAVE BEEN USED IN
OUR OWN PRODUCTION

80%
**Reduction in the amount
of filling materials**
in packages to customers

HIGHLIGHTS

Percent of our own brands where we have actively made **more sustainable** choice

45%
TOTAL

79%
FASHION CORE

In 2020, the company's Buyers and Product
Managers will be **trained in more sustainable
purchasing and product development.**

50+
**NATIONALITIES
IN THE
COMPANY**



A **return rate of only <7%** of items sold



CORE VALUES

LEAD NOT FOLLOW | OWN IT | SIMPLIFY | ONE FAMILY

SOCIAL SUSTAINABILITY

When it comes to the risks in social conditions, we must constantly follow up and ensure that violations of human and animal rights do not occur. A large part of our work also lies in increasing the quality of the products we sell as well as in the development of these products.

We continuously evaluate our working methods to find the best quality, and our products always meet the European standards for each product group to ensure that we and our products maintain a regulated quality level. There is nothing more important than selling safe, high-quality products to our customers.

The products purchased from us are an investment for our customer that can be used again and again. It can be difficult to implement major changes on your own, but everyone can do something and together we can achieve sustainability goals and a better future for our children. In light of this, we have chosen to collaborate with a number of organizations over the years that work to create a better world. The organizations are close to our hearts and with their important work, raise the issues that are important to us.

The people that make Babyshop

Babyshop is a company that is governed by established core values. Our values permeate the company and form the basis for decisions made, large or small.

The company strives to always have the right person in the right place so that our employees, like the company, can develop together under the right conditions. It is the people in the company who make us who we are.

Babyshop Group does not differentiate between religious affiliation, gender, ethnicity or sexuality. We believe in diversity and that the company benefits from having a workforce that corresponds to reality outside the workplace. It is important that we as a company understand our customers around the world and we therefore strive to, as far as possible, correlate the world's diversity within the company. However, we attach great importance to our employees sharing our values and believing in the equal value of all people. A common vision and values for the company are fundamental to be able to work together and for the company's best interests.

64%

FEMALE MANAGERS

70%

WOMEN IN THE COMPANY

50+

NATIONALITIES IN THE COMPANY



Charity

Babyshop Group works with many different types of projects linked to charity. Babyshop Group believes that all companies have a responsibility to society, environmentally, ethically and socially. This responsibility should, of course, be up to each individual company based on the individual conditions they are in.

Babyshop Group has long-term collaborations as well as smaller projects with individual donations. The common theme is that we always select projects with a connection to children.

The long-term collaborations can be annual donations and/or collaborations to research, hospitals or organizations around the world.

During the year, Babyshop Group has also worked on projects such as donating beds to field hospitals, giving gifts to parents in need,

delivering Christmas presents to refugee accommodation or helping with furnishings for children's hospitals.

Since the company's start in 2006, Babyshop Group has continuously worked with various types of charity projects, large and small, linked to the returns the company receives. Babyshop Group occasionally receives back goods that, for various reasons, can not be resold - such as the product has damaged packaging, but the product itself is intact, missing packaging or labels. We sort these goods as "Goods for Charity" and the products are distributed in different projects that can vary by season and during the year. Babyshop Group believes that being able to donate to those who need and at the same time give the goods a longer life is a fundamental part of our values.

Some of this year's projects



Clothes, toys and accessories for children in need in about 20 different charities



Clothes, toys and accessories for needy children in Romania



Donations to help protect Africa's wildlife



10 years of cooperation



Children's beds for field hospitals and refugee camps in Greece and Iraq



Bags with Christmas gifts for vulnerable women



ENVIRONMENT

The biggest risks that Babyshop Group has identified in the environment are production of goods, transport, energy consumption, choice of materials and how we work with residual materials and waste. We are responsible for our own work as well as in setting requirements for our external suppliers' work with these parts. In our own work within Babyshop Group, we recycle all cartons and paper bags.

Returns and reclamations are taken care of in the best possible way, where both spare parts supply and charity are included to reduce waste and environmental impact. We rent used office furniture in all of our offices instead of buying new and/or throwing away old items. We sort waste, have reviewed several climate culprits and corrected these to reduce unnecessary energy use. We encourage all suppliers and external partners to send invoices, look books, contracts, etc. digitally instead of on paper. We also use digital archiving of all accounting documents, contracts and agreements as much as possible.

This year we participated in the Breakit Challenge, a climate initiative via the news site Breakit.se, where we had the opportunity to further review what we could improve when it comes to sustainability. This means, among other things, that we updated our Travel Policy and created a policy on the food purchased through the company. We also reviewed and improved the electricity agreements in the stores.

Since 2010, the company has had a policy to distance ourselves from selling fur. Animal welfare is very important to Babyshop Group, and we are aware of the challenges that the fashion industry faces when it comes to animal welfare and the ethical issues surrounding animal handling.

Babyshop Group also promotes a sustainable way of working: respect your colleague's valuable time, have a clear agenda for meetings, consider whether the meeting can be held digitally, whether it can be made more efficient and avoid travel as much as possible.



Food Policy

Babyshop Group's policy regarding food is that the company only orders or offers vegetarian food at corporate events, lunches or events.



Travel Policy

The company's goal is to travel as little as possible. Babyshop Group always encourages employees to take advantage of the fact that we are a modern tech company where we can use online meeting platforms. When it is necessary to travel, you should first and foremost choose to travel collectively, ride together or choose a train over a flight whenever possible.



Fur Free Policy

Babyshop Group's Fur Free Policy guarantees that our range is free of fur, angora and mohair. Wool and down are approved, provided that the supplier can prove that production takes place in an ethical and responsible manner throughout the chain through certificates from Woolmark or Responsible Down Standard, etc.



Meeting Policy

Always prioritize and evaluate alternative travel-free meetings. Web meetings and other forms of digital meetings should be the first choice whenever possible.

SUSTAINABLE INITIATIVES IN ALL PARTS OF THE VALUE CHAIN

1. Design and buying

Materials - In product development and purchasing, we make an assessment of the materials in which our products are manufactured and packaged. In 2020, we will start working according to a materials strategy where we grade materials from 1 to 4, where category 1 is what is considered most sustainable and category 4 is considered to be the least sustainable, then base our purchases on our sustainability goals.

Safety - As the vast majority of our purchases are for children or for use in an environment where children are present, the safety of our products is of utmost importance. We are constantly working to ensure that our products live up to the safety and legal requirements we are faced with. In our product development, we always make a thorough risk assessment, perform standardized tests and use a restriction list for chemicals to our suppliers and factories.

2. Produktion och leverantörer

During the year, we developed new routines on how we will evaluate our suppliers and factories for both external brands and our own brands with a focus on sustainability, quality and safety. In addition, all our factories must comply with our code of conduct.

3. Transport to the warehouse, proprietary brands

Babyshop Group's goal is to eliminate deliveries that need to be flown in. During the year, 5.5% of our deliveries were flown to Sweden, 87% went via boat freight and about 7.5% via truck.

4. Operations

At our warehouse outside Jönköping, we always try to improve our way of working. What we focused on most during the year was reducing the amount of packaging materials and increasing the circularity of what is still needed. Among other things, we have

reduced 80% of our packing materials and replaced the plastic packing materials with paper, and we have reduced 50% of the documentation in outgoing packages. In 2020, we will also work to ensure that the entire warehouse is powered by 100% green electricity.

As our main sales take place online, it is important to always focus on making sure the products are presented well in the text and images so that the customer can get the best vision of the product as possible, which in turn leads to fewer returns. We

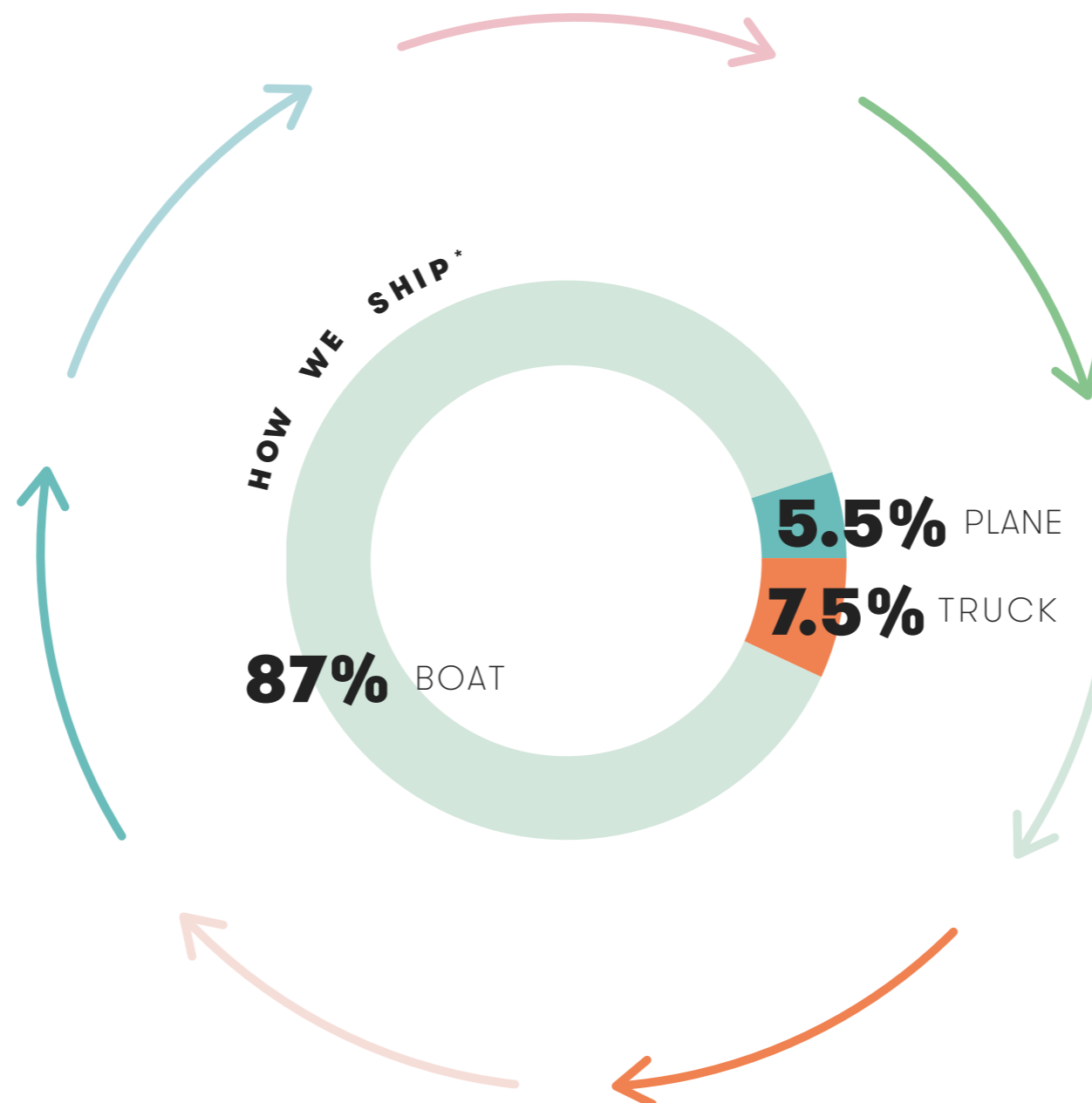
also work hard to have a well-functioning customer service that is there when problems arise with an order or product, as well as before a purchase to answer questions. These are just some of the elements that contribute to us having managed to keep a low return rate of <7% during the year and strive to lower it further in 2020.

5. Användning av kund

Influencing what our customers choose to do with their products after a purchase with us is a big challenge, but we want to be with our customers on the journey towards sustainable consumption and learn together.

One initiative we have worked on during the year is to use our social channels to spread knowledge and inspire our customers to make more sustainable choices with their product. Through our blog, we have, for example, given tips on how to give your children's clothes a longer life by repairing, giving away or reselling.

We also try to give tips and support to extend the garment's life within our own brands by sending extra cloth patches for repair, clear instructions on how to take care of your garment and encourage more than one child to use the garment before throwing it away.



SUSTAINABLE BUYING

Our own production

For us, it is of the highest priority to work towards a production that is performed under good conditions, does not use child labor or any type of forced labor. It is also very important that factories do not use harmful materials and that they have clear and safe routines in their chemical handling so that they do not harm the environment, neither at the place where the product is manufactured, during its use or when it is recycled, incinerated or disposed of.

Many of the factories we use are currently located in countries that are considered to be at increased risk according to Amfori's risk classification, which uses the World Bank Worldwide Governance Indicators (WGI) in its assessment. This assessment takes place in areas such as political stability of the country, control of corruption, absence of violence and terrorism and follow-up of rules and legal requirements.

In order to be able to assess the risks that are relevant in our supply chain, we work to constantly expand our transparency with both suppliers and subcontractors. The further down the supply chain you go, the more difficult we feel it is to assess the risks. We perform both third-party inspections and visit factories

Examples of more sustainable choices within our own brands are:

- GOTS certified cotton
- Fluorocarbon-free functional garments
- Recycled plastic from PET bottles
- Oeko-Tex® 100 - certified textiles

ourselves to get the best possible picture of factories and subcontractors and have a list of requirements that includes, among other things, transparency, chemical requirements and sustainability requirements.

The factories we work with must also comply with our code of conduct, which includes zero tolerance for discrimination, forced labor and child labor, and sets requirements for safety in the workplace and environmental requirements.

Requirement list for factories:

- Chemical restrictions
- Openness to transparency
- Follow our code of conduct
- Sustainability evaluation
- Safety and quality evaluation



A good collaboration with our factories is something we think is important. Being involved and developing together with our suppliers, we believe will lead to long-term business relationships that all parties win in the end.

Babyshop Group has the greatest opportunity to make a difference in the product chain of our own brands, where we are gradually trying to increase the proportion of products that are manufactured in a more sustainable way. We do this mainly either through a choice of materials or through certifications of product or production. During the year, we succeeded in making active choices in these areas, which contributed to 45% of our range of own brands being more sustainable. The category we have succeeded best in is clothing, where as much as 79% of the core range has become more sustainable.



INTERVIEW WITH ERIKA LINDAHL
HEAD OF PROPRIETARY BRANDS

What do you think has been the most prominent trend in 2019?

"The work towards sustainable assortments in all our different categories is going fast and the biggest emerging trend that we need to act on is to achieve greater transparency throughout our supply chain and be on top when it comes to new innovative materials and solutions."

What has been the biggest focus areas for our own brands during the year?

"Building strong brands that have clear profiles and stand out in their segments both when it comes to design and trend, but also how we can develop our range towards becoming more sustainable both financially and environmentally. Evaluating and making higher demands on suppliers has also been a major focus during the year, I feel that the textile side of our business has come much further than the toy or baby segment."

What are our biggest challenges when it comes to developing products with "top-of-mind" sustainability?

"Many steps towards more sustainable products can also mean higher costs and the big challenge, I believe, will be to communicate to the customer why prices will increase in the future. Being "top-of-mind" requires a lot of time and resources and it is important to constantly catch new innovations."



ARMSTRONG SPINNING AND KNITTING MILLS

Established:
1969

Employees:
3175

Founder and CEO:
Mr E Palanisamy

Armstrong Spinnings and Knitting Mills is one of the factories in which we manufacture our GOTS certified products. The factory is located in Tiripur, India, and is a leader when it comes to sustainable production in both social and environmental aspects.

All production is powered by green electricity from the factory's own wind turbines and through closed water harvesting systems and water recycling facilities. They collect 95% of their entire water consumption from the monsoon rains. By also using innovative production methods that are powered by solar cells, the factory does not emit any dangerous wastewater that is harmful to the environment.

Certifications:

- GOTS, OCS, GRS, RCS, CCS, Euflower, SA 8000, Higg index. SGS Carbon Offset, Living Wages, Fairtrade, Oekotex.

100% green energy:

- Energy produced from the factory's own wind turbines and solar cells
- 27661.92 MW

Total energy consumption from the factory:

- 16581.25 MW

Water and wastewater systems:

- 97% of all water collected by the monsoon rains is reused and 3% evaporates during the recycling process. The factory recycles about 7,00,000 liters of water per day.

SPINNING 555 EMPOLYEEES

72.25%
WOMEN

27.75%
MEN

KNITTING 25 EMPOLYEEES

100%
MEN

CMT 2595 EMPOLYEEES

58.61%
WOMEN

41.39%
MEN

Project Description	2019	Goal 2020
Educate the company's buyers and product managers in sustainable purchasing choices.	Clarify and anchor Babyshop Group's position and goals in sustainability.	Training and support documents available for employees.
Sustainable production of proprietary brands.	45% of our own brands are manufactured in a more sustainable way through material selection or certified production. Outer garments made/partly made from recycled materials.	50% of our own brands must be manufactured in a more sustainable way through material selection or certified production. Swim wear in recycled material for SS21. Work with FSC and manufacture FSC-labeled goods.
Increase the transparency of suppliers and subcontractors.	100% of our suppliers have been evaluated and undergone our sustainability assessment.	50% of all subcontractors will be evaluated and undergo our sustainability assessment.
PVC-free products	Phasing out of products with PVC has begun.	No new product developed in 2020 will contain PVC, phasing out and replacement of products containing PVC from previous years will also continue during the year.
Chemical handling	100% of all suppliers have signed and given feedback regarding our chemicals contract.	Develop a systematic chemical work and perform more chemical tests on products.

The table above applies to all Babyshop Group's purchases of goods



External brands

The majority of our purchases are from external brands and together with the supplier, we have a shared responsibility to set requirements for more sustainable changes. We have also started a project during the year where we collect more information about our external suppliers' sustainability work. In 2020, we will further develop our sustainability goals in order to be clear in the communication to our suppliers and in the requirements we have for products we choose to purchase.

Safe products, safe production

A basic condition for all products sold is that they meet our safety requirements. We develop our own products according to standardized methods and test in accredited test labs to ensure that the product complies with the Product Safety Act (2004: 451) as well as EU chemicals regulations such as REACH and RoHS. We make demands on our external suppliers and make sure that they have undergone a similar process to ensure that the product is safe. As Babyshop Group strongly dissociates itself from highly fluorinated substances, we have decided that all our own production of outerwear and shoes is completely free of fluorocarbons. We instead

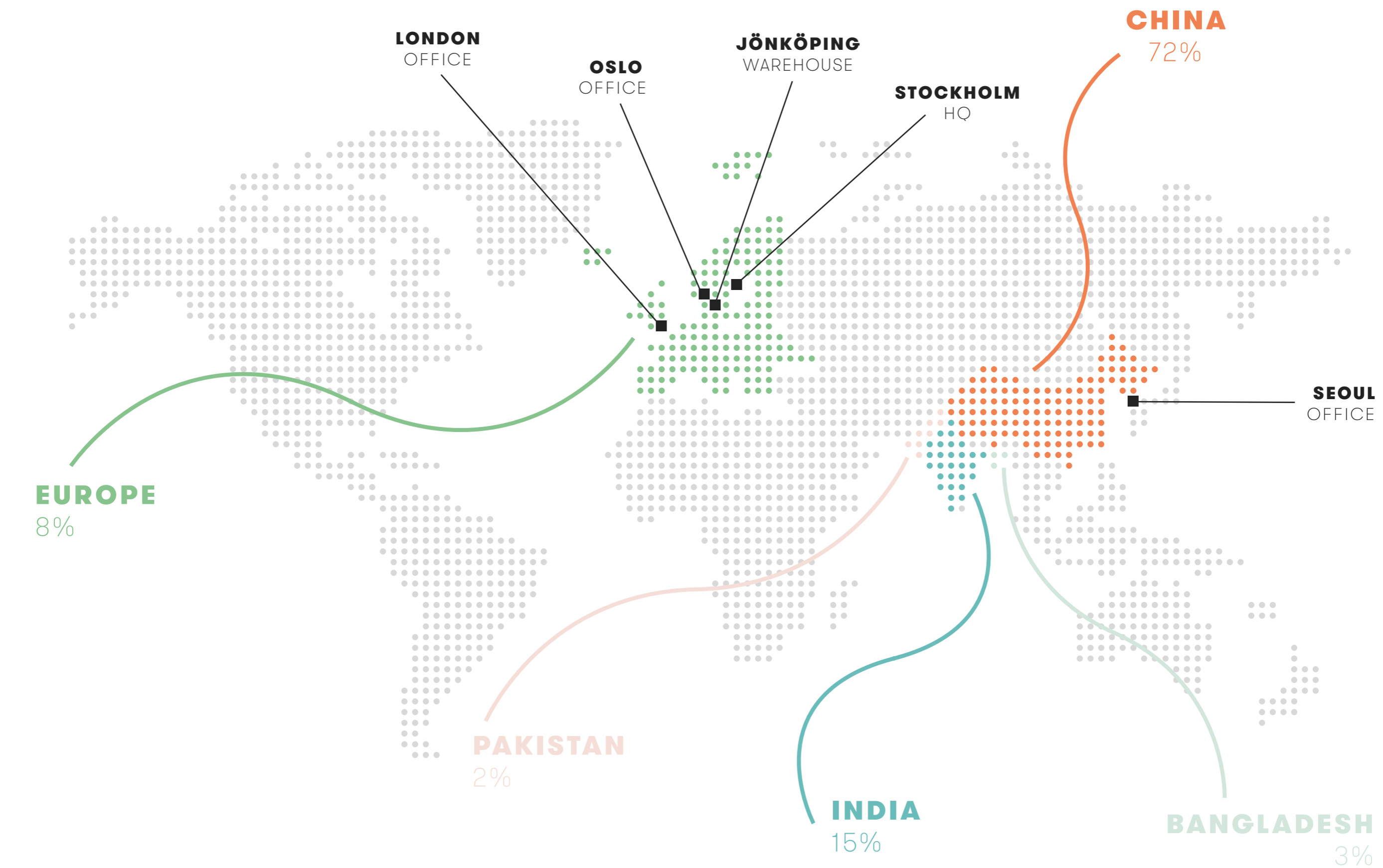
use BIONIC-FINISH® ECO to achieve the desired effect. During the year, an initiative was started to phase out PVC from our current range. This means that we will not develop any new product that contains PVC as it is a material that runs a higher risk of having dangerous additives and plasticizers.

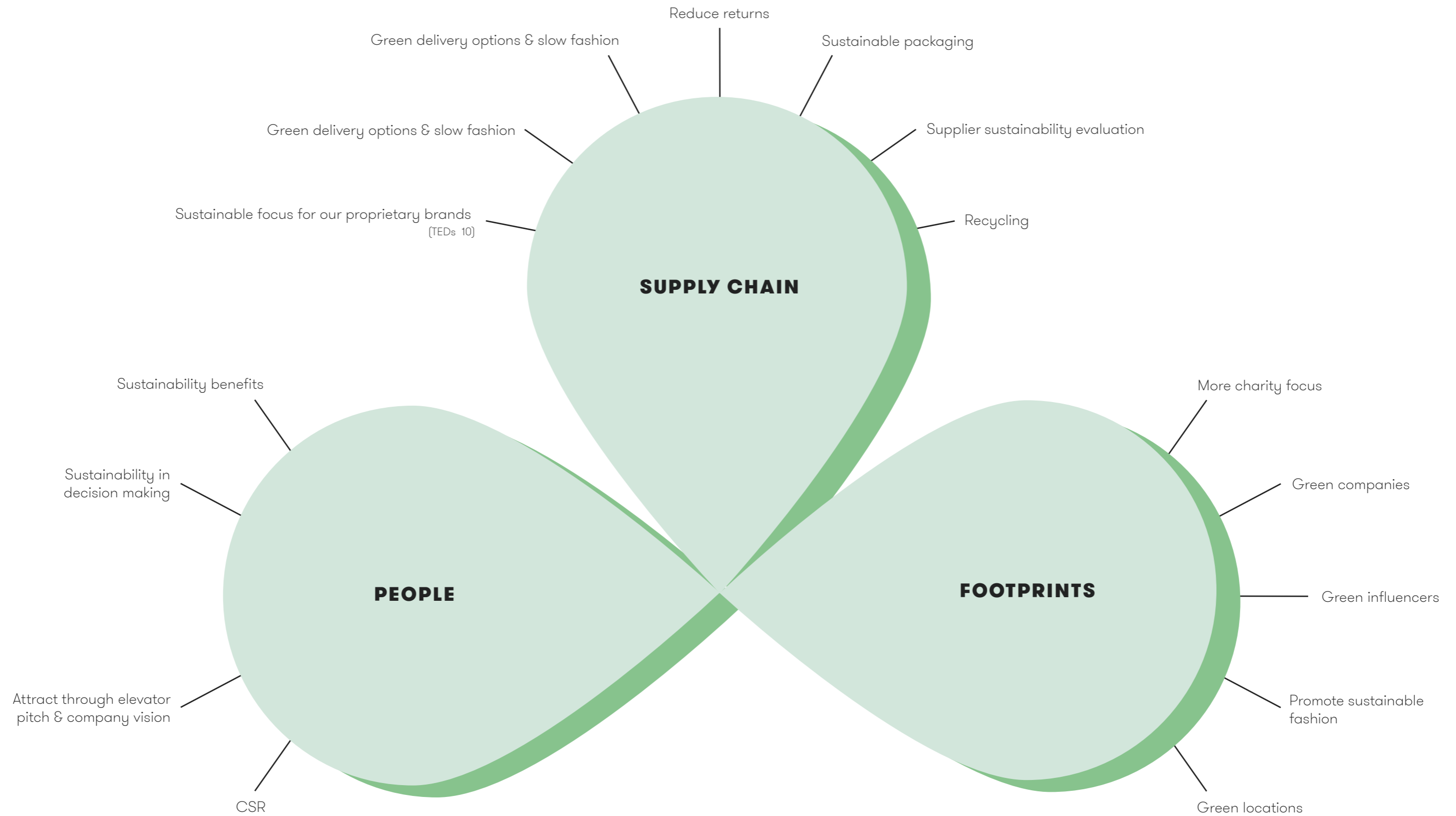
Another area in which we have invested large resources is that we have secure production. That is, the products manufactured for us do not do so at the expense of someone's health, under duress or through child labor. We constantly try to ensure this by creating more transparency with our suppliers and subcontractors as well as through certifications and audits.

Sustainability and quality

We at Babyshop Group believe that good quality of a product is a key part of a sustainable product. A product that lasts for more than one child means less pressure on the environment as fewer products need to be manufactured. That is why it is important for us not to give a damn about one another. Our ambition is to sell and develop products that are made of materials that have caused as little damage to our planet as possible and that they should be used for as long as possible.

Map of our production, our offices and our warehouse



The BSG Sustainability Loop

OUR WAREHOUSE OPERATIONS

Our warehouse measures 43 000 m² and is centrally located in Sweden, just south of Jönköping.

It is an automated warehouse that has been built in stages and was completed in the autumn of 2019. 75% of Babyshop Group's products are housed in automation, which is powered by 120 electric robots. Our orders are packed by a fully automated system in recyclable cartons. In the packing process, extra air is forced out of the pack so that they are as small as possible, adapted to the goods they contain. We have eliminated the need for extra filling in these packages. Our ambition is that each package should be packed to

minimize the amount of air so that the cartons can be sent as compressed as possible and, of course, without filling material.

The Jönköping region is usually called Sweden's oldest logistics location and is strategically located at the crossroads between the freight lanes on national road 40 and E4, and with a good railway connection in Nässjö. The region has a strong position as one of Sweden's and all the Nordic region's best logistics locations, with good conditions to supply Finland, Denmark and Norway with day - to-day deliveries from a warehouse.

Within a radius of 350 km, Jönköping covers transport to about 80% of Sweden's population within 24 hours. Which means the shortest possible road, time and environmental impact to our customers in Sweden and the Nordic countries.



Estimated energy performance stated in primary energy and comparison with requirements

The energy calculation shows that the building regarding energy performance stated in primary energy meets the BBR requirement with a margin of 32.6%.



Calculated average heat transfer coefficient and comparison against requirements

With regard to the average heat transfer coefficient for the climate shell, the requirement is met with a margin of 60%.

*80.0 KWH/M²/YEAR **0.800 W/M²/K

Project Description	2019	Goal 2020
More durable packaging	The amount of filling material has decreased by 80% and we have replaced it with paper instead of plastic. Packaging automation that folds cartons so that the volume of air in the package is reduced.	100% of all plastic used by the warehouse in Jönköping must be bioplastic
Energy from sustainable sources	District heating throughout the house. Dynamic lighting with motion detectors.	100% green electricity
Improve recycling opportunities	Waste sorting with recycling of cardboard and plastic	Division of cardboard, plastic and combustible. Waste and food sorting in the dining room.

The table above applies to projects related to our warehousing operations

We strive to distribute our shipments with as few carriers as possible in order to coordinate efficiently and minimize empty runs.

In our warehouse during 2019, we have improved our system of recycling packaging materials. 100% of all paper and plastic is disposed of by us and 100% recycled in close cooperation with an external party.

The warehouse was built in three stages, completed in 2019, and built according to standards that are clearly below the maximum permitted energy values.


Heating of the warehouses takes place with district heating from CHP plants. The CHP plant is largely powered by waste or bio fuel, but also by utilizing the heat from wastewater via heat pumps.

District heating is provided via Jönköpings Energi. The production of district heating takes place mostly in CHP plants that run on waste or bio fuel, but they also have heat pumps that use the heat from wastewater.



This is the second
**Sustainability Report from Babyshop
Group.**

This sustainability report covers our sustainability performance for the fiscal and calendar year of 2019. This report covers all operations within Babyshop Group. This report has not been reviewed externally.



*For questions about this report,
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BABYSHOP GROUP

