

Flügger

CSR Report 2020/21



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Towards an even greener Flügger

Climate, environment and social responsibility are increasingly on the agenda of both private consumers and businesses. As one of the leading paint manufacturers in the Nordic region, we have a great responsibility for running our business in an increasingly sustainable direction, and all steps count – both big and small.

In the past year, we have taken some important steps on our journey towards a greener Flügger. Our business model puts us in a unique position, as we develop, produce, distribute and sell our products directly to end users. This means that we are in a strong position to follow an ever greener agenda, and although we are well under way, there are still many places where we can take action.

Much is new to us, while in other areas we have been pioneers of the green transition in our industry. Already in 1970, Flügger built a factory in Kolding for the production of water-based paints driven by a desire to provide a more environmentally-friendly alternative for painters. In the past year, we have invested just over DKK 130 million in converting and modernising the factory, which is an essential prerequisite for our ability to increase the share of products with an international or Nordic ecolabel. In the past year, we have increased the share of ecolabelled paints and wood stains from 68% to 73%, and our target is that all our Flügger paints must be ecolabelled by 2030. It is also the target for 2030 that our production must be carbon neutral, and that 75% of our plastics must be recyclable.

These three targets are our long-term benchmarks. To meet them, we have defined a number of sub-initiatives which are to guide us along this path and which all employees across Flügger play an important role in realising. And so do our customers when they demand and opt for the green alternatives – whether

“We’re in a strong position to follow an ever greener agenda, and although we’re well under way, there are still many places where we can take action”

it is our Nordic Swan Ecolabelled wood stain, paint tray or brush handle in 100% recycled plastic. As a manufacturer, we must be able to deliver and be at the forefront of the sustainable solutions that enable our customers to realise their projects efficiently and in an environmentally-friendly manner.

In 2020/21, we defined both short-term and long-term CSR goals, set up a steering committee, anchored CSR in our strategy and created ownership in the management. 2020/21 was therefore the year in which we truly set about making CSR an integral part of our business, and where we embarked on the journey towards an even greener Flügger.

Sune Schnack
Chief Executive Officer

Going Green strategy

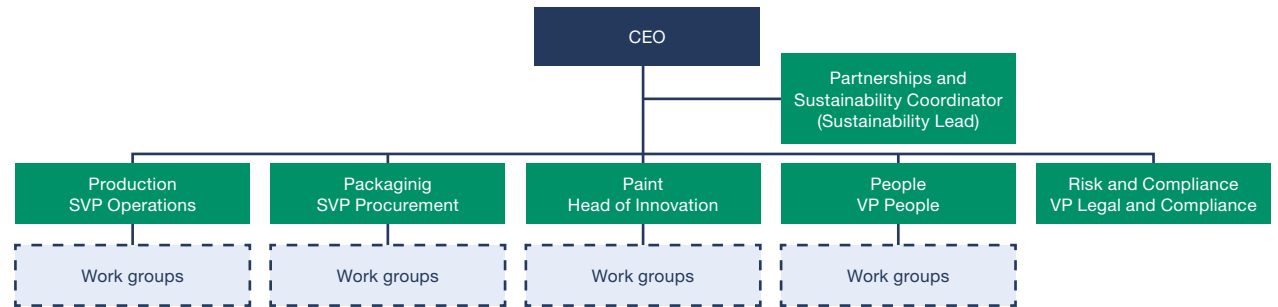
2020 marked the beginning of a crucial decade for sustainable development in Flügger. A decade that calls for tangible solutions, innovation and ambitious plans. To put our words into action, in summer 2020 we launched our Going Green business strategy, which marked the start of a sustainable transformation of Flügger.

The strategy is based on our philosophy of developing products and solutions that allow skilled house painters and customers to achieve high-quality sustainable and beautiful results as efficiently as possible. It contains specific focus areas and sustainability goals in the short, medium and long terms. The pivot for sustainability in our strategy are our three overall targets in Production, Packaging and Paint. Here we have a special obligation and opportunity to push towards a more sustainable development. Therefore, in accordance with the UN Sustainable Development Goals, we have decided to work on an overall 2030 target in each of the three areas. Towards 2030, we will work towards a carbon neutral production, the use of 75% recycled plastic in our packaging and the production of 100% sustainable paints labelled with either an international or a Nordic ecolabel.



By mixing the colour codes on our three selected SDGs, we achieve our precise Going Green colour.

Organisational chart for the CSR work



In line with the SDGs

In 2015, the UN drew up a roadmap for a more sustainable world – known as the UN 17 Sustainable Development Goals (SDGs). We have integrated the SDGs in our Going Green business strategy and selected the SDGs which can be linked directly to our core services, and which mark where we can make the greatest difference. The principal SDGs for us in relation to our three strategy focus areas are:

- SDG 12: Responsible consumption and production (Production)
- SDG 14: Life below water (Packaging)
- SDG 3: Good health and well-being (Paint)

In addition, we have chosen to focus on two supplementary SDGs to support the strategy:

- SDG 8: Decent work and economic growth (People)
- SDG 11: Sustainable cities and communities (Partnerships)

In this report, we provide a further description of our work with the SDGs in the various strategy areas.

Short-term objectives and targets

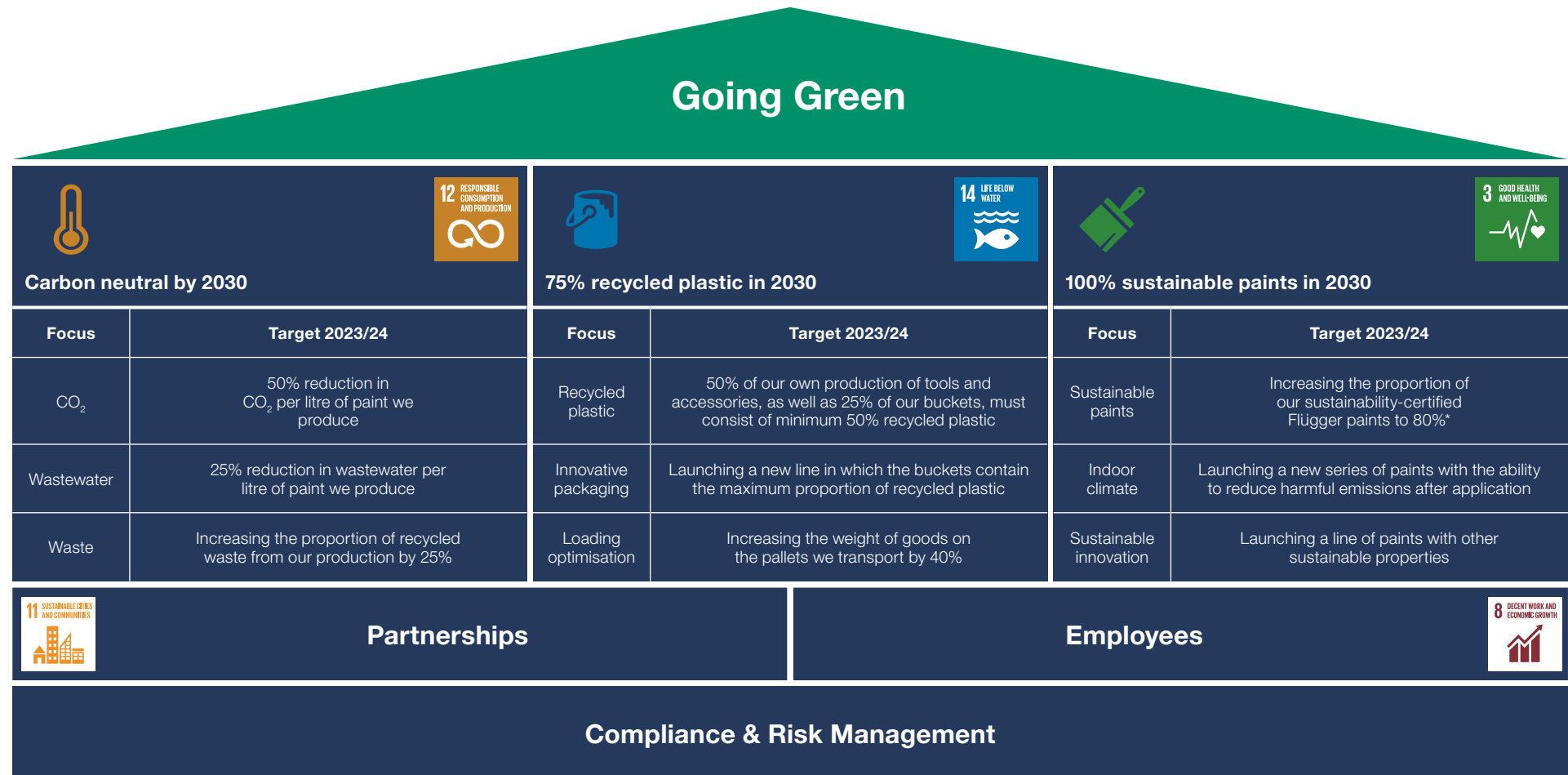
In addition to our three overall 2030 targets, we are committed to a number of objectives for 2023/24, including within waste and wastewater as well as innovative green solutions for increased use of packaging of recycled materials. We have set the bar high and, to succeed, we are deeply dependent on the supplementary areas of People and Partnerships. Only through committed employees and new partnerships will we be able to meet our objectives and targets and find smarter and more sustainable ways of running our business.

This report marks Flügger's first year of working with our Going Green strategy. We have got off to a good start in a turbulent and unusual year, although we would have liked to have come even further. There has been focus on anchoring the strategy, so that everyone in Flügger knows in which direction we are moving and how each of us can contribute to an even greener Flügger.

Organisation of CSR in Flügger

Effective organisation and management are key to ensuring the progress of our projects. Our CSR steering committee is headed by Flügger's CEO, Sune Schnack, and is organised with due consideration for our strategic focus areas and with involvement of the relevant stakeholders. According to our CSR annual wheel, the steering committee meets four times during the financial year, with the working groups participating in two of these meetings. In addition, our CFO and Head of Commercial participate in several of the steering committee meetings.

Our three sustainability focus areas



*International or Nordic ecolabelling

ReColor Production

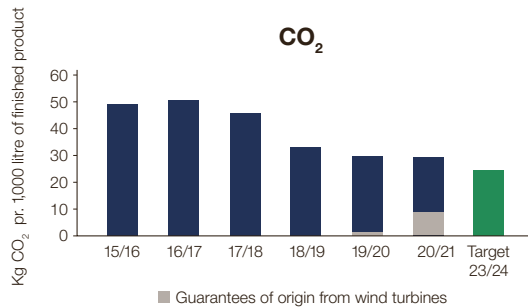
CO₂

50% reduction in CO₂ per litre of paint we produce

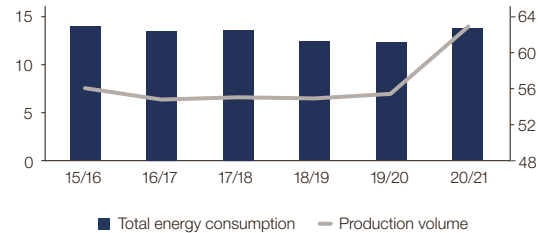
In the past financial year, Flügger has experienced a marked increase in customer traffic, not least driven by COVID-19 – especially in the Danish and Swedish markets – and thus an increase in sales to both private and professional customers. This has led to a considerable increase in paint production – also in the early and late hours – and thus higher energy consumption in 2020/21 than in the previous two years.

In spite of this, carbon emissions are decreasing slightly in both absolute and relative terms. This is mainly due to updates of the energy mix in the updated CO₂ equivalents for 2020/21.

In 2020/21, we have worked determinedly to improve our energy efficiency and exploit our resources better. The effect of this is an increase in the paint quantity we produce from 4 tonnes of paint per MWh in 2019/20 to 4.6 tonnes of paint per MWh in 2020/21. In the past year, we have reduced CO₂ per litre of paint we produce by 40% relative to our 2015/16 base year. We are thus 10 percentage points from meeting our target of a 50% reduction in CO₂ per litre of paint we produce in 2023/24.



Energy consumption in production in million kwh



We expect that our investment in modernising and merging our production in Kolding will have a significant positive effect on energy consumption per produced tonne of paint in 2021/22. We are also in the process of building a new filler factory, where a wide range of processes have been optimised and new, energy-efficient machines will be installed. In addition to our energy efficiency work, we are continuing our work with purchases of green guarantees of origin from wind turbines in the Nordic region to cover our electricity consumption. In 2020/21, we entered into a three-year contract for the purchase of guarantee certificates for wind energy in Poland, corresponding to our total electricity consumption at our factory in Gdansk.

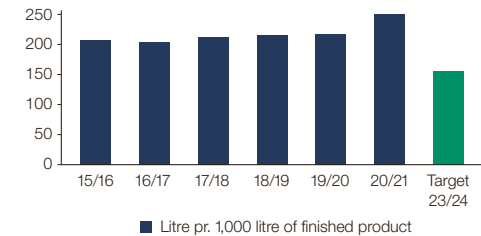
In 2021/22, we will perform the statutory energy audit of our activities, including factories and stores in Denmark, Sweden and Poland. The energy audit will provide us with an updated list of potential energy-saving initiatives with focus on CO₂ reduction, payback period and investment needs.

Wastewater

25% reduction in wastewater per litre of paint we produce

We continuously work to optimise the recycling of our wastewater to ensure minimum environmental impact. A particular focus in the past year has been to incorporate recycling of wastewater in the updating and construction of our production facilities in Kolding.

Waste water



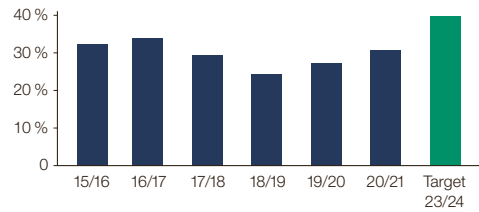
We continue to work to reduce water consumption in our cleaning processes, but new stricter requirements for the content of biocides (preservatives) in our products have meant increased water consumption for cleaning and washing of our process equipment. Together with a marked increase in production in the early and late hours, this has resulted in an increase in both the total number of litres discharged and in litres discharged per 1,000 litres of finished product. We expect that the updating and construction of our production facilities in Kolding will result in a reduction in wastewater discharges in 2021/22. We are also exploring the possibilities of recycling wastewater, and we are continuously working to create an increasingly streamlined production flow.

Waste

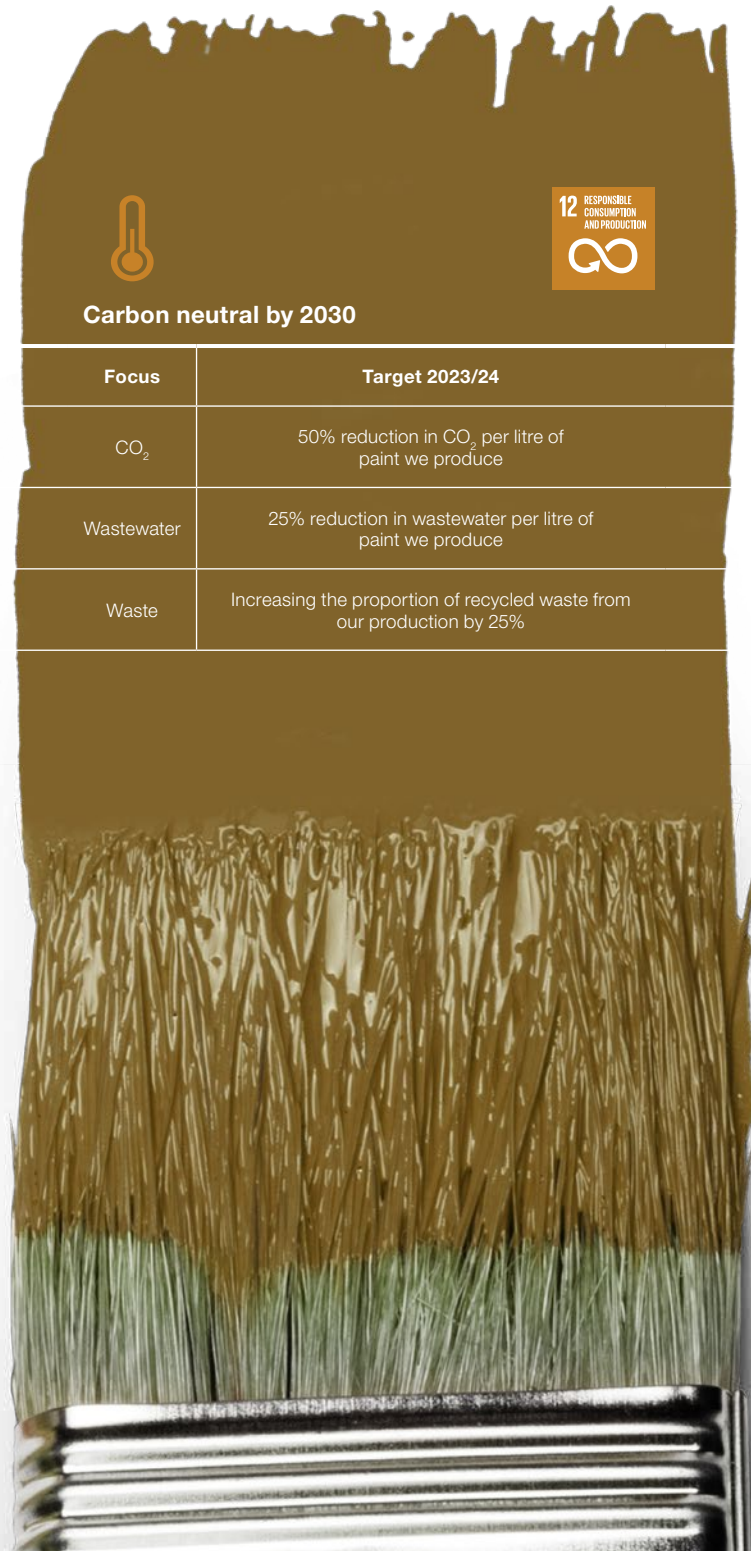
Increasing the proportion of recycled waste from our production by 25%

To increase the proportion of waste recycling, we entered into an agreement with a new waste management supplier in both Denmark and Sweden last year. We have great expectations for this cooperation, which will, for example, provide us with more detailed waste data for Denmark and Sweden, respectively. Our production waste recycling rate increased slightly in the 2020/21 financial year, and we expect the trend to make itself really felt from 2021/22.

Recycling percentage production waste



We have also further mapped and classified our secondary chemicals, which we use for cleaning of equipment etc. As a result, we have phased out and substituted some of the harshest chemicals, thereby supporting our health, safety and environment.



Carbon neutral by 2030

Focus	Target 2023/24
CO ₂	50% reduction in CO ₂ per litre of paint we produce
Wastewater	25% reduction in wastewater per litre of paint we produce
Waste	Increasing the proportion of recycled waste from our production by 25%

ReColor Packaging

Plastic waste in nature has become a major challenge, and plastic pollution in the world's oceans is approaching an average level equal to 13,000 pieces of plastic waste per square kilometre. Paint buckets and accessories end up in the seas or nature to a very limited extent, and we must ensure that things stay this way and take responsibility in situations where this is not the case. According to Target 14.1 of SDG 14 'Life below water', marine pollution of all kinds, particularly from land-based activities, must be prevented and significantly reduced. In Flügger, we are working to develop an efficient collection and return system, so that our packaging remains in a closed circuit. We also see a future potential in recycling plastic in parts of our packaging and thus reuse plastic as a resource in close collaboration with our suppliers.

Recycled plastic

Our overall target is to use 75% recycled plastic by 2030

The technological development in circular solutions and reuse of plastic is really gaining momentum – and, fortunately, this also applies to plastic buckets. Previously, 50% recycled plastic was the maximum possible percentage in relation to the carrying capacity of a large part of our buckets. Today, several of our suppliers are starting to offer solutions with more than 75% recycled plastic.

In 2020/21, the proportion of plastic buckets purchased with a minimum of 50% recycled plastic was 10%. This is an increase on the previous year, and we expect the proportion to continue to increase towards our 2023/24 target. The buckets for our line of outdoor wood stains, Wood Tex, today consist of 50% recycled polypropylene plastic, and we are working closely with our suppliers to upgrade these buckets to contain minimum 75% recycled material. In 2021/22, we will also run a project at our factory in Sweden, which will test the implementation of 75%

recycled grey polypropylene plastic. Our project with plastic buckets containing 75% recycled plastic will lift our share of buckets containing minimum 50% recycled plastic to minimum 20% in 2021/22, thus bringing us closer to our 25% target in 2023/24.

In addition to using a higher proportion of recycled plastic, we are focusing on reducing the quantity of plastic in our packaging, tools and other packaging materials.

Goods for resale

Last year, we set a target that goods for resale containing plastic must consist of minimum 50% recycled plastic. After analyses, dialogue and work to increase the quantity of recycled plastic in our own production and together with our suppliers, we have chosen to focus on the tools and accessories we produce ourselves. We have therefore defined an updated target to the effect that 50% of the tools and accessories we produce ourselves and 25% of our buckets for resale in 2023/24 must consist of minimum 50% recycled plastic.

The paint trays we produce ourselves have already been converted into containing 100% recycled plastic. We are also in the process of changing shafts on the brushes we produce ourselves to 100% recycled plastic. In 2021/22, we will evaluate all of our own production of buckets in relation to increasing the proportion of recycled plastic.

In the 'goods for resale' category, we sold more than 200,000 products made from 100% recycled plastic in 2020/21. We will continue the dialogue with our suppliers to increase the quantity of recycled plastic in the plastic-containing accessories we purchase and also explore other options for increasing the quantity of recycled plastic in our supply chain. In 2021/22, we will, among other initiatives, implement guidelines on recyclable

and recycled packaging for our 'goods for resale'.

Take-back

We want to comply proactively with the EU Packaging and Packaging Waste Directive on extended manufacturer's liability for plastic packaging, which will enter into force on 31 December 2024. The technological development and investment appetite for developing circular business models are showing rapid progress, and we will be entering into a close dialogue with public authorities, waste management companies and recycling companies as well as other external partners in relation to finding the right paint bucket recycling solutions.

We are examining different types of handling systems and have, for example, been in a dialogue with the City of Copenhagen, the Danish Parliament (Folketinget) and various trade associations, institutes and departments on logistical and technical possibilities and challenges in implementing circular solutions. We will continue and intensify this dialogue in our main markets in the EU in 2021/22.

Innovative packaging

We will launch a product line with a maximum proportion of recycled plastic

We aim to use our experience from continuous improvements of our packaging in the development of new packaging. At the same time, we are exploring and testing new solutions and partnerships with both suppliers and startups. We are in a dialogue with a startup consisting of students from DTU, Technical University of Denmark, on an innovation project with great potential. As part of this project, we are looking into sustainable packaging with as high a plastic recycling rate as possible as well as completely different material types as packaging for our paint products.

Loading optimisation

We will increase the weight of goods on the pallets we transport by 40%

To reduce our packaging consumption and the climate impact of transport, we have set a target of increasing the weight of goods on the pallets we transport by 40% in 2023/24. In 2020/21, we increased the weight by 39.4% relative to our 2018/19 base year. We are thus close to meeting our target, and we use significantly fewer delivery runs and packaging quantities when we bring goods to our stores and customers.

Several years of dedication to the work with truck loading optimisation thus really paid off in 2020/21, where we made the greatest progress since we started working more systematically with improvements in our loading procedures. We hope to exceed our target of 40% increased weight of goods on the pallets that we transport already next year.

Close collaboration with several of our customers and stores on receiving fewer, but larger, orders has played a crucial role in optimising our loading. We will also continue our work to examine the possibilities of increasingly using recyclable and lighter material in our packaging and to explore new packing and loading methods.



75% recycled plastic in 2030

Focus	Target 2023/24
Recycled plastic	50% of our own production of tools and accessories, as well as 25% of our buckets, must consist of minimum 50% recycled plastic.
Innovative packaging	Launching a new line in which the buckets contain the maximum proportion of recycled plastic
Loading optimisation	Increasing the weight of goods on the pallets we transport by 40%

ReColor Paint

In Flügger, we support the eco-conscious choice. The majority of our wall paints currently have international or Nordic ecolabelling, so that our customers are guaranteed a paint that is as gentle on the environment as possible without compromising on quality and durability.

In 2020/21, we really experienced a growing trend towards more sustainable construction projects, where sustainability certifications of buildings as, for example, DGNB, BREEAM, LEED and the Nordic Swan Ecolabel are gaining ground. Sustainable paint not only contributes to a better indoor climate, but can also be crucial to the ranking that a building is given in relation to the specific sustainability certification.

Our ecolabelled paint products ensure a surface treatment with the least possible environmental impact and steam off, and therefore contribute directly to the building certifications. Good durability and high quality also weigh heavily in several of the sustainability criteria. This thus interacts directly with several SDGs, where Goal 11 'Sustainable cities and communities' and, in particular, Target 11.6 to reduce the adverse per capita environmental impact of cities play a crucial role.

Sustainable paints

We will increase the proportion of our sustainability-certified Flügger paints to 80%

By 2030, we will solely produce 100% sustainable paints. In 2020/21, 73% of our Flügger paints, DIY paints from Unicell and paints from PP professional paint were ecolabelled. This is five percentage points up on the previous year, when the proportion was 68%. We have thus come a big step closer to our target for 2023/24 of increasing the proportion of our sustainability-certified Flügger paints to 80%.

In 2020/21, we launched a number of new ecolabel products in both indoor and outdoor paints:

- Flutex Pro 5, 7, 10
- Dekso 1
- Dekso 20
- Facade Resist
- Wood Tex 03 transparent

Percentage distribution of ecolabelled paints for our brands Flügger, DIY paints from Unicell and PP professional paint A/S.

	2015/16 base year	2019/20	2020/21
Ecolabels	11%	68%	73%

All production of solvent-based products and household chemical products produced at our factory in Bollebygd, Sweden, was shut down on 1 February 2021. This means that we are now even closer to the brands Flügger, DIY paints from Unicell and PP professional paint meeting the production target for 2023/24 of 99% water-based paints.

Indoor climate

We will launch a series of paints with the ability to reduce harmful emissions after application.

SDG 3 'Good health and well-being' and Target 3.9 to reduce illnesses from chemicals and air pollution set the direction for our work towards reducing hazardous emissions after application of paint. In 2020/21, we mapped the market for potential raw materials with functional properties that can be used in our paints. On this basis, different scenarios have been developed and presented to the respective product managers. The next step is to develop a product specification with input from research, development and product managers which will provide the basis for the further product development.

To seek inspiration, we have, in collaboration with the Danish Technological Institute, performed a screening of how other industries preserve their products optimally. We have also screened the market for binders without MI, which is a preservative used to extend the durability of products. Here, there are a few possibilities at the experimental stage which we plan to test as soon as possible.

Sustainable innovation

We will develop paints with other sustainable properties and launch a new series by 2023/24 at the latest

Our work with innovation as a driver for sustainable solutions takes place in direct interaction with SDG 11 'Sustainable cities and communities', including Target 11.6 on reducing the adverse per capita environmental impact on air quality. We have decided to strengthen our internal competences to work specifically with life cycle assessments of our products and Environmental Product Declarations (EPDs). The documentation can be used by our customers to document requirements in construction such as DGNB and the voluntary Nordic Swan Ecolabel scheme.

We have also been in a dialogue with selected suppliers about bio-based raw materials based on plant products. The possibilities are currently limited, but there is an exciting ongoing development.

We are also exploring a number of different options in addition to those already mentioned in the indoor climate section, including the use of recycled materials and possibilities of reducing the carbon footprint of the product.



100% sustainable paints in 2030

Focus	Target 2023/24
Sustainable paints	Increasing the proportion of our sustainability-certified Flügger paints to 80%*
Indoor climate	Launching a new line of paints with the ability to reduce harmful emissions after application
Sustainable innovation	Launching a line of paints with other sustainable properties

**International or Nordic ecolabelling*

The people behind our products



Our employees are our most important asset, and all employees across our value chain play a role in ensuring that we achieve our sustainability objectives.

We have chosen to base our activities on SDG 8 'Decent work and economic growth'. We have particular focus on Target 8.4 to improve progressively global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation. We also focus on our working environment and labour rights in accordance with Target 8.8.

Flügger – Great Place to Work

In 2018, Flügger embarked on a major transformation, and wanted a strong tool to help it regularly 'take the temperature' among its employees. Therefore, we entered into cooperation with Great Place to Work®. As part of this cooperation, we conduct ongoing employee surveys for an assessment of trust, pride and sense of community in Flügger, and to identify areas in which we can usefully take action. Based on the feedback from last year's survey, we have worked in the past year to focus on the customer journey as a cross-organisational responsibility, management training, internal communication and CSR. Among other activities, we have held CSR workshops with representatives of each function area in the Group.

Despite the past year having been characterised by unpredictability, new workflows and procedures as well as extra busyness due to COVID-19, 73% of our employees at company level responded in this year's survey that Flügger is a really good workplace, while the figure at team level was 85%. This resulted in Flügger becoming certified in accordance with the Great Place to Work® standard in four out of five countries in 2020/21. Flügger in Iceland was certified in 2020/21 for the second year in a row, while Flügger in Denmark, Norway and Poland was certified for the first time.

In 2019/20, we defined a target of being among the top 10 in the category of medium-sized enterprises on Great Place to Work's list of the best Danish companies to work for in 2023/24. Our

annual commitment survey has given us valuable insights into which parameters play an important role in making Flügger a good workplace with thriving employees. However, after having evaluated the process and the surveys conducted in recent years, we want to perform simpler, but more frequent, surveys in the future, so that we can react and initiate any adjustments and changes quicker than today. This means that we will not continue with the surveys through Great Place to Work, and the target for 2023/24 will thus be dropped. We find that more frequent surveys will provide us with a better basis for taking the temperature in our organisation, developing our culture continuously and ensuring that Flügger remains a good place to work.

Diversity

In Flügger, we believe that a diverse workplace and an inclusive working environment are an asset to our company. We believe that diverse teams, including management groups, work more innovatively, make better decisions and contribute to innovation, while promoting inclusiveness and tolerance among our employees.

Flügger wants and strives to be a responsible workplace that recruits, promotes and develops its employees based on their competences and in a way that supports diversity. We therefore strive to ensure that our recruitment, employment conditions, promotions and any dismissals are done without consideration for gender, sexual orientation, age, nationality, physical abilities, disability, political views, ethnicity, family status, religious beliefs or other ideologies. When recruiting new managers, we focus on equal opportunities and on identifying candidates of both genders. We strive to ensure that both genders are represented by more than 40%.

Gender composition at the other management levels

Account of the gender composition of the management, see Section 99 b of the Danish Financial Statements Act (*Årsregnskabsloven*):

Flügger employs a total of 321 employees at other management levels, defined as employees with staff responsibility. Of these, 53% are men and 47% are women. This means that the Danish Business Authority's definition of equal representation of the underrepresented gender (a distribution of 40/60%) at other management levels has been met, and the company has therefore chosen not to formulate a policy in this area.

Read more about the gender composition of the Board of Directors on page 31 of the Group's Annual Report. We have also prepared a Diversity Policy, see Section 107 d of the Danish Financial Statements Act. This can be found on www.flugger.com/en/corporate/diversity-policy.

Working environment

In Flügger, it is a natural part of our business to take responsibility for our employees' well-being and safety. We continuously work with initiatives aimed at optimising our working environment in the form of individual improvement projects and focus areas in factories, offices and stores across countries and locations. In the past financial year, we had eight injuries at work resulting in absence from work due to illness, corresponding to a lost time injury frequency rate (LTIFR) of 3.17.

In spring 2021, we performed a risk assessment in most of the Danish organisation. A total of 66% of our employees chose to participate in the survey, and the overall satisfaction was 2.1 on a scale of 0-3, where 2.1 lies between 'satisfied' and 'very satisfied' on the scale. Through the survey, we have mapped where the representatives from our occupational health and safety organisation can take action together with our local management teams to solve the identified challenges.

We work actively with risk assessment and the elimination of potential sources of incidents, accidents or conditions that may affect our employees', customers' and guests' health and well-being. The overall occupational health and safety work aims to comply with the ISO45001 Standard and is rooted in our Department for Quality, Health, Safety & Environment, which is also responsible for ISO certifications in quality management (ISO9001) and environmental management (ISO14001).



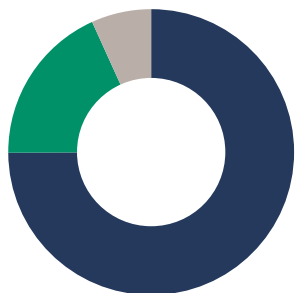
Employees geographically distributed

- Denmark 27%
- Sweden 27%
- Norway 10%
- Poland 29%
- China 5%
- Iceland 2%



Employees distributed on seniority

- < 1 year 16%
- 1-5 years 36%
- 5-10 years 20%
- 10-15 years 12%
- 15-20 years 7%
- > 20 years 8%



Employees broken down by function/gender

- Sales & Distribution: 1,282
50% women
50% men
- Production: 313
37% women
63% men
- Administration: 116
64% women
36% men

Number of employees as at 30 April 2021



Partnerships – together we can do more

In Flügger, we want to support initiatives that, in line with our strategy, have people and the climate at their core, and we have a long history of supporting charitable causes, either financially or in the form of donations of paint, tools and guidance on projects.

Donations

Flügger wants to help beautify and preserve our surrounding community and donate paint to a wide range of fantastic projects each year. When we donate paint, we bring the core of our business into play, and our selected cash donations are a supplement to this.

Since 2019, we have donated the proceeds from sales of our plastic bags to charitable causes. This has, for example, meant that, again in 2020/21, we donated DKK 250,000 to Danmarks Indsamling – the united Danish appeal for funds, where humanitarian organisations and the Danish Broadcasting Corporation (DR) join forces to help people in some of the world’s poorest countries meet some of the UN SDGs. This year, the funds raised went to support children affected by the Coronavirus crisis. In Sweden, we have, for example, donated SEK 90,000 to the Swedish Childhood Cancer Fund from sales of bags.



Flügger Andelen

Three years ago, Flügger launched the Flügger loyalty programme Flügger Andelen in Norway. The programme was subsequently launched in Sweden and Denmark, and the response has been very good in both countries so far. Flügger Andelen is a loyalty programme for sports clubs, associations and voluntary organisations, in which the members receive discounts in the Flügger stores, and the club receives a disbursement of 5% of its total purchases as support in the following year.

Many have initiated renovations during the COVID-19 period, and this has led to record bonus support for local associations in Norway, where a total of NOK 681,720 has been disbursed to more than 700 recipients under the loyalty programme. During the three years in which Flügger Andelen has existed in Norway, nearly NOK 1.5 million has been disbursed in support under the programme. In 2020/21, approximately NOK 25,000 of these funds went to Sykehusklavnene, an association of hospital clowns.

Upcycling – for the benefit of both environment and people

When we in Flügger test and develop paint in our laboratory, we periodically have many tubs of residual paint of good quality in all kinds of colours. Rather than destroying the paint, we have teamed up with the recycling project Paint It Forward.

The highly committed people involved in Paint It Forward ensure that residual paint from private individuals and businesses is donated to citizens who are in a financial situation where it is difficult or completely impossible for them to afford paint, as well as to cultural and artistic purposes such as upcycling workshops, summer camps for children etc. – for the benefit of both the environment and fellow citizens.

In 2020, Flügger also became a member of Upcycling Forum, again to ensure that our residues of good quality paint do not have to end up as waste, but can be given new life in upcycling solutions. Through Upcycling Forum’s platform, companies can offer residual materials that can bring colour to new projects created by, for example, design students, schools, architects etc. In this way, Upcycling Forum creates sustainable collaborations and helps companies reduce their carbon footprint and think circularly.



A colourful partnership – Copenhagen 2021

Flügger has entered into a partnership with Copenhagen 2021 and is thus the official principal partner at WorldPride & EuroGames in Copenhagen and Malmö from 12-22 August 2021. Together with Copenhagen 2021 and through this partnership, Flügger wants to focus on dialogue as a path towards the creation of a greater understanding of equality and diversity.

During the ten days of events, WorldPride will focus on equality and diversity. Thousands of athletes will participate in EuroGames, Copenhagen will ooze art and cultural activities, and, through conferences and dialogue, the stage will be set for one of the most important LGBTI+ events focusing on human rights.

“We hope our initiatives can help promote the dialogue between people – and preferably a dialogue based on equality and diversity. We believe the path to greater inclusiveness begins with greater openness – with each other, the stranger next to us and in relation to our differences. This is what we want to help create focus on and opportunities for,” explains Sune Schnack, CEO of Flügger.



Focus on diversity

As part of the partnership, Flügger has launched a number of initiatives to help focus on dialogue.

1. Colourful swatches.

Flügger has given the swatches that we sell in our stores a redesign and donates DKK 3.5 from each swatch sold in Denmark, Sweden and Norway to Copenhagen 2021.

2. Dialogue at children's level.

Flügger has designed and launched a children's wallpaper, Proud to be me, which focuses on starting a dialogue about diversity and the right to be who you are – already at children's level. The design is based on the rainbow, and Flügger donates DKK 20 per sold wallpaper roll to Copenhagen 2021.

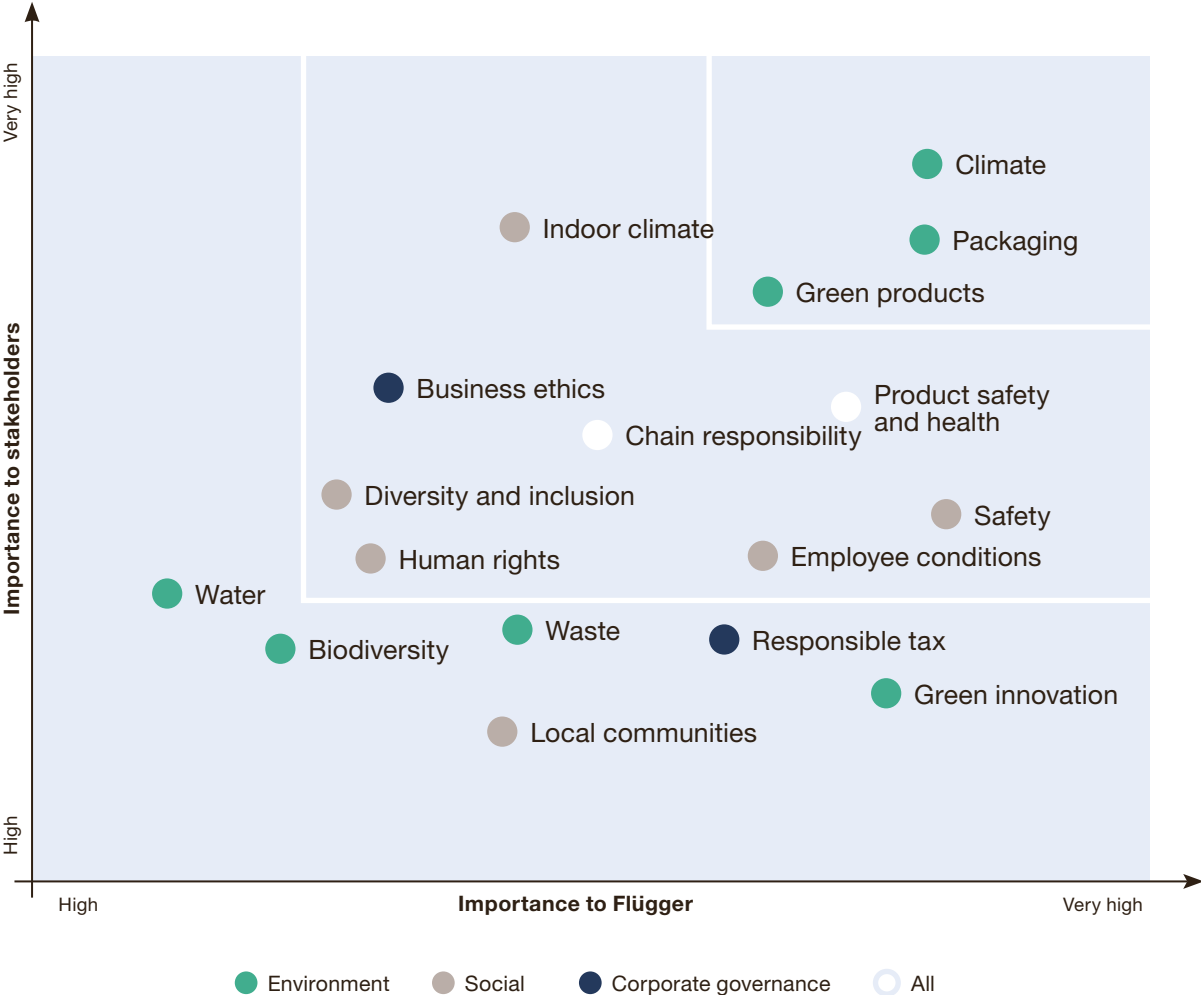
3. Benches set the stage for dialogue.

Flügger has entered into a creative partnership with two of Denmark's most renowned artists, Michael Kvium and Maria Rubinke, who have each decorated a bench which is to help create a setting for dialogue between people, and preferably a dialogue that springs from equality and diversity. The benches will subsequently be sold at auction, and the proceeds will go to Copenhagen 2021.

Materiality analysis

For a company like Flügger, only the imagination limits which areas are exciting and relevant to work with when it comes to sustainability. But some areas are more important than others. In the previous financial year, we performed our first materiality analysis, and we updated this with new areas in 2020/21. The materiality analysis helps us prioritise the areas where we can make the biggest difference within Environmental, Social and Governance (ESG), in relation to the issues of greatest importance to our stakeholders. We have taken inspiration from the materiality method of the Global Reporting Initiative (GRI), which provides clear guidelines on how to perform a materiality analysis. The materiality analysis was performed in collaboration with a consulting firm to ensure objectivity and well-documented methodology. The result of the materiality analysis provides a direction for our work with sustainability, including both our Going Green strategy and our sustainability reporting. In the figure, each area is colour-coded according to Environmental, Social and Governance (ESG).

Not surprisingly, climate, packaging and green products are at the top of the agenda, which is well in line with the SDGs on which we have chosen to focus. Of new areas, responsible tax, diversity and inclusion, waste, employee relations and green innovation have moved higher up the list, and thus gone from 'high' to 'very high' importance this year.



Guidelines, risks and due diligence

A significant part of our CSR work is to ensure unambiguous and clear guidelines, exercise due care and deal with risks to the surrounding society. Our business model describes our company and activities and can be seen on page 19 of the Group's Annual Report 2020/21. The report can be accessed here: www.flugger.com/file/annual-report-2020-21.

The object of our Code of Conduct is to ensure that the Group's activities are carried out in accordance with our DNA and that it constitutes the foundation of our work with decency, accountability and sustainability. It is based on the OECD Guidelines for Multinational Enterprises and the UN Global Compact's 10 principles for corporate social responsibility. Flügger's Code of Conduct also serves as a central tool to support that all our employees know the Group's rules and guidelines on relations with customers, suppliers and authorities as well as the handling of sensitive information and personal data. Our Code of Conduct is available on www.flugger.com.

Mapping the main risks connected with our activities is an important part of our corporate social responsibility, both for the surrounding society, our stakeholders and employees. The form describes the main risks, impacts and our handling for each policy area.

FOCUS AREAS:	RISKS	IMPACT	ACTION
Environment and climate	The main risks are emissions and waste fractions from our own production and our products as well as emissions from purchases of raw materials from suppliers	Negative impact on the environment and climate and, in the longer term, less access to raw materials and poor reputation	Focus on reducing emissions in energy, waste, wastewater etc. as an integral part of the business strategy and more stringent requirements for suppliers
Human rights	Flügger is increasingly an international business, with a resulting increase in the risk of violations of human rights and labour rights	Any violations of human rights and labour rights in the Group or in the supply chain to the detriment of local communities and Flügger's reputation	Focus on implementation of and compliance with the Code of Conduct and maintenance of guidelines on human and labour rights as well as focus on ESG due diligence
Social and employee relations	Number of accidents at work and an unsatisfactory working environment	All employees may be physically and mentally affected by injuries or accidents, and the company may be affected by reduced efficiency and poor reputation	Systematic work to reduce accidents at work and increase safety. Focus on working environment and competence upgrading
Anticorruption	International presence necessitates more stringent requirements for our business ethics. Non-compliance with rules will constitute a significant risk to our business	Violations of anticorruption rules may be highly damaging to our culture and potentially involve significant financial losses as well as loss of reputation	Extensive implementation of guidelines, Code of Conduct, whistleblower scheme, due diligence and training etc.

Our guidelines

Our Code of Conduct contains guidelines on the areas covered by the 10 principles of the UN Global Compact and Section 99 a of the Danish Financial Statements Act. The section provides a brief description of our guidelines as well as actions and results of the work.

Our guidelines on environment and climate stipulate that we are committed to protecting the environment and work to reduce the environmental impact of our activities, products and processes. We work continuously to optimise the use of our resources, with a particular focus on reducing energy and water consumption and increasing transport efficiency. In addition, we are working in Flügger to reduce our climate impact based on rules or agreements on the reduction of all emissions, greenhouse gases and discharges to air, soil or water. Our objectives, targets, actions and results in the environment and climate are set out in the ReColor Production section on page 6 of the CSR report.

Our guidelines on human rights stipulate that Flügger supports and respects international human rights conventions. Anyone who works directly or indirectly for Flügger is entitled to have their fundamental rights respected as described in the UN Universal Declaration of Human Rights.

We continuously inform and train our employees in relevant policies and guidelines. We have established a whistleblower hotline where employees, external partners and third parties can report suspected violations of policies and rules. We regularly evaluate our suppliers, one reason being to ensure compliance with our Code of Conduct. As a starting point, all suppliers and partners are covered by our Code of Conduct, and they are evaluated based on their ability to meet the requirements.

In the 2020/21 financial year, we met our goal that all employees for whom it is relevant were to complete the GDPR e-learning programme with focus on understanding and complying with the rules and showing additional consideration in relation to personal data protection. Our goal for the coming financial year is for all new subsidiaries to be screened for compliance with human rights as part of an ESG screening.

Our guidelines on workers' rights are based on Flügger's support and respect for local labour law. The working environment must comply with national legislation, regulations and industry standards. Flügger gives high priority to the safety of employees, customers and guests, and continually works to optimise the working environment in factories, offices and stores. Flügger works actively with risk assessment and the elimination of potential sources of incidents, accidents or conditions that affect human health and well-being. All our locations have dedicated health and safety expertise to ensure information, training and preventive safety audits and reviews. All accidents are registered and analysed, and preventative actions are initiated based on this.

Our objective for 2019/20 was to be able to make standardised safety reports across the Flügger Group, and we have succeeded in this. Our lost time injury frequency rate (LTIFR) was 3.17 in 2020/21. Our targets for 2021/22 are to achieve a year-on-year reduction in our LTIFR. Our work with employee satisfaction is presented in the section: 'The people behind our products' on page 12 of the CSR report.

Flügger's guidelines on anti-corruption and anti-bribery make it clear that employees and partners must not participate in any kind of fraud. Gifts, rewards and benefits, including hidden

commission or kickbacks, which may unduly influence the recipient's behaviour are regarded as bribery, and employees must not accept, offer or give bribes in any form. It is mandatory for the majority of our employees to complete the e-learning programme in our Code of Conduct. At the same time, e-learning is a fixed part of our introduction programme for new employees. Our target was to increase the proportion of employees who complete e-learning in our Code of Conduct from 90% in 2019/20. This target has been met, as 96% of the employees completed such training in the 2020/21 financial year. In the coming year, we will work to include the employees from Eskaro in Flügger's Code of Conduct, and the goal for 2021/22 is therefore to continue to increase the proportion of employees who have completed training in our Code of Conduct.

In our whistleblower scheme, which is available to all our employees and partners, we have not received reports of corruption or bribery in 2020/21.

Certain due diligence processes are of particular importance to our CSR work because they deal with areas containing greater risks than others. Due diligence in relation to mergers and acquisitions is precisely one of these areas. On 14 May 2021, Flügger's acquisition of 70% of the shares in the international paint group Eskaro was approved by the competition authorities. Eskaro has just over 1,100 employees and has six factories and sales units in Ukraine, Russia, Belarus, Estonia, Latvia and Finland. Towards 2021/22, we will conduct due diligence studies focusing on our guidelines, as described above, our Going Green strategy and a general mapping of environmental and social conditions in the six factories.

A colourful partnership – Copenhagen 2021

Flügger has entered into a partnership with Copenhagen 2021 and is thus the official principal partner at WorldPride & EuroGames in Copenhagen and Malmö from 12-22 August 2021. Together with Copenhagen 2021 and through this partnership, Flügger wants to focus on dialogue as a path towards the creation of a greater understanding of equality and diversity.

