



Report on

# Responsible Business Conduct 2019

for Lekolar AB

**lekolar**<sup>®</sup>

# SUSTAINABLE DEVELOPMENT GOALS



## To Readers Of The Report

Business is key for the achievement of the Sustainable Development Goals (SDGs). A well-functioning and responsible business community contributes to sustainable development through job creation and innovative solutions to global challenges. However, business operations can also have a negative impact on people, the planet and the society. Members of Ethical Trade Norway have committed themselves to work with due diligence for a more sustainable business practice.

The basis of this work is Ethical Trade Norway's Declaration of Principles, which covers the decent work agenda, human rights, environment/climate, anti-corruption and animal welfare. Members are obliged to report annually on challenges they face and on measures carried out to address these. The reporting template is this year for the first time based on the OECD due diligence model. It is new for us and new for our members. It is this report you are currently holding in your hands. The report is publicly available on our website.

The template seeks to respond to the expectations concerning due diligence for responsible business conduct as described in the UN Guiding Principles on Business and Human Rights and OECD Guidelines for Multinational Enterprises. Ethical Trade Norway's report covers essential elements of the Global Report Initiative (GRI) reporting framework and can be used as a progress report for the Global Compact.

**Heidi Furustøl**

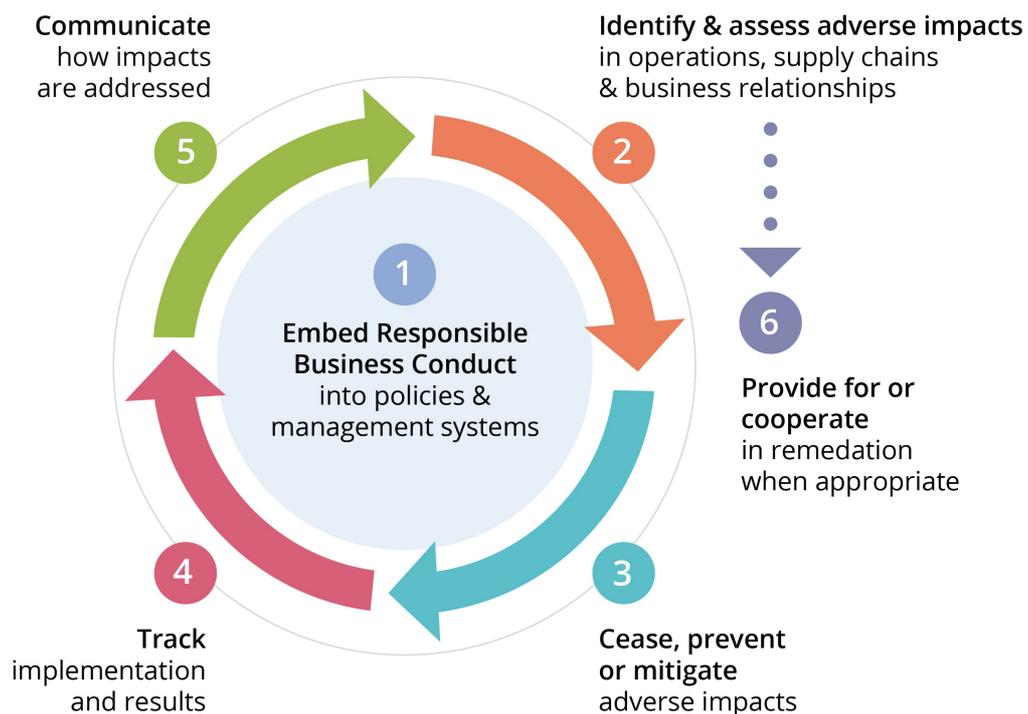
*Executive Director*

Ethical Trade Norway

# Due diligence

This report is based on the UN Guiding Principles on Business and Human Rights and the OECD model for Due Diligence for Responsible Business Conduct.

The model has six steps that describe how companies can work for more responsible and sustainable business practice. However, being good at due diligence does not mean no negative impact on people, planet and the society. It means that the company is open and honest about challenges faced and shows how this is managed in the best possible way in collaboration with its stakeholders. This report is divided in chapters following the OECD model.



# Preface From CEO

For us at Lekolar, it is essential to ensure that we do business responsibly. Therefore, we use our "Code of Conduct" where we describe what we expect from suppliers producing and/or providing articles/services for Lekolar.

In order to create decent working conditions and strict environmental demands throughout our supply chain, we work closely with our suppliers. As part of this work, we use our "Code of Conduct" that describes what we expect from Lekolar suppliers. Our rigid "Code of Conduct" covers human rights, labor law, safety, health and anti corruption. We demand from our suppliers, as well as their subcontractors, that they shall fully comply with the requirements set in our "Code of Conduct". We shall constantly evaluate and improve our work within this area.



David Persson  
CEO

David Persson  
*CEO*

# Company information and business context

## Key company information

### Company name

Lekolar AB

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### Head office address

Hallarydsvägen 8

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### Main brands, products and services offered by the company

Furnitures, toys, arts

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### Description of company structure

Lekolar provides product solutions and services for mainly schools and pre-schools. The head office is situated in Osby including warehouse, product development, customer service, purchasing, tender, management and compliance. We are operating in the four nordic countries; Denmark, Finland, Sweden and Norway. We are only doing business via tender agreements with the municipalities. Lekolar is owned by Nalka Investment AB.

Around 10% of our total purchased volumes originates from Asia. Therefore we have our own purchasing office in Shanghai. The rest of the products are mainly supplied from Europe.

Lekolar has a compliance team including one person responsible for sustainability questions. Sustainability manager reports directly to the CEO and is also part of the management group.

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### Turnover in reporting year (NOK)

1 200 000 000

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### Number of employees

320

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### Major changes to the company since last reporting period (mergers, acquisitions etc.)

Lekolar have recently acquired a company called Hands on Science. It's a swedish company working with STEM products such as programing, science etc.

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### Contact person for the report (name and title)

Pierre Lennartsson

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**Email for contact person for the report**

pierre.lennartsson@lekolar.com

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## Supply chain information

### General description of the supply chain and the company's sourcing model

Lekolar buys ready made products directly from suppliers, both branded and unbranded. We do also develop our own range which appointed suppliers get to produce. Our main origin of suppliers are eastern and northern Europe. Furthermore we are purchasing mainly toys in Asia. Therefore we have our own purchase office in shanghai.

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### Number of suppliers with which the company had commercial relations in the reporting year

600

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### Comments to number of suppliers

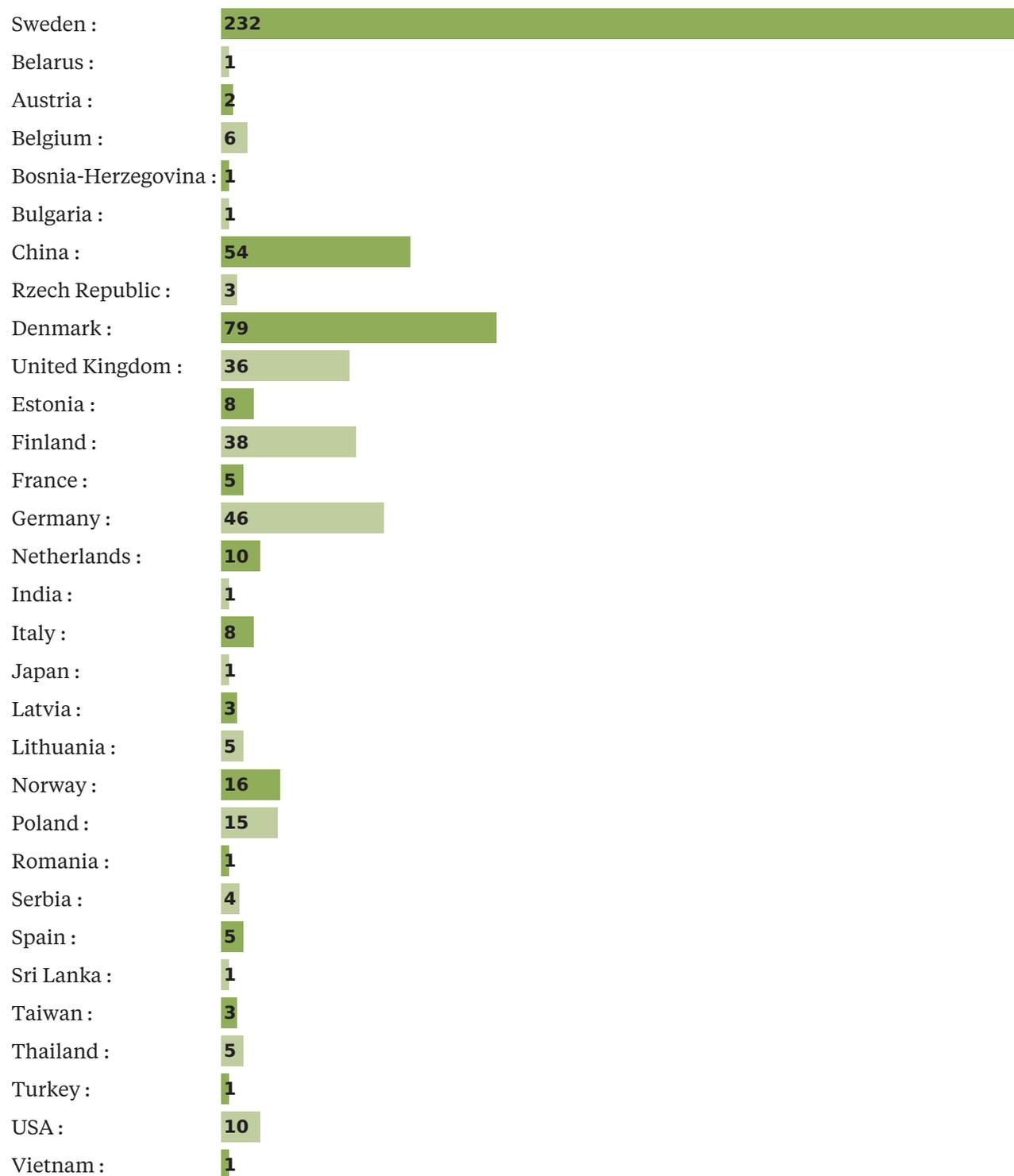
Represents number of suppliers where Lekolar have done purchases

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### Approximate ratio by sourcing options



### List of first tier suppliers (producers) by country



State the number of workers at first tier suppliers (producers) that the company has an overview of and the number of suppliers this overview is based on

Number of workers

Number of suppliers

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Comments to number of workers

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Key inputs/raw materials and associated geographies

**wood-based, textiles, steel, electronics, plastics**

Raw materials are sourced from many different countries/regions.

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Is the company a supplier to the public sector?

Yes

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## Goals and progress

### Goals and progress for the reporting year

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#### Goal for coming years

1

80% of Lekolar range to be "circular" by 2030.

2

80% of the purchased volume to be audited against Lekolar Code of Conduct 2030. Audits to be prioritized based on risk assessment.

3

50% decrease of CO2 emissions by 2030, as compared to 2019.

4

100% of Lekolar's woodbased materials, including packaging material, FSC/PEFC certified by 2030.

5

No PVC in Lekolar products by 2030.



# 1

## Governance and commitment to responsible business conduct

Commitment to sustainability means that the business should have relevant policies and codes of conducts in place, as well as effective management systems for implementing them. Central to this is the company's work with due diligence. This means, among other things, the business need strategies and action plans for how the company identifies and manages its risk of negative impact on people, society and the environment, including through business relationships and in the supply chain. Systematic management of such risks will strengthen the company's contribution to the Sustainable Development Goals. Strong commitment from top-management, and clear division of the responsibility for conducting due diligence is key. Those involved need to know how to proceed. Sustainability should be an integral part of business operations. Essential to this is transparency on the company's commitments, challenges faced and measures undertaken to manage those challenges.



## 1.A Policy commitment

### 1.A.1 What does the company say publicly about its commitment to respect people, society and the environment?

Lekolar takes a proactive approach to its corporate responsibilities and seeks to promote sustainable development, both internally and externally. Lekolar upholds high moral and ethical standards as a natural part of the company's business activities. We are mindful of our co-workers and their well-being, and we always make every effort to comply with our policies concerning equality in the workplace, the working environment and workplace victimisation. We advocate the principle of personal responsibility, both with regard to working tasks and in our relations with one another. We do not tolerate any form of discrimination, and we work and live according to our corporate values. Knowledge, awareness and the sense of commitment shared by all Lekolar employees form the foundation on which we build for success in our sustainability work.

Our vision for the work we do on social and ethical responsibility throughout the supply chain is to support and encourage our suppliers to comply with the principles of the Lekolar Code of Conduct as a baseline requirement. By doing this Lekolar seeks to take its share of responsibility for ensuring that its suppliers and their sub-contractors pay due regard to basic human rights, healthy working conditions and concern for the environment. We do not tolerate child labour or any form of forced labour, and we demand a good working environment for all those employed by our business partners. The Lekolar Code of Conduct is based on the core conventions and documents of the United Nations and the ILO. All suppliers, manufacturers and other partners with whom Lekolar does business must, as a minimum requirement, comply with local and national laws in their respective countries, as well as international rules and regulations, and sign the Lekolar Code of Conduct.

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### 1.A.2 How is the commitment/policy developed and how is it anchored in the company?

We have a sustainability/CSR policy, an internal code of conduct (under development and therefore not yet externally available) and a supplier code of conduct (implementation of updated code underway, code externally available).

Policies are developed with stakeholder interest and best practice in mind and are approved by the management team. Policy-training for employees is included in the on-boarding process as well as a when policies are updated. The policies are also part of the yearly appraisal dialogue with employees.

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## 1.B Organisation and internal communication

### **1.B.1 How is the work with responsible business conduct organised within the company and why in this particular way?**

Management-level responsibility for responsible business conduct is divided between our CEO, HR manager and Sustainability manager. Day-to-day responsibility is delegated to business areas, compliance team and HR team.

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### **1.B.2 How are employees made aware of the ways in which responsible business conduct should inform their decisions and actions?**

Introduction with new hires includes information on policies for responsible business conduct, the Lekolar values, information on work environment, ethical business conduct and sustainability. All new hires sign the Lekolar Code of Conduct. Managers are responsible for including relevant policies as part of the discussion in the annual staff appraisal meetings. Policies and guidelines are available to all employees through the intranet and everyone is encouraged to contact their manager if questions on practical implication of the policies occur.

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### **1.B.3 How does the company make sure employees have adequate competencies to work towards implementing responsible business conduct?**

Managers are responsible for making sure that their employees have adequate competencies. However, no company-wide follow-up is conducted today. The ambition is to increase the general competency in the company with regards to responsible business conduct.

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## 1.C. Plans and resources

### **1.C.1 How is the company's commitment to respect people, society and the environment rooted in strategies and action plans?**

The Lekolar sustainable business goals 2030 include the respect for people, society and the environment. These goals were approved by the board in 2019. Action plans are being developed.

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### **1.C.2 How is the company's strategies and action plans to work towards being responsible and sustainable followed up in top management and in the board?**

A yearly business plan review is conducted with the board and the management team, including responsible business conduct. Each business area manager is responsible for incorporating sustainability into their business plan. Twice a year a follow-up is conducted in the management team on environmental risk management, as part of the ISO 14001 management process.

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## 1.D Partnerships and collaboration with business associates, such as suppliers

### 1.D.1 How does the company make clear in its business relationships (in particular in the supply chain) the importance it places on responsible business conduct?

It's part of pre-contractual discussions with suppliers as self-assessment is carried out. In China, visits by Lekolar staff are carried out before signing with a new supplier. The purchasing department is in constant dialogue with suppliers and emphasises the importance of sustainable business practices as part of this dialogue, as well as quality and price.

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### Indicator

Percentage of suppliers that have accepted guidelines for suppliers



2019

2018

2017

Numbers show code of conduct signatures in relation to purchase value, including suppliers who have signed other codes deemed equal to Lekolar's. For those suppliers who have not signed, we keep an ongoing dialogue with a deadline for CoC signing.

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## 1.E Lessons learned and changes

### 1.E.1 What lessons has the company learned during the reporting period concerning sustainability, and what has changed as a result?

To enhance our risk management process, a more stringent supplier risk analysis process is being implemented.



## 2

### Defining the focus for reporting

## Identify and assess the company's impact on people, society and environment

“Identify and assess” is about identifying the company's risk for, and actual negative impact on, people, society and the environment, including in the supply chain and through business relations. As a first step the company should get an overall risk picture, before subsequently prioritising measures where the risk of negative impact is the greatest, i.e. salient issues. How the company is involved in the negative impact is central to determine the right actions to take. Involvement of stakeholders, especially those affected, is central when assessing risks. It is also important to consult with stakeholders when implementing measures to manage the negative impact.

## 2.A Mapping and prioritising

### STATEMENT ON SALIENT ISSUES

*Prioritising one or more risk areas on the basis of severity does not mean that some risks are more important than others, or that the company should not take action on other risks, but that risks with the greatest negative impact are prioritised first. Mapping and prioritisation are a continuous process.*

**2.A.1 In the table below state the salient issues associated with the company's activities and business relationships, particularly in the supply chain and during the reporting period**

Salient issue	Related topic	Geography
Forced labour of ethnic minorities (withholding of ID papers or migration fees)	Forced labour	China Thailand
Soil and water contamination (heavy metals)	Environment	Global
Health and safety of steel manufacturing employees in factories (lack of safety training, fires in factories, occupational accidents and deaths)	Occupational Health and safety	China Thailand

These are a selection of the most salient issues known to take place in connection to the type of production related to our products. We do not have any such confirmed cases in relation to our suppliers. These issues are currently handled through risk assessment procedures, dialogue with suppliers and through audits. However, we recognize the importance and difficulty to solve the issues mentioned.

### DETERMINATION OF SALIENT ISSUES

**2.A.2 Describe how the salient issues were determined, in terms of processes and sources of information, including any input from stakeholders**

Through publicly available sources, self-assessments and audits performed. With a diverse supplier base, critical issues differ between geographic areas and sectors.

## ADDITIONAL SEVERE IMPACTS

### **2.A.3 Identify any severe impacts on people, society and the environment that occurred or were still being addressed during the reporting period, but which fall outside of the salient issues, and explain how they have been addressed.**

The most common non-compliances found in audits relate to fire hazards, lack of safety equipment/safety equipment not in use, excessive overtime and delayed overtime payment. These are handled in dialogue with the supplier. The issue in China concerning the lack of freedom of association is a difficult issue and is addressed in terms of membership in ICTI care, not directly by Lekolar.



### 3

#### Management of salient issues

## Cease, prevent or mitigate negative impacts

“Cease, prevent and mitigate” is about managing findings in a way that contributes to a sustainable and responsible business conduct. The most severe negative impact on people, society and the environment should be prioritised first. This does not mean that other risks are less important or that they are not handled. The way the company is involved in the negative impact is central to taking the right action. Negative impact that the company causes or contributes to must cease, and the business must work to prevent and mitigate such risk. To address negative impact directly linked to the company, e.g. in the supply chain, the business must use its leverage to influence the entity causing the adverse impact to cease, prevent or mitigate it. This involves developing and implementing plans and routines to manage risk and may require changes to the company's policy documents and management systems. Effective management of the negative impact on people, society and the environment is a major contribution to the achievement of the SDGs.

### 3. A Cease, prevent or mitigate

**3.A.1 For each salient issue in your supply chain, add a goal, status and describe specific actions and progress made in the reporting year**

<b>Salient issue</b>	Forced labour of ethnic minorities (withholding of ID papers or migration fees)
<b>Goal :</b>	We have not set a specific goal for this salient issue. However, it falls under the overarching goal of having audited 80% of our suppliers (based on purchased value. Audits in turn will be prioritized based on a supplier risk assessment.
<b>Status :</b>	N/A (see below)
<b>Objectives in reporting year :</b>	Goal was formulated during 2019 and no objective was therefore set for 2019.

**Actions :**

We are currently working to further define the action plan.

<b>Salient issue</b>	Soil and water contamination (heavy metals)
<b>Goal :</b>	We have not set a specific goal for this salient issue. However, we aim for all suppliers to work systematically with environmental management and to encourage their own suppliers to do the same.
<b>Status :</b>	N/A
<b>Objectives in reporting year :</b>	N/A

**Actions :**

We highly encourage our suppliers to adopt a formalized environmental management system, such as the ISO 14001 or EMAS. Such dialogue and documentation is also part of our due diligence process. Apart from that, we are working on action plans that relate to our formulated 2030 goals.

<b>Salient issue</b>	Health and safety of steel manufacturing employees in factories (lack of safety training, fires in factories, occupational accidents and deaths)
<b>Goal :</b>	No specific goal is set for this salient issue. However, it is addressed in dialogue with suppliers and through audits. Also relates to the overarching goal of 80% of suppliers having been audited by 2030 (based on purchase value). Risk assessment will form a basis for prioritized audits.
<b>Status :</b>	N/A
<b>Objectives in reporting year :</b>	Goal was formulated during 2019 and no objective was therefore set for 2019.

**Actions :**

We are currently working to further define the action plan.

<b>Salient issue</b>	
<b>Goal :</b>	
<b>Status :</b>	
<b>Objectives in reporting year :</b>	

Actions :

## Other actions related to management of negative impact:

**Describe general actions to cease, prevent or mitigate negative impacts, including in your supply chain**

### **3.B.1 Reduction of environmental and climate footprint**

We have set 2030 goals in 4 areas that aim to lower our negative impact. The goals address: Lowering CO2 emissions, audits at high-risk suppliers, no PVC in products, FSC/PEFC certified wood-based products and packaging, and a move towards a more circular approach and environmentally better materials in our products.

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### **3.B.2 Adapting own purchasing practices (sourcing)**

Continuous dialogue with strategic suppliers (that constitute 80% of the Lekolar purchase volume) on possible issues/complications for suppliers connected to Lekolar orders. Active management of lead times, prices and quality issues. Continuous compliance efforts with focus on chemical management and electronics. Lekolar staff in China carry out supplier visits in connection to shipments.

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### **3.B.3 Choice of product design and of raw materials**

In 2019 we launched a new chair where the seat and back is made from 100% recycled plastic. This was possible due to a collaboration with two of our suppliers. We have also conducted a few lifecycle analyses for products in our furniture range to better understand and be able to mitigate negative environmental impact.

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### **3.B.4 Actively support free trade union organisation and collective bargaining, or where the law does not allow it, actively support other forms of democratically elected worker representation.**

Expressed in Lekolar supplier code of conduct. Focus in audits. No other direct dialogues other than through ICTI care membership.

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### **3.B.5 Contribute to development, capacity building and training of suppliers and workers in the supply chain:**

Sporadic training through Etisk Handel Norge but no current capacity building program in place.

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### **3.B.6 Other plans and measures taken to deal with salient issue**

Supplier assessment program to be upgraded and formalized.

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## 4

# Track implementation and results

Tracking implementation of actions and results is key to the company's due diligence process. For example, is the identifying and prioritisation of salient issues done in a scientifically sound and credible way? Does it reflect real conditions in the supply chain? Do measures aimed at ceasing, preventing and reducing the company's negative impact work as intended? Is negative impact remediated where relevant? This may apply to actions taken by the company alone or carried out in collaboration with others. Companies must have procedures and systems to track their implementation and results in order to assess them. The company's experience with due diligence is used to improve processes and results in the future.

## 4.A Monitoring and assessment

### **4.A.1 Describe responsibilities and procedures within the company for tracking performance with respect to due diligence activities**

General management performance evaluation and follow-up done in management team.

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### **4.A.2 Describe how the company evaluates the effect of its own efforts, or those made by suppliers (and other business relations), to identify, prevent and mitigate salient issues**

As part of ISO 14001 certification and management review twice yearly.



5

## Communicate how impacts are addressed

Relevant external communication on company due diligence for responsible business conduct needs to build on specific activities and results. This include external communication of policies and codes of conduct, or processes and activities related to identifying and managing the company's actual and potential negative impact on people, society and the environment. Communication should also include findings, effects and results of concrete actions or activities.

## 5.A External communication

### **5.A.1 Describe how the company communicates with affected stakeholders when managing its salient issues**

The implementation of the updated supplier code of conduct is one step we are taking to inform our suppliers of the level of responsible business practice we expect. Our purchasing department is in constant contact with suppliers and for those suppliers where audits have been performed, we have talked with the supplier about managing salient issues, based on the supplier's specific situation.

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### **5.A.2 Describe how the company communicates publicly about its own work on identifying and management of salient issues**

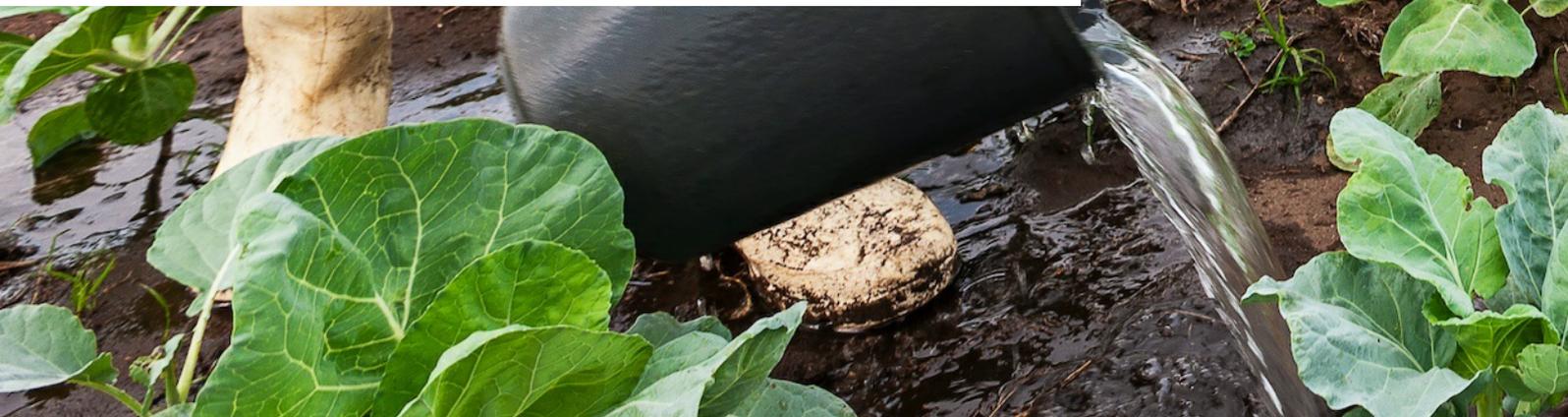
As part of our yearly sustainability report we have included some information on our supplier assessment process but not yet communicated in-depth about identification and management of salient issues.



6

## Provide for or cooperate to ensure remediation when appropriate

Once a company has identified that it has caused or contributed to negative impact on people, society or the environment, the company must provide for, or cooperate to ensure remediation. Remediation may involve financial compensation, a public apology or other ways to remediate the negative impact. When appropriate, companies should provide for or cooperate with legitimate remediation mechanisms through which impacted stakeholders and rights holders can raise complaints.



## 6.A Remediation

### **6.A.1 Describe the company's policy for remediation of negative impacts on people, society and the environment**

Lekolar does not have a policy for remediation. If such negative impacts occur as a direct effect of our business operations we address the issue.

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### **6.A.2 Describe cases of remediation in reporting year, if relevant**

Climate compensation has been discussed as one remediation tool but only as a complement to lowering our absolute CO2 emissions.

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## 6.B Secure access to grievance mechanisms

**6.B.1 Describe what the company does do to ensure that workers and communities have access to effective remediation mechanisms, when appropriate:**

Contact details:

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