

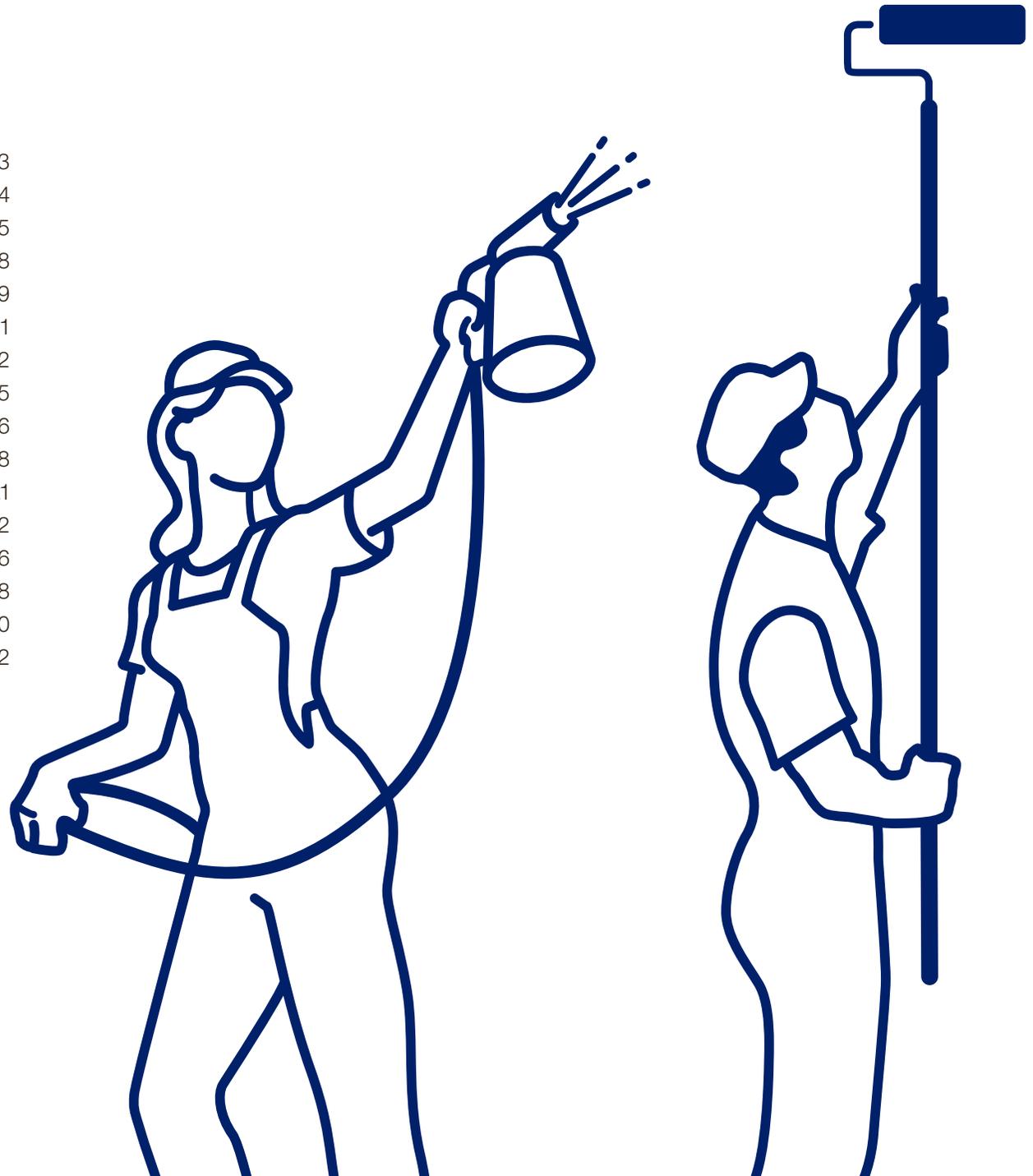
An aerial photograph of a lush green landscape. A prominent white path or road winds through the terrain, leading to a small, white, circular building. The overall scene is vibrant and natural.

# Flügger

CSR Report 2022/23

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# Green ambitions for us and our industry

At Flügger, we engage with our customers every day to move ourselves and our industry in a greener direction. We put our words and our goals into action, and our focus has always been on green and water-based solutions.

This was cemented with the launch of our Going Green strategy three years ago. Sustainability plays a central role in the strategy, which defined a number of ambitious short-term and long-term goals for our sustainability activities.

As we approach the final year of the strategy, we are pleased to see that in several areas, we are close to reaching our sub-goals for 2023/24.

## In 2022/23, we made progress on several fronts:

- We increased the share of ecolabelled wetgoods to 82%. That means we achieved – and surpassed – our sub-goal of 80% ecolabelled wetgoods one year ahead of schedule.
- We nearly doubled the share of buckets made of 50% recycled plastic compared to last year. This means that more than 1 million of our paint buckets contain 50% recycled plastic.
- FSC-certified brushes have been introduced in most of our professional brush range. This ensures that the wood for the wooden handles originates from responsibly managed forests.
- We have introduced four complete product ranges of ecolabelled paints, fillers, primers, FSC-certified brushes, paint trays made of recycled plastic etc. This makes it easier to buy more eco-friendly products throughout the entire painting project.

In the coming year, we will lay the groundwork for the next strategy. Our clear ambition is to build upon the major developments we have achieved in the area of sustainability during the current strategy period.

## Flügger paints in all the colours of the rainbow

At Flügger, we take a stand on social issues. Once again this year, we were the main sponsor of Copenhagen PRIDE. Our many engaged employees took the lead in celebrating diversity and the right for people to express themselves. Meanwhile we organised Drag Bingo to celebrate PRIDE in Denmark, Norway, Sweden, Iceland and Poland.

We do this because Flügger is a diverse workplace that embraces colleagues with very different backgrounds, educations, identities and opinions. It is essential to make room for everyone, and we can only do this by clearly demonstrating our commitment to promoting diversity.

Over the coming year, we will explore different ways of strengthening Flügger's support for diversity and for relevant education within the painting profession, in particular.

Furthermore, we donated paint to a number of organisations in Denmark and Ukraine. Donations like these save the environment from discarded paint and support a good cause.

This CSR report describes Flügger's most important initiatives during 2022/23.

I hope you enjoy reading it!

Sune Schnack  
Chief Executive Officer

# Our business

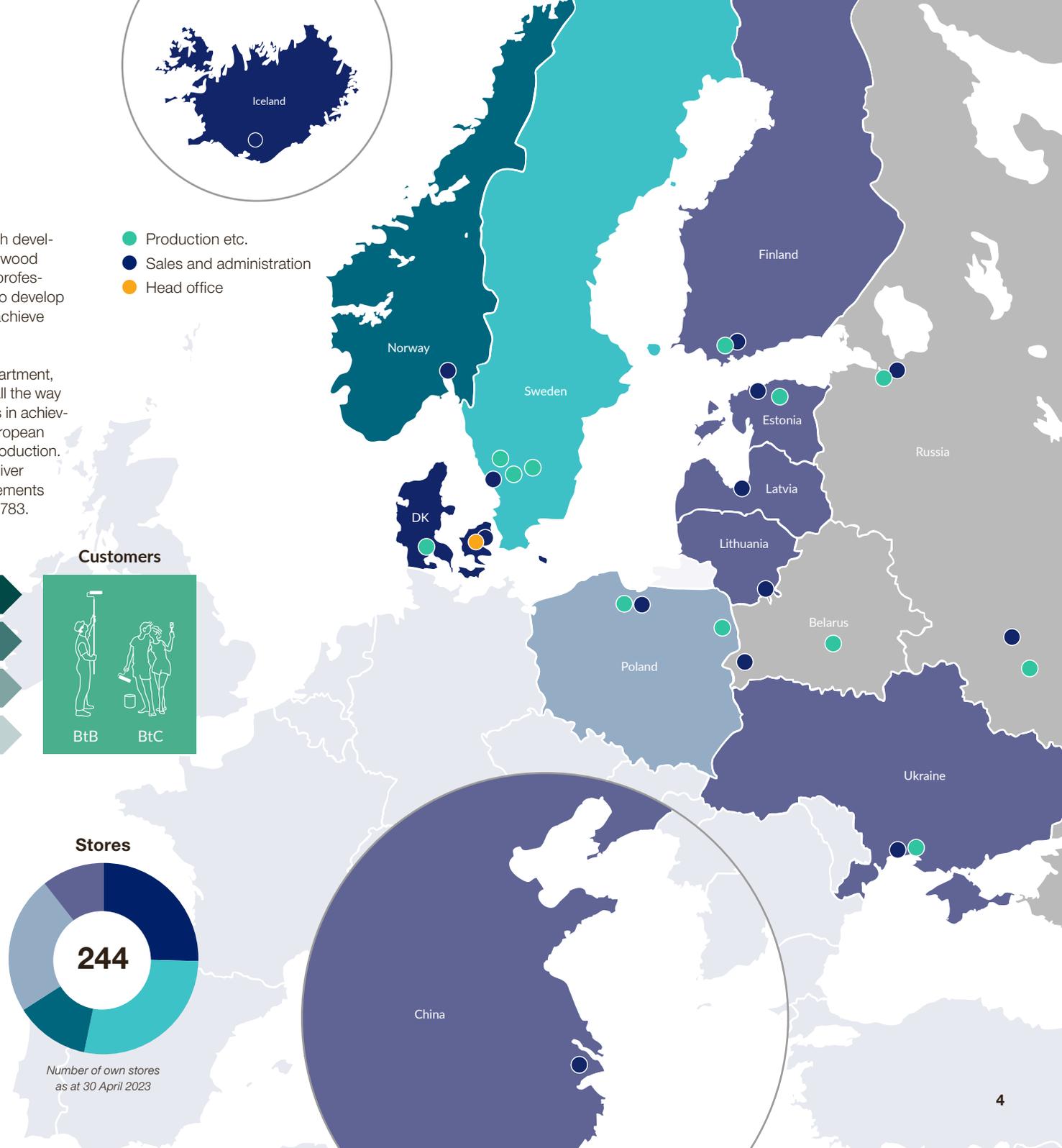
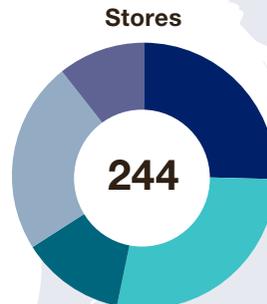
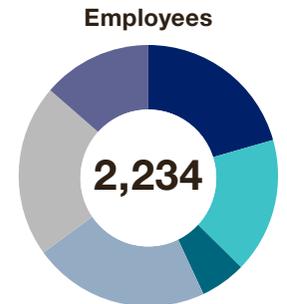
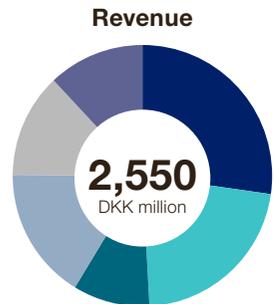
Flügger is an international group headquartered in Denmark, which develops, produces, markets and sells a wide range of building paints, wood stains, fillers, wallpapers and accessories. Our target groups are professional painters and private consumers. We see it as our key task to develop and deliver products and solutions that enable our customers to achieve high-quality results as efficiently as possible.

We design and improve our products in a central development department, manufacture our products at our own factories and ship them out all the way to the stores, where our employees guide and assist our customers in achieving an optimal result. Our end-to-end value chain is unusual in a European context, where most of our competitors focus on either sales or production. We believe that our business model contributes to our ability to deliver high-quality products and services, to meet our customers' requirements and to protect the Flügger brand, which dates all the way back to 1783.

- Production etc.
- Sales and administration
- Head office



## Geographical overview



# Sustainability at Flügger

Sustainability is an integral part of Flügger's business and plays a central role in our development of future products. Alongside our suppliers as well as professional and private customers, we are constantly taking important steps towards a more sustainable future.

Since Flügger was founded in 1783, we have believed in the value of preserving and retaining rather than discarding in favor of something new. This is one of the reasons why we develop high-quality products which not only extend the lifespan of painted materials but also maximize the coverage of our paint.

We also care about how paint affects people and impacts the environment. Back in the 1970s, we built a factory in Kolding to produce exclusively water-based paint. The days when paints contained organic solvents and lots of harmful chemicals are therefore long gone. We have replaced almost all oil-and solvent-based paints with water-based paints, and we are continually improving the environmental and health profile of our products.

## Ecolabelled paint demonstrates we care for people and the environment

Certified ecolabels such as the Nordic Swan Ecolabel and the EU Ecolabel play a crucial role for both private and professional customers by demonstrating that a product is gentle on both the environment and people.

That is why we have created a wide range of ecolabelled products that cover all product types and uses in the painting profession.

In addition to ecolabelled fillers, paints, wood stains etc., our range also includes FSC-certified brushes, masking products and wall coverings as well as other accessories made of recycled plastic. The aim is to make the greener option easy to choose.

We also take responsibility for reducing the climate and environmental footprint from our production and the packaging used for our products.

## Mental health, well-being and diversity are also key sustainability priorities for us

At Flügger, we see colour as a driver for mental health. Because colors make a difference. They can renew, beautify, prolong, enlarge, diminish and change. Colors help to set the mood in our homes and define our surroundings, but they also affect our efficiency and mental health.

Well-being and diversity are other important aspects of our commitment to sustainability. We take responsibility for ensuring that our employees thrive, grow and have good working conditions, and that everyone can be and express who they are.

To put our words into action, we support initiatives that make a positive difference to society. We have a long history of supporting charitable causes, and we also enter into partnerships where we can use our products, competencies or voice to contribute to a more inclusive, colorful and sustainable future.

## Green ambitions for the entire Group

Our current sustainability goals and strategic focus areas cover Flügger's historical core business, i.e. segments 1 and 2 (excl. Unicell International). However, we include data from the entire Group for selected data points. See the description of the specific scopes in our ESG accounting policies on [pages 30-31](#).

Our clear ambition is for the entire Flügger Group to contribute to a more sustainable future. Therefore, we will also incorporate our acquired companies into our future sustainability efforts. However, as parts of the Eskaro Group are intended to be divested, we exclude this part of the Group.



## Our sustainability focus areas



### Towards a greener Flügger

In the summer of 2020, we launched our Going Green business strategy, which has set a strong green direction for Flügger. Our focal point for sustainability comprises the focus areas Paint, Packaging and Production as well as People and Partnerships. These are the areas in which we have a special obligation and opportunity to push both our business and our industry in a green and sustainable direction.

With our Going Green strategy, we have committed ourselves to meeting three ambitious goals by 2030: We will produce 100% ecolabelled paint, use 75% recycled plastic in our packaging and have a carbon-neutral production.

As we journey towards 2030, we have set specific sub-goals for 2023/24, focusing on Paint, Packaging, and Production. With high ambitions, our success relies significantly on the complementary focus areas of People and Partnerships. By empowering our competent and dedicated employees and fostering close partnerships, we can achieve our objectives and find smarter, better, and more sustainable ways of running our business.

Our work with business ethics constitutes a strong foundation in our sustainability work. We place significant emphasis on compliance and risk management as the basis for creating value for our customers, suppliers, employees and shareholders – both now and in the future.



**THE GLOBAL GOALS**  
For Sustainable Development

Our strategy sets the direction for our contribution to the UN 2030 Agenda for Sustainable Development and the UN Sustainable Development Goals. We focus on the SDGs where we believe that we can make the biggest difference.



**New strategy from 2024/25**

During 2023/24, we will develop our strategy and goals for the coming years, including our ongoing sustainability initiatives. Our commitment to be a brand of high quality and environmental responsibility will guide us on our ambitious journey.

Significant input to the new strategy will come from the insights gained during our preparations to comply with the EU’s new Corporate Sustainability Reporting Directive (CSRD), which will apply to Flügger from the financial year 2024/25.

In the spring of 2023, we initiated a CSRD gap analysis, which, alongside an updated double materiality analysis, will form the basis for our continued efforts within sustainability. This will strengthen the integration of sustainability into our management and decision-making processes. Additionally, it will ensure that we prioritise the areas in which we have the greatest impact on the environment and society, and which also represent significant opportunities or risks for our business.

**Strong organisational setup for sustainability**

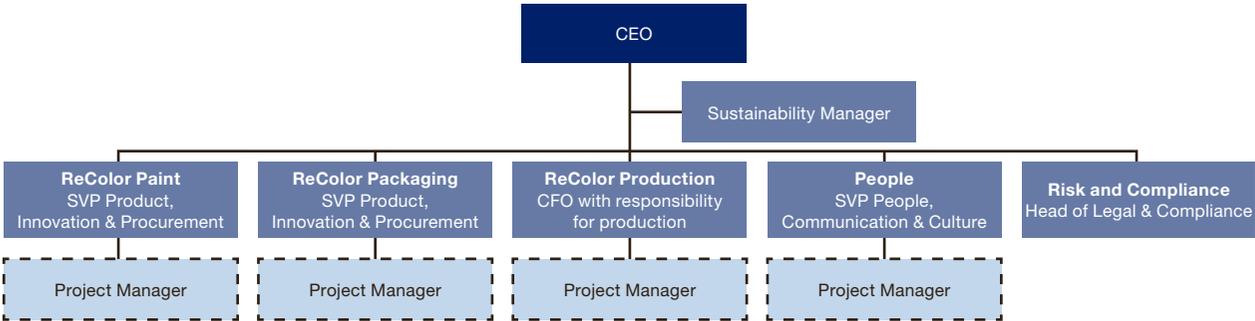
Our sustainability work is organised with a broad involvement of the Flügger organisation and with ownership anchored in the top management.

Flügger’s Chief Executive Officer, Sune Schnack, is responsible for the CSR steering committee, which is facilitated by Flügger’s Sustainability Manager. The steering committee is organised according to our strategic focus areas. Each focus area has a dedicated “sponsor” in management as well as an overall project manager who runs the initiatives. The steering committee meets at least four times a year to follow up on KPIs and activities and discuss new initiatives.

In addition to the initiatives within the strategic focus areas, we work with sustainability in many parts of the organisation and through various cross-organisational forums, such as the “Customer Sustainability Forum”, which we established in 2022/23. In this forum, we focus on sustainability measures that go beyond our strategic initiatives and are aimed at meeting our customers’ needs and wishes regarding sustainability.

However, the driving force behind our sustainability work is all our employees. Every day they help to develop Flügger and drive us in a greener direction, either by contributing to sustainability projects or by incorporating new and green solutions into their daily tasks. Every step counts on our journey towards a more sustainable future.

**Organisation of our sustainability work**



# Highlights 2022/23

## Ecolabelled paint

**82%**

of wetgoods sold

## Buckets with recycled plastic

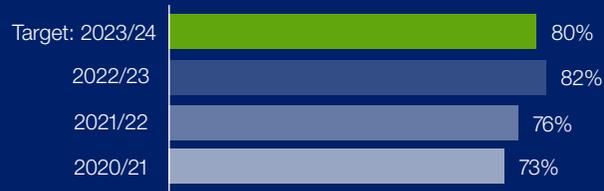
**20%**

of purchased buckets consist of min. 50% recycled plastic

## CO<sub>2</sub> reduction

**47%**

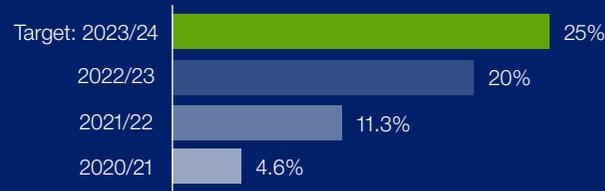
per litre of produced wetgoods since 2015/16



Based on litres of wetgoods certified with the Nordic Swan Ecolabel or the EU Ecolabel sold in segments 1 and 2, excl. Unicell International.

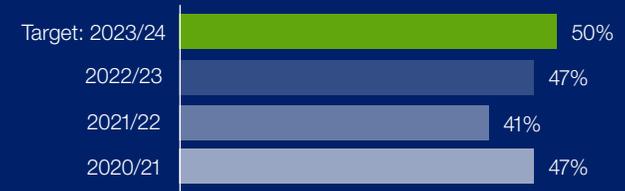
Wetgoods include paints, wood stains, fillers, wallpaper adhesives etc.

Read about our work to develop the most eco-friendly products in the ReColor Paint section on [pages 9-10](#).



Based on purchased buckets for sale in segments 1 and 2, excl Unicell International.

Read about how we work to increase the share of recycled plastic in our buckets as well as our own-produced tools and accessories in the ReColor Packaging section on [pages 12-13](#).



Based on energy consumption at our Flügger factories in Bodafors, Bollebygd, Gdansk and Kolding as well as total own production of wetgoods at Flügger factories.

Read about our work to reduce carbon emissions from our production in the ReColor Production section on [pages 16-17](#).

# Focus area 1: ReColor Paint

Flügger's work with ReColor Paint aims to ensure we develop products that show the greatest possible consideration for the environment, the climate and people. Our main goal is to produce 100% ecolabelled wetgoods by 2030. We are ahead of schedule, but there is still much more to do.

## 82% ecolabelled wetgoods one year ahead of target

In 2022/23, we achieved our sub-goal of 80% ecolabelled wet products – one year ahead of schedule: 82% of sold Flügger paints, wood stains, fillers and other wetgoods are now certified with the Nordic Swan Ecolabel and/or the EU Ecolabel.

This is an increase of 6 percentage points since last financial year – and more than a 7-fold increase since 2015/16, when we started measuring.

During the year, we expanded our indoor range to include new products in our Nordic Swan Ecolabelled series Perform, Flutex Pro and Dekso. We also developed a new wet room system of Nordic Swan Ecolabelled paint products, resulting in faster treatment and saving painters about a third of their time.

In our outdoor range, we launched the Facade Impredur silicone paint in a new and improved version, and it too carries the Nordic Swan Ecolabel.

## Why we focus on ecolabelled wetgoods

We have chosen to work with the most well-known voluntary ecolabelling schemes to ensure a high level of credibility and recognition. The ecolabels make it easier for private as well as professional customers to choose more eco-friendly products.

Customers know that the strict requirements behind the Nordic Swan Ecolabel and the EU Ecolabel ensures that the product is as gentle as possible on the environment and people without compromising on either quality or durability.

With more than 150 ecolabelled products across more than 1,400 item numbers, there are plenty to choose from.

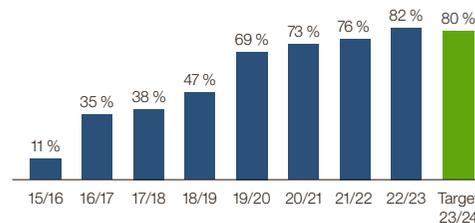
## Flügger continues the effort to introduce more ecolabelled products

At Flügger, our ambitions never stand still. That is why we are constantly developing new products and solutions that enable us to live up to our own expectations and those of our customers.

The journey towards more ecolabelled products requires a huge effort. For example we have made substantial investments in our factories in Sweden and Denmark to ensure that our production is as efficient and clean as possible. Additionally, we depend on close cooperation with our suppliers to get the right raw materials. Meanwhile, the ecolabelling requirements are continuously tightened, and criteria for new product categories are added, allowing more outdoor products to be ecolabelled in the future.

We contribute to the work of Ecolabelling Sweden as it develops its new set of criteria for Nordic Swan Ecolabelled paints and varnishes. We share data and provide input for product quality requirements and similar aspects, both directly to Ecolabelling Sweden and through the Swedish (SVEFF) and Danish trade associations (DLF). We have also involved our raw material suppliers in providing input for the new criteria.

## Development in ecolabelled paint



*Based on litres of wetgoods certified with the Nordic Swan Ecolabel or the EU Ecolabel sold in segments 1 and 2, excl. Unicell International. Wetgoods include paint, wood protection, filler, wallpaper adhesive etc.*

## Did you know?

Paint certified with the Nordic Swan Ecolabel or the EU Ecolabel meets strict environmental and chemical requirements as well as high quality and durability standards.

The labelling schemes assess the paint according to all relevant environmental parameters throughout the product's life cycle: from raw materials, production and use to reuse, recycling and waste. This means you can be certain that an ecolabelled product is among the most eco-friendly within the product category.

## For indoor paints, the Nordic Swan Ecolabel and the EU Ecolabel mean:

- Low content of substances harmful to the environment and to health
- Low environmental impact from a life cycle perspective
- Low level of off-gassing to the indoor climate
- Good opacity and robustness

## For outdoor wood stains and facade paints, the Nordic Swan Ecolabel means:

- Low content of substances harmful to the environment and to health
- Low environmental impact from a life cycle perspective
- Resistance to mould and mildew growth on the surface
- Long durability

The EU Ecolabel and the Nordic Swan Ecolabel are among the world's most stringent environmental certification schemes, and the requirements are continuously developed and tightened. Both are official ecolabels in the Nordic region and the EU, which means that they are supported by the authorities.

## New paint series for a better indoor climate

In 2022/23, we continued our work to develop a new indoor wall paint with the lowest possible level of indoor emissions.

Our goal is to reduce the already low content of volatile organic compounds (VOCs), formaldehyde and ammonia in our indoor products as much as possible. Although preservatives are necessary in water-based paints to extend the durability of the product and avoid contamination, we work to keep quantities as low as possible.

The aim is for the paint to meet the requirements for voluntary labelling schemes focusing on indoor climate and allergies, and we strive to base the product on a technology that can be applied to several types of paints. In line with our target, we expect to launch the product during 2023/24.

As part of our work, we measure emissions for all our main indoor products in the Perform, Flutex Pro and Dekso series according to the requirements of the M1 label. The emission measurements document that our products have low level of off-gassing of substances such as VOCs, formaldehyde, ammonia, harmful substances and odours when the paint is applied.

Over the past four years, oil- and solvent-based wetgoods have accounted for less than 2% of our sold wetgoods. As in 2021/22, the share of water-based wetgoods reached as high as 99% in 2022/23. This means that we again achieved the target of 99% water-based wetgoods.

## Reducing the product's carbon footprint

To get a better understanding of the environmental and climate impact of our products, in 2022/23 we prepared life cycle analyses (LCAs) for all our own-produced wetgoods.

Our 289 LCAs show that about 60-80% of the carbon emissions from our paints and fillers originate from the production

of the raw materials for our products. That is why it is essential for us to reduce the use of raw materials with a high carbon footprint and instead use recycled, biomass-balanced and/or second-generation bio-based raw materials such as waste products from food production. We do not want to use raw materials that could be used as food or animal feed.

However, the availability of suitable raw materials remains limited. Therefore, we have been actively working with our suppliers since 2021 to identify and test their available biomass-balanced, bio-based and recycled raw materials.

In 2022/23, we started developing an implementation plan for these raw materials in selected parts of our product range, in close cooperation with our suppliers and with input from our customers.

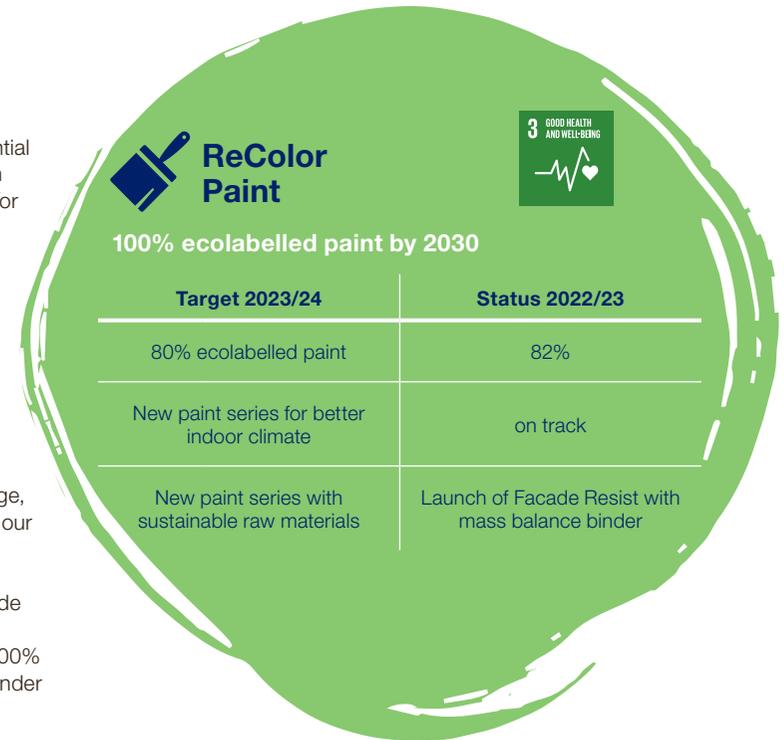
We launched the first product in spring 2023: Flügger Facade Resist. This outdoor paint now contains a binder produced according to the mass balance principle. This means that 100% of the fossil-based raw materials required to produce the binder are replaced by certified biomass.

And this is just the beginning. We will keep working closely with our raw material suppliers to develop more products with a lower carbon footprint.

## Increasing demand for documentation from customers

Sustainability certification schemes for buildings, such as DGNB, BREEAM and the Nordic Swan Ecolabel, continue to gain ground. This is one reason why our customers are increasingly demanding documentation showing the environmental and health profile of our products.

To meet this demand, we provide our customers with sustainability-related data such as the VOC content of products, ecolabels, inclusion in voluntary building databases and calculated carbon footprints for Flügger-produced wetgoods.



At the end of the financial year, we have 32 externally verified Environmental Product Declarations (EPDs) available. They cover more than 41 products and a total of 477 item numbers, and more EPDs are continually being added. The EPDs are primarily used by professional developers in connection with sustainability certification of buildings.

For products without verified environmental product declarations, we offer our customers supplier declarations that show the carbon footprint associated with the production of the product. We also issue product declarations for DGNB-DK and Breeam-Nor.

# Flügger becomes a full-service provider of more eco-friendly solutions

In the Nordic region, the number of buildings certified with the Nordic Swan Ecolabelled increased by 17% in 2022. To meet these requirements, it must be easy for Flügger's professional customers to find ecolabelled products for their entire project. Flügger has now made this process simple and user-friendly.

## Four product series for the eco-conscious painter

We have launched four product series aimed at professional painters, but also catering for quality-conscious private customers.

The professional painter now has a clear guide to finding the products to all the phases of the project that satisfy the requirements of Nordic Swan Ecolabelled construction, which is experiencing such growth in the Nordic region.

The many ecolabelled products are divided into two product series for indoor paint, one product series for wet room projects and one consisting of various tools and accessories for the painting project.

Our hope is that a more manageable and comprehensive range of ecolabelled products can help drive the consumption of ecolabelled products even higher than today.

**Pro and Perform:** When professional painters have to do projects that involve the use of filler, primer and paint, the entire Pro and Perform series are Nordic Swan Ecolabelled.

**Wet room:** The H<sub>2</sub>O series contains five products - filler, primer, adhesive, sealant and paint for wet rooms - which are all certified with the Nordic Swan Ecolabel.

**Tools and accessories:** Flügger has made significant efforts to provide quality tools and accessories made of either recycled plastic or FSC-certified wood or cardboard. This applies to masking products as well as brushes, roller trays etc.

## Case



## Focus area 2: ReColor Packaging

In the ReColor Packaging focus area, we are working to reduce the environmental and climate footprint of our packaging. In two years, we have quadrupled the share of buckets made of 50% recycled plastic.

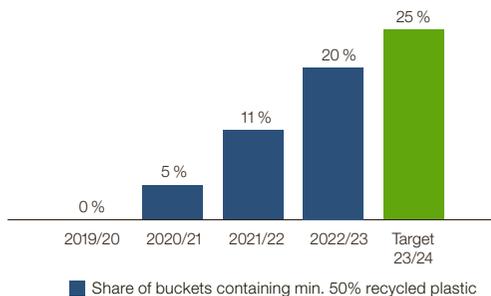
The aim is for at least 75% of our packaging to consist of recycled plastic by 2030. That is why we prioritise the use of recycled materials and focus on reducing the amount of packaging, especially from fossil sources such as newly produced (virgin) plastic.

### Over 1 million paint buckets made of 50% recycled plastic

With 5.8 million paint buckets per year, buckets make up the largest portion of the packaging of Flügger's own-produced wetgoods. This corresponds to around 2,000 tonnes of plastic. Therefore, we aim for 25% of our buckets to be made from at least 50% recycled plastic by 2023/24.

By using recycled plastic, we reduce the need for virgin raw materials and reduce the amount of waste. In addition, producing recycled plastic has much lower carbon emissions than virgin plastic.

### Buckets with recycled plastic



Based on purchased buckets for sale in segments 1 and 2, excl. Unicell International.

Over the past few years, we have converted to buckets made of 50% recycled plastic for our water-based Wood Tex, Facade and Perform products. In 2022/23, we increased the share of buckets made of recycled plastic to 20% of the total number of buckets we purchased for our own-produced wetgoods. This is an increase of 9 percentage points compared to last year.

By converting to buckets made of 50% recycled plastic, we saved 291 tonnes of CO<sub>2</sub> in 2022/23. This corresponds to the carbon emissions from approximately 700 Danish households' average annual energy consumption.

The main reason for the increase is our successful launch of the Perform series in a grey bucket made of 50% recycled plastic, as well as larger demand from private label customers for this kind of packaging.

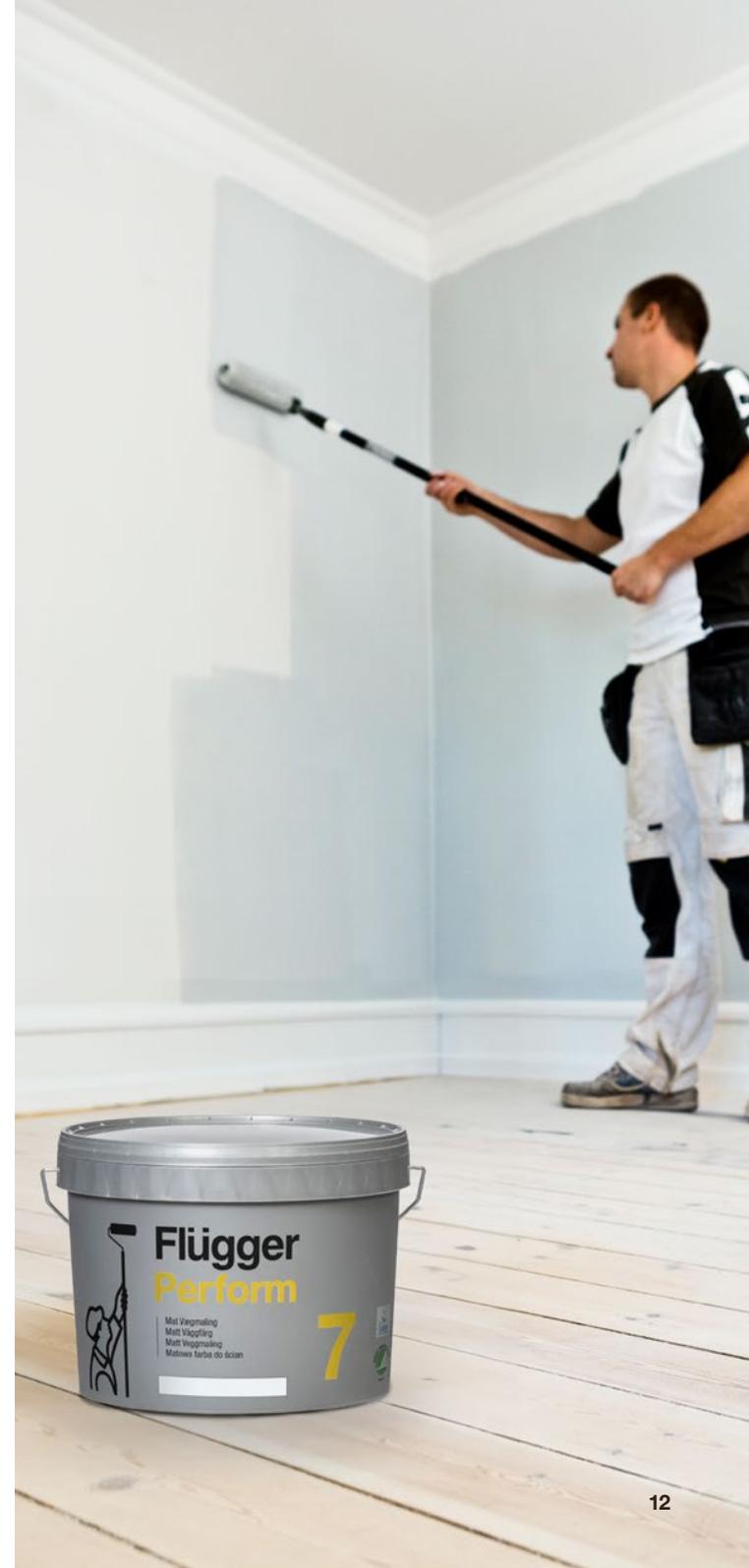
To further increase the share of buckets made of recycled plastic, we are working on replacing PP Professional Paint buckets and our buckets for fillers with buckets made of 50% recycled plastic.

We are also working to introduce buckets containing up to 75% recycled plastic. Buckets containing such a high proportion of recycled plastic are more likely to leak and break due to the fragility of the material. To overcome these issues, we are working closely with our suppliers.

### Innovative packaging

We are also exploring other possibility to minimise the environmental footprint of our packaging. For example, in early 2022 we launched the Notes@ brand, which is aimed at private consumers and offers paint in two-litre plastic bags. These bags contain up to 71% less plastic than a traditional bucket.

In 2022/23, we have been focusing on testing buckets containing up to 95% recycled plastic in close collaboration with our suppliers.



## Take-back solution for paint buckets

At Flügger, we wish to give our paint packaging a new life and be reused as material in new products. Therefore, in Norway, we have established a return system for empty and half-empty paint buckets from our professional customers.

Empty buckets are part of Norway's Empty & Dry return scheme and the paint waste is disposed of in a safe and environmentally correct way. Through our return system, we provide our customers with statistics that can help them reduce the amount of paint they waste. The service has been well-received by our customers, and since we started in November 2021, we have collected almost 19 tonnes of paint waste.

For Sweden and Denmark, we are analysing the demand and possibilities for establishing a similar return system. Meanwhile, we are closely monitoring the implementation of the Extended Producer Responsibility for packaging in Denmark, which will enter into force from 1 January 2025. We participate in collective schemes as a way of staying up to date, and to gain more insight into eco- and climate-friendly packaging design. This enables us to identify potential action we can take to promote the recycling of our packaging.

## Recycled plastic in tools and accessories

We are working to increase the amount of recycled plastic in our own-produced cans as well as in the tools and accessories we produce at our plastic injection moulding factory in Bodafors, Sweden. In recent years, we have converted to using 100% recycled plastic in our paint trays and handles for brushes, paint scrapers etc.

In 2022/23, plastic granules made of recycled plastic accounted for 32% out of all the plastic granules used in Bodafors. This is a decrease of 6 percentage points compared to last year. The main reason is a delay in the implementation of new moulds for our 0.75 litre and 0.38 litre cans, which will enable us to produce the cans in 100% recycled plastic.

The Bodafors factory produces about 1.3 million cans annually. Thus, the implementation of the new moulds will significantly increase our use of recycled plastic. We expect to produce the first cans in 100% recycled plastic by the end of 2023.

As well as converting our own-produced tools and accessories to recycled plastic, we are working with our suppliers to add more eco-friendly products to our range of goods for resale. For example, all our masking plastic products, roller buckets and plastic inserts for paint trays and roller buckets are made of 100% recycled plastic. Plastic bags for roller buckets consist of 70% recycled plastic due to requirements for strength and flexibility.

## More FSC-certified products

As part of our efforts to improve the environmental profile of our other products, the production of wall coverings at our factory in Gdansk, Poland, was FSC-certified in 2021. In December 2022, our brush factory in Bankeryd, Sweden, was approved to produce FSC-certified brushes.

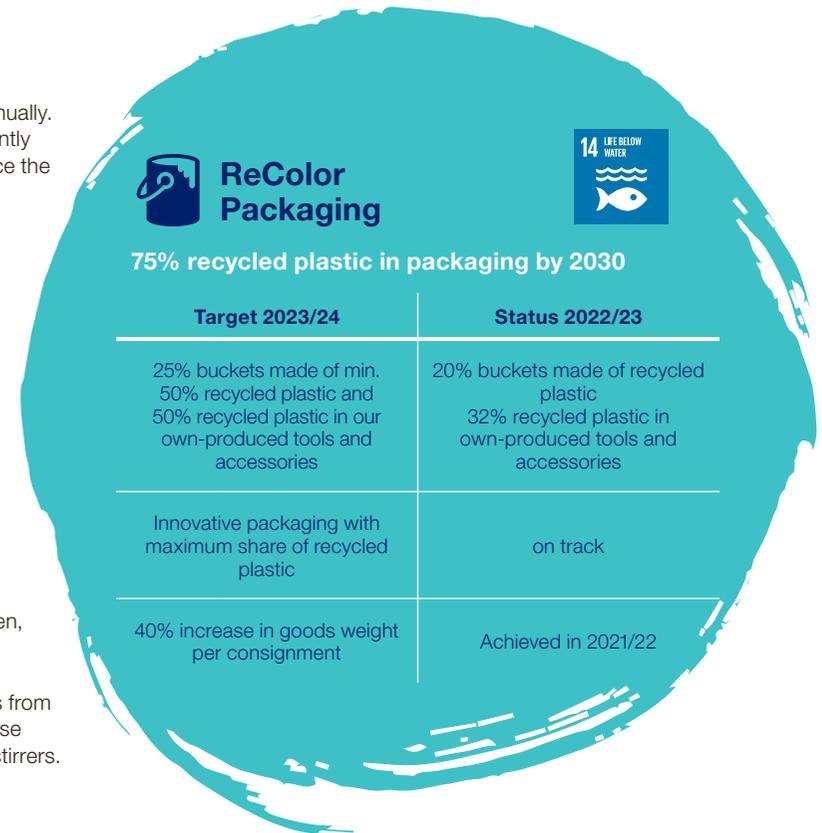
The FSC-certified brushes became available in our stores from the beginning of 2023, where customers can also purchase FSC-certified masking cardboard and get FSC-certified stirrers.

## Load optimisation

After several years of dedicated work to optimise truck loadings, in 2021/22 we successfully achieved our target for 2023/24 of increasing the weight of goods per shipment by 40% compared to 2018.

In 2022/23, we continued our efforts to optimise logistics. For example, we implemented a number of initiatives aimed at reducing the number of kilometres driven and thereby also carbon emissions from our distribution.

In addition, we regularly enter into new contracts with our logistics providers imposing carbon emissions reporting requirements. This allows us to monitor developments and identify potential opportunities for further improvement.





“The strict requirements behind the Nordic Swan Ecolabel guarantee that the product is as gentle as possible on people and the environment without compromising on quality or durability.”



# Replacing raw material reduces the carbon footprint of Flügger Facade Resist

At Flügger, we focus on reducing carbon emissions from the production of our products and on replacing raw materials with more eco-friendly alternatives. This year, we have achieved this with Flügger Facade Resist.

60-80% of the carbon emissions associated with our paints originate from the production of the raw materials. That is why we aim to lower our carbon footprint by replacing fossil raw materials with more eco- and climate-friendly alternatives, without affecting product quality.

One of the main raw materials with the greatest impact on paint quality is the binder. High-quality paint often contains a much higher amount of binder compared to low-quality paint, because binders increase the robustness, colour stability and opacity of the paint.

However, the binder is also one of the most carbon-intensive components of the paint, because it is usually based on fossil raw materials. That makes it a crucial area for us to focus on to reduce the carbon footprint of our products.

## Flügger Facade Resist: 20% lower carbon footprint – same high quality

In 2022/23, we implemented a new binder that is produced using certified biomass instead of 100% fossil-based raw materials.

The first product featuring the new binder is Flügger Facade Resist, which is a Nordic Swan Ecolabelled outdoor paint for concrete surfaces.

The reduction in the carbon footprint is substantial. According to our calculations, we have reduced the carbon footprint of the binder by approximately 65%, and lowered overall carbon emissions associated with the production of Facade Resist by approximately 20% per kg.

## Spreading rate and durability reduce carbon footprint

The production of raw materials is not the only thing that has an impact on the climate footprint of individual products. For paints and wood stains, for example, spreading rates and durability are also important parameters.

A good spreading rate means that less paint is consumed, and good durability means not only that another treatment will not be necessary until later on, but also that timber such as decking treated with the wood stain will last longer.

That is why we at Flügger are also proud of our work to improve the spreading rate. An example of this is the Flutex Pro series, launched in 2021 with a 25% improved spreading rate.

This means that customers need significantly less paint than before, which will also have an impact on the total carbon footprint per painted square metre.

Case

28



# Focus area 3: ReColor Production

We want to reduce the climate and environmental footprint of our production activities. Therefore, we are working specifically to reduce our carbon emissions, minimise wastewater volumes and reduce waste from our factories. Our carbon emissions and waste volumes are decreasing, but the increased production of ecolabelled wetgoods results in a higher consumption of washing water.

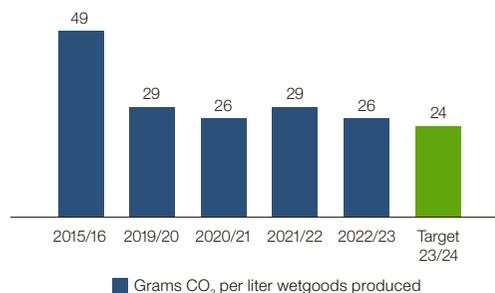
## CO<sub>2</sub> from our factories

Our target for 2023/24 is to reduce CO<sub>2</sub> emissions per litre of wetgoods produced with 50% compared to 2015/16.

In 2022/23, we emitted 26 g of CO<sub>2</sub> per litre of wetgoods produced. This corresponds to a reduction of 47% since 2015/16 and is an improvement of 6 percentage points compared to last year. It is also on a par with the result in 2020/21. The improvement is mainly due to a lower consumption of natural gas at our factory in Gdansk, Poland.

The factory in Gdansk, which mainly produces wall coverings, accounts for the largest carbon emissions from our production. Felt and tissue production is energy-intensive compared to paint production, and a large share of the process energy is based on natural gas.

### CO<sub>2</sub> per liter wetgoods



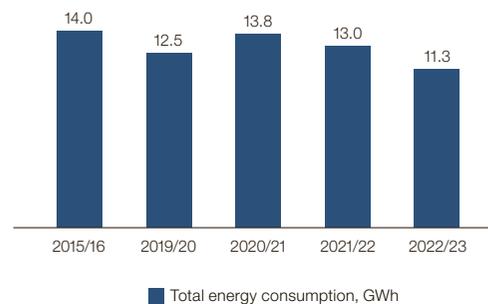
Based on the energy consumption at our Flügger factories in Bodafors, Bollebygd, Gdansk and Kolding as well as the total volume of own-produced wetgoods at Flügger factories.

However, we are preparing to convert the factory's office building to district heating and expect implementation in early 2024. We expect the conversion to district heating to reduce carbon emissions from heating at the Gdansk site by 25%.

We produce the vast majority of all Flügger-branded paint at our factory in Kolding. Over the past four years, the factory has undergone extensive modernisation to make production as clean and efficient as possible. At the same time, we have significantly increased capacity. However, we are still looking at further optimisations. For example, we are investigating options for using surplus heat from production to heat the factory.

Last year, we also completed Flügger's new filler factory in Bollebygd, Sweden, which has a production capacity three times larger than our previous facility. The new factory houses more and larger machines, resulting in shorter process times and increased production volumes.

### Energy consumption in production



Based on the energy consumption at our Flügger factories in Bodafors, Bollebygd, Gdansk and Kolding. We have not set a target for the total energy consumption in production.

## We are mapping Flügger's scope 1 and 2 CO<sub>2</sub> emissions

To identify the carbon emissions Flügger is responsible for, we collected data during 2022/23 from our five Flügger factories and our own 212 stores in Denmark, Sweden, Norway and Poland, as well as our headquarters in Rødovre and our company cars. The data collected includes our direct emissions from sources such as natural gas and fuel (scope 1) and our indirect emissions such as electricity and district heating (scope 2).

We will now thoroughly analyse the collected scope 1 and 2 data to identify potential optimisation projects and target our efforts where we see opportunities to make the biggest improvements.

In 2022/23, we took steps to reduce our scope 1 and 2 carbon emissions in Denmark and Sweden. In the winter of 2022, for example, we converted from gas to district heating at our headquarters, Flügger House, and the PP Professional Paint store in Rødovre, and we continued the conversion to LED lighting in our Danish and Swedish stores.

In the coming year, we will work to include our acquired companies in our scope 1 and 2 reporting and map the carbon emissions in our value chain (scope 3).

## More washing water in production

We are working to minimise wastewater from production of our wetgoods while maintaining high product quality.

In recent years, the amount of wastewater has increased due to a higher consumption of washing water. Part of the reason is that our factory in Kolding now produces a wider range of paint products following the transfer of paint production from Bollebygd. At the same time, we produce significantly more ecolabelled paint, which requires a high level of cleanliness in the production equipment due to the lower content of biocides. This means that machines, equipment, pipes and tanks must be carefully washed between shifts.

Last year, we carried out a study of our water quality and identified possible wastewater reuse technologies. Following on from this, in 2022/23 we decided to conduct a thorough analysis of our washing water consumption to identify an effective water treatment and recycling solution.

At our filler factory in Bollebygd, we improved the handling of wastewater jointly with our waste operator by implementing a new solution in which the wastewater is transported to a nearby plant for treatment before it is discharged. Previously, incineration was the only option. With thorough pretreatment, now only the wastewater sludge is incinerated, resulting in a more eco-friendly but also more economical solution.

## Less waste generated and more waste recycled from our factories

In 2022/23, there was a significant drop of 30% in our total amount of waste to 1.6 tonnes. This is mainly due to the completion of our rebuilding projects in Kolding and Bollebygd, bringing the volume of waste back down to normal levels.

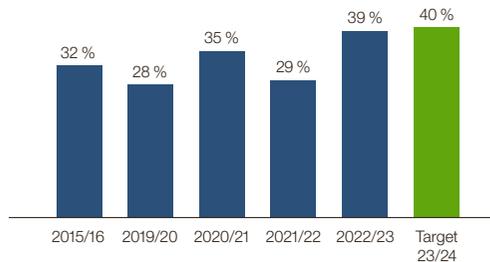
Meanwhile, the share of waste being sent for recycling increased to 39%, an increase of 10 percentage points since last year.

The improvement is a result of both the reduction of construction waste and an improved production setup implemented at the new filler factory in Bollebygd.

At our factories, we take various steps to reduce waste. For example, we recycle transport packaging in Gdansk, and in Bodafors we incorporate residual plastic from production into new products or sell it to third parties to avoid wasting raw materials in production.

To avoid waste from faulty productions etc., we donate products that are usable but cannot be sold to the greatest extent possible. This year, for example, we donated two pallet boxes of mislabelled brushes to the Paint It Forward organisation, and 18 pallets of paint to various charities.

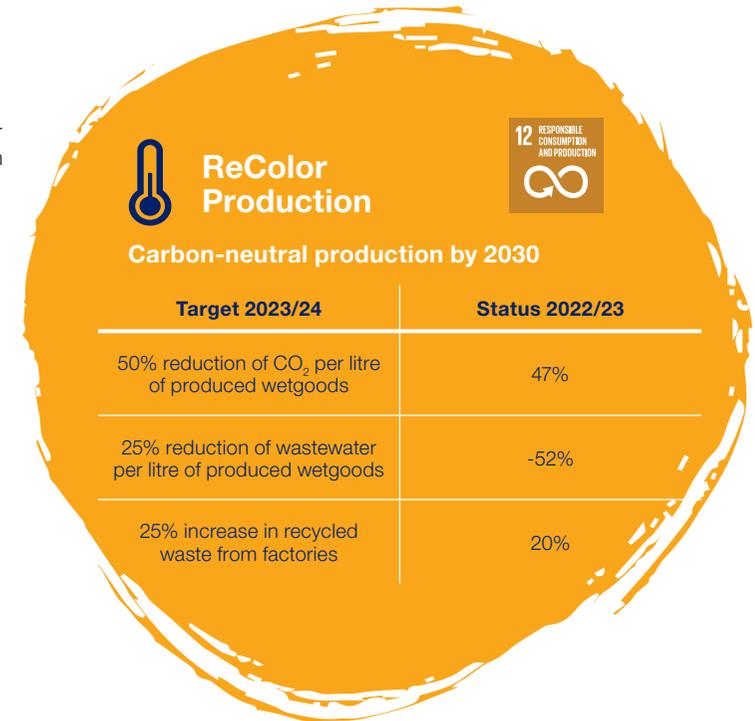
### Recycled waste from factories



Share of recycled waste based on waste generated at our Flügger factories in Bodafors, Bollebygd, Gdansk and Kolding.

## Limited amounts of chemicals and hazardous waste

At Flügger's factories, we only produce water-based wetgoods, the majority of which are also certified with either the Nordic Swan Ecolabel or the EU Ecolabel. This means that the use of environmentally harmful chemicals in our production and in our laboratories is very limited. Nevertheless, we are seeking to further reduce the content of preservatives that remain necessary to avoid contamination or rot. This is one of the reasons why we are building a new laboratory at the factory in Kolding that will improve the way we monitor and control the production processes.



As part of the rebuilding projects in Kolding and Bollebygd, we have introduced new machinery and a number of automated processes, which has significantly reduced the need for employees to manually handle chemicals.

Jointly with our external partners, we ensure that our limited amount of hazardous waste is managed in a safe and environmentally sound way according to specific procedures in which employees are trained.

# Focus area 4: Colorful People



Our highly committed and deeply skilled employees are crucial for Flügger, and we have a long-standing tradition of being among the industry's most skilled advisors. As a company with a full value chain, Flügger employs people with very different backgrounds, functions and expertise in production, retail, development and administration. Our shared mission is to make a positive difference for Flügger's customers.

## Engagement surveys result in more communication

Engagement is crucial for both Flügger's development and the well-being of our employees. Therefore, in the spring of 2022, we introduced monthly rather than annual engagement surveys covering all employees. They give us ongoing insight into the engagement and well-being of our employees, allowing us to establish a data-driven foundation for addressing any issues and develop initiatives to promote engagement.

Over the year, the overall engagement score improved from 7.3 to 7.6 and 7.7 in the early months of 2023, which is in line with the industry benchmark. Belief in the company and the products scored especially high at between 8.7 and 9.1 over the year. Overall, the results have prompted management-driven initiatives focusing on communication from and with management in all countries. Additionally, we have focused on increasing the transparency of the company's salary setting processes. However, this is a work in progress, and we will continue to use the survey to evaluate and launch new initiatives. In particular, we will focus on locally driven initiatives in the coming year.

## A stronger foundation for learning for all employees

We want to provide all employees with a working environment filled with opportunities to learn, such as through peer training, courses, new challenges and projects. This is why we have

strengthened our efforts by implementing a new Learning Experience Portal (LXP). Unlike traditional e-learning portals, the new platform allows anyone to create learning experiences for colleagues using well-designed and AI-supported methods. A colleague with in-depth knowledge of a topic such as sustainability can easily design important and interesting training courses for their colleagues. The portal also provides access to large amounts of external material.

The launch of the learning portal in late 2022/23 involved the training of a number of superusers as well as courses in compliance, products and processes. Learning, training and development is therefore going to play an even more prominent role in 2023/24.

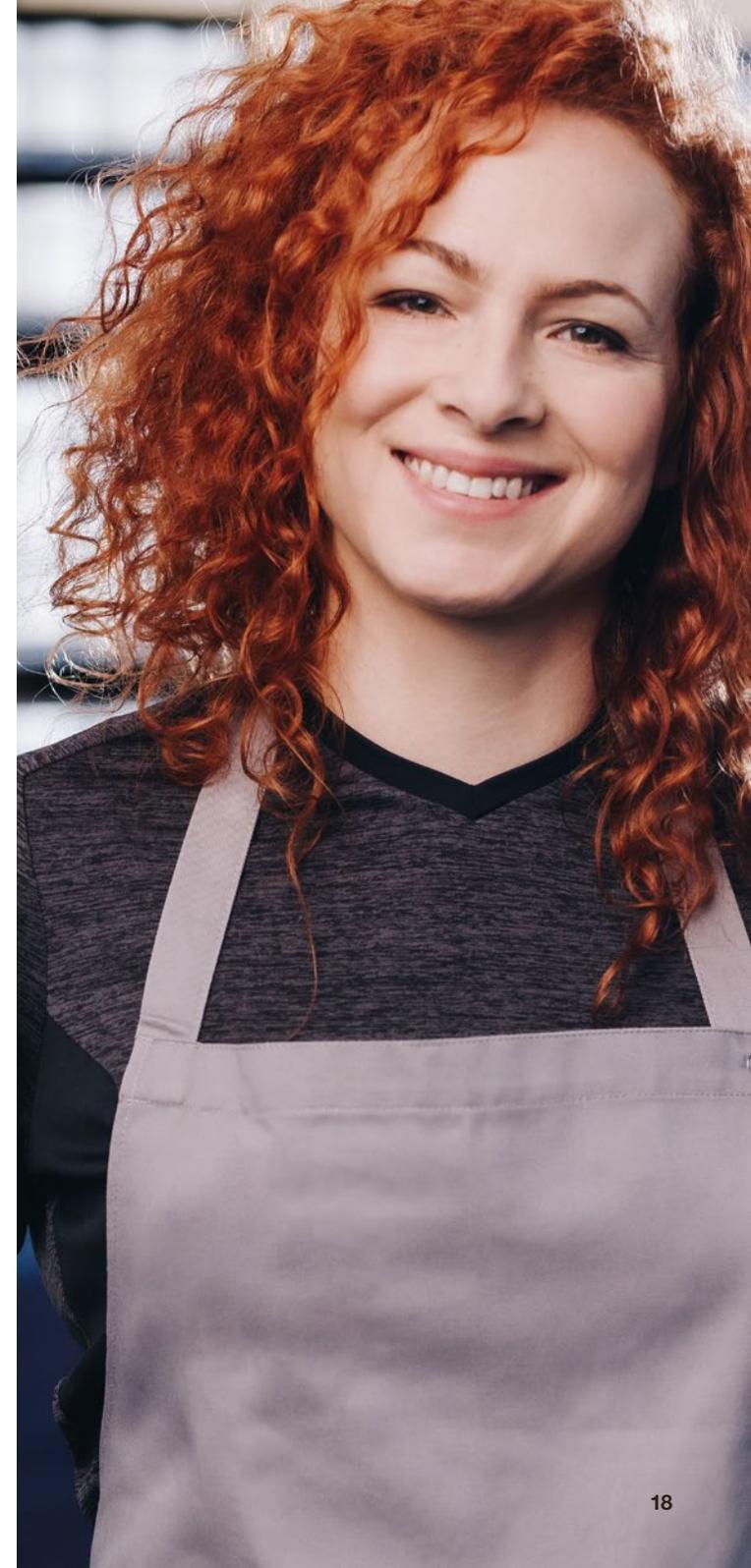
## Internal mobility for development

A natural part of learning and development involves embracing new challenges, for example through partially or completely changing role or transferring to another department. We aim to boost internal mobility in Flügger and give our employees the opportunity to grow and learn within the organisation. Therefore, for the first time, we have measured how many times during the year employees in Denmark, Sweden, Norway and Poland have changed positions internally within Flügger. We found that 12.9% of Flügger's employees have embraced completely or partially new challenges, through which involved transferring to a new department and/or job title changes.

With an increased focus on learning and internal mobility, we expect a moderate growth in this figure in the coming year.

## Diversity and inclusion

Flügger employs a total of 2,516 people, including 464 employees at management level. Managers are defined as employees



with staff responsibility. 56% of them are men, and 44% are women. The proportion of women in management remains unchanged compared to last year.

On the Board of Directors, one of the four members elected by the Annual General Meeting is a woman (25%). We therefore meet the Danish Business Authority's definition of equal gender distribution at board level and at management level\*.

As part of our commitment to enhance diversity and inclusivity, we were main sponsor of Copenhagen Pride in 2022, and we have also become members of the Danish and Swedish dyslexia associations.

Going forward, we will continue our commitment to foster a more inclusive world, especially in terms of skills relevant to our industry. In the coming year, we will continue our efforts to celebrate diversity, color, expertise and skills in craftsmanship and creativity.

## Focus on safety in factories and stores

At Flügger, we continually work to safeguard the working environment in our factories, offices and stores.

We particularly prioritise the working environment of our store employees, as they make up around 80% of our total workforce. In recent years, we have intensified our efforts regarding handling of the heaviest buckets and sacks, as heavy lifting is associated with a risk of work-related injuries.

\* Read more about the gender composition of the Board of Directors in the Group's Annual Report. We have also prepared a statement on our Diversity Policy, see section 107d of the Danish Financial Statements Act (*Årsregnskabsloven*), which can be found on [www.flugger.com/en/corporate/diversity-policy](http://www.flugger.com/en/corporate/diversity-policy).

During 2022/23, we performed over 100 health and safety inspections, in which employees, health & safety representatives and health & safety professionals inspected factories and stores to improve the daily working environment, including ensuring that all employees are familiar with their daily safety routines.

At our factories, we focused on issues such as order and tidiness to minimize the risk of tripping, improving safety for people on foot and vehicles, and running emergency response drills. The inspections of our stores primarily focused on the store's layout and lighting, the correct lifting technique and the use of safety shoes.

We are constantly striving to reduce the number of work-related injuries with the ultimate goal of reaching zero workplace injuries. In 2022/23, we recorded 9 work-related injuries involving absence from work, which is an improvement from 13 last year. Overall, the Lost Time Injury Frequency Rate (LTIFR) was 4.5, which is also lower than last year.

4 of the 9 injuries occurred at our factories, and the remaining 5 in our stores. 7 of this year's 9 injuries happened in a store warehouse or a factory warehouse. Unfortunately, three of the injuries resulted in several months of absence, causing our Injury Severity Rate to go from 8.5 in last year to 26.6 this year. As a result, safety during warehouse activities across both stores and factories will be a top priority in the coming years.

The total absence from work due to illness for the year is 4.2% across Denmark, Norway, Sweden and Poland. This is within the normal range.

## Organisation of Flügger's health and safety activities

Improving the working environment in our factories, offices and stores is anchored in the QHSE department and is handled by health & safety specialists and representatives from both employee and management.

We work actively with risk assessment of work tasks, registration of incidents, cross-organisational knowledge sharing and preventive initiatives.

Flügger is divided into separate occupational health & safety organisations at country level to ensure compliance with the health and safety legislation of the respective countries. These organisations conduct safety audits and provide safety training to employees.

All locations – stores, offices and factories – have instructions in place describing what to do in case of a fire, accident or other unexpected event. We regularly run first-aid courses to ensure that our main locations have enough trained first aiders to deal with any emergencies.

In addition, a number of specific work procedures have been implemented by our factories, which are certified according to the ISO9001 (quality management) and ISO14001 (environmental management) standards. We have the same approach to occupational health and safety.

At group level, all information about work-related injuries, near misses, safety audits and observations is collected via reporting systems that employees are trained to use. In response to every single reported work-related injury, local management takes corrective action to reduce the number of injuries. Every quarter, all data and main actions taken are reported to top management, who decide on any changes or adjustments.



**Flügger**  
**Dekso**  
**Ultramat 1**

Ultramat 100% akrylmålning till vägg- och loft  
Ultramat 100% akrylmålning till väggar- och tak  
Ultramat 100% akrylmålning till väggar- och tak  
Matteolja 100% akrylolja för alla de skivan



# Focus area 5: Valuable Partnerships



At Flügger, we engage with the rest of society, forming close partnerships and supporting initiatives that make a difference. We advocate for an inclusive and colorful future. Thus, in 2022/23, we were once again main sponsor of Copenhagen PRIDE, we continued the 'Flügger Andelen' initiative, and expanded our support for the NGO Paint It Forward.

## Flügger becomes a corporate member of Paint It Forward

In recent years, Flügger has supported the NGO Paint It Forward with donations of residual paint, which the organisation passes on to people who find it financially difficult to afford to paint. As an organisation, Paint It Forward is still developing. However, during the year, the NGO has undergone a process of professionalisation - a development that Flügger supported by becoming the organisation's first corporate member.

In the course of 2022/23, we donated around 10,000 litres of paint from our factory in Kolding and laboratory in Rødovre as well as two pallet boxes of mislabelled brushes.

## Colours and openness with Copenhagen PRIDE 2022

Like last year, Flügger was the main sponsor of Copenhagen PRIDE, which paraded through the streets of Copenhagen in August.

Through this sponsorship, Flügger supports Copenhagen PRIDE's work for inclusion and the freedom for people to be themselves.

Flügger also launched a number of internal initiatives to promote inclusion. One of these initiatives was a drag bingo event for employees in Denmark, Norway, Sweden, Iceland and Poland.

## Moved by colours at Trapholt

To endorse art and support the local community, we sponsored Malene Landgreen's exhibition at the Trapholt museum of modern art, craft and design in Kolding, situated near Flügger's paint factory in the same city.

Through her exhibition, Malene Landgreen highlights how 280 square meters of colored walls, ceilings, and floors influence the viewer. Flügger donated ecolabelled paint to cover the large surface area.

## Flügger Andelen provides local support

Flügger Andelen is a programme for sports clubs, associations and voluntary organisations, in which members receive discounts in Flügger stores. In addition, the club receives a disbursement of 5% of the total purchases as support in the following year.

The programme runs in Denmark, Sweden and Norway, where it enables associations to buy new soccer goals, instruments and other essentials and make life a little easier for the voluntary associations in these countries.

Today, Flügger Andelen has almost 1,800 active members, and in 2022/23 the loyalty programme distributed about DKK 0.8 million in support.

## Strengthening Flügger's engagement with dyslexia

In 2022/23, Flügger also became corporate member of the Danish and Swedish dyslexia associations to support the associations' important and active efforts to help dyslexics and their relatives.

Several of our talented and passionate employees across the organisation are dyslexic, reflecting how widespread the condition is in our industry and in society in general. Thus, we plan to intensify our engagement with these and similar associations in the future.



Malene Landgreen - FLOW OF CHANGE, Flügger x Trapholt

# Compliance and risk management

At Flügger, business ethics and compliance are fundamental elements in everything we do and, not least, in our sustainability work. This year, our employees again completed our mandatory compliance training, and our sustainability principles are incorporated into all contracts with new suppliers.

## Flügger Code of Conduct

Flügger's Code of Conduct applies to the whole Group and is intended to ensure that the Group's activities are carried out in accordance with our DNA and values. It is a reflection of our corporate culture and the expectations we have of each other, our employees and partners – and an expression of our commitment to drive sustainable development throughout the value chain.

Flügger's Code of Conduct is a set of behavioral guidelines that employees, business partners, suppliers etc. must adhere to in areas such as fair competition, anti-corruption, the environment and working environment as well as human rights and labour rights.

Our guidelines for human rights and working conditions stipulate that Flügger supports and respects internationally recognised human rights and the ILO Declaration on Fundamental Principles and Rights at Work. Everyone has the right to have their fundamental rights respected and to experience fair working conditions as well as a healthy and safe working environment at their workplace.

Our guidelines on anti-corruption and anti-bribery make it clear that Flügger and its suppliers etc. must not engage in any kind of fraud, corruption or bribery.

Gifts, rewards and benefits, including hidden commission or kickbacks, which may unduly influence the recipient's behaviour are regarded as bribery, and Flügger must not accept, offer or give bribes in any form. Flügger has prepared specific guidelines for events and gifts adapted to the individual countries.

We have zero tolerance for corruption, bribery and violations of human rights. We train our employees in our Code of Conduct, and we investigate any reports made through our whistleblower scheme or other reporting channels.

The Flügger Code of Conduct is available at [www.flugger.com](http://www.flugger.com)

## Training of employees

Every year, our employees complete a mandatory e-learning course in the Flügger Code of Conduct and other relevant topics. E-learning is also a regular part of our onboarding programme for new employees. In addition to the Code of Conduct training, selected employee groups must complete e-learning in competition law, stock exchange law and GDPR.

Our goal is for all employees in the Flügger Group to complete e-learning in our Code of Conduct. However, this year the employees of Eskaro Ukraine were exempt from this requirement due to the war.

In 2022/23, 81% of all Flügger Group employees completed the e-learning course, including Eskaro Group and Unicell International employees. This is a decrease of 10 percentage points compared to last year, due to the exemption for employees in Ukraine this year.

In 2023/24, we will continue our active efforts to ensure our employees complete the training, for example by communicating via our internal channels of communication, sending out reminders and continuously following up with employees and their managers.

## Whistleblower scheme

Flügger has set up a whistleblower scheme under which employees, business partners, suppliers, customers etc. are able to anonymously report serious offences, including violations of human rights, corruption and bribery. The scheme can be accessed from any country.

In 2022/23, Flügger received nine whistleblower reports, of which two are still under further investigation and one resulted in the subject being reported to the police. The remaining reports either fell outside the scope of the whistleblower scheme or were determined to not warrant sanctions after being processed.

See a detailed description of how we handle whistleblower reports at <https://www.flugger.com/en/whistleblower-scheme/>.

## Responsibility in the supply chain

Our efforts around responsible procurement are rooted in our "Sustainability Principles for Suppliers", which constitute a set of sustainability principles based on the Flügger Code of Conduct, specifically aimed at suppliers.

Close relationships and cooperation with our suppliers are essential if we are to maintain our high product quality while promoting responsible practices and reducing our climate and environmental footprint in the supply chain. We therefore work systematically throughout the procurement value chain – from market screening and qualification of products and suppliers to contract negotiations, supplier relationship management as well as performance monitoring.

In addition to compliance with applicable legal requirements, we focus in particular on ensuring a strategic fit between the individual suppliers and Flügger as well as on quality, reliability of supply, costs and sustainability. In our ongoing dialogue with suppliers, we aim to assess their sustainability ambitions and, where relevant, discuss potential improvements and opportunities.

At Flügger, our procurement primarily includes raw materials for our own production of wetgoods, tools and accessories as well as finished goods for resale and indirect procurement such as IT, facility and logistics. Based on procurement value, 99% of our suppliers are located in Europe and 92% within the EU.

Our sustainability principles form an integral part of the qualification process of all new suppliers to Flügger. In 2022/23, the Sustainability Principles for Suppliers were incorporated into all new contracts.

If a supplier prefers not to sign the Sustainability Principles for Suppliers because it has its own code of conduct, our legal department evaluates whether the supplier's code of conduct meets our standards before a collaboration can start.

When purchasing raw materials and goods for resale, we also screen products and suppliers in terms of regulatory requirements, quality and environment, as well as the supplier's financial strength.

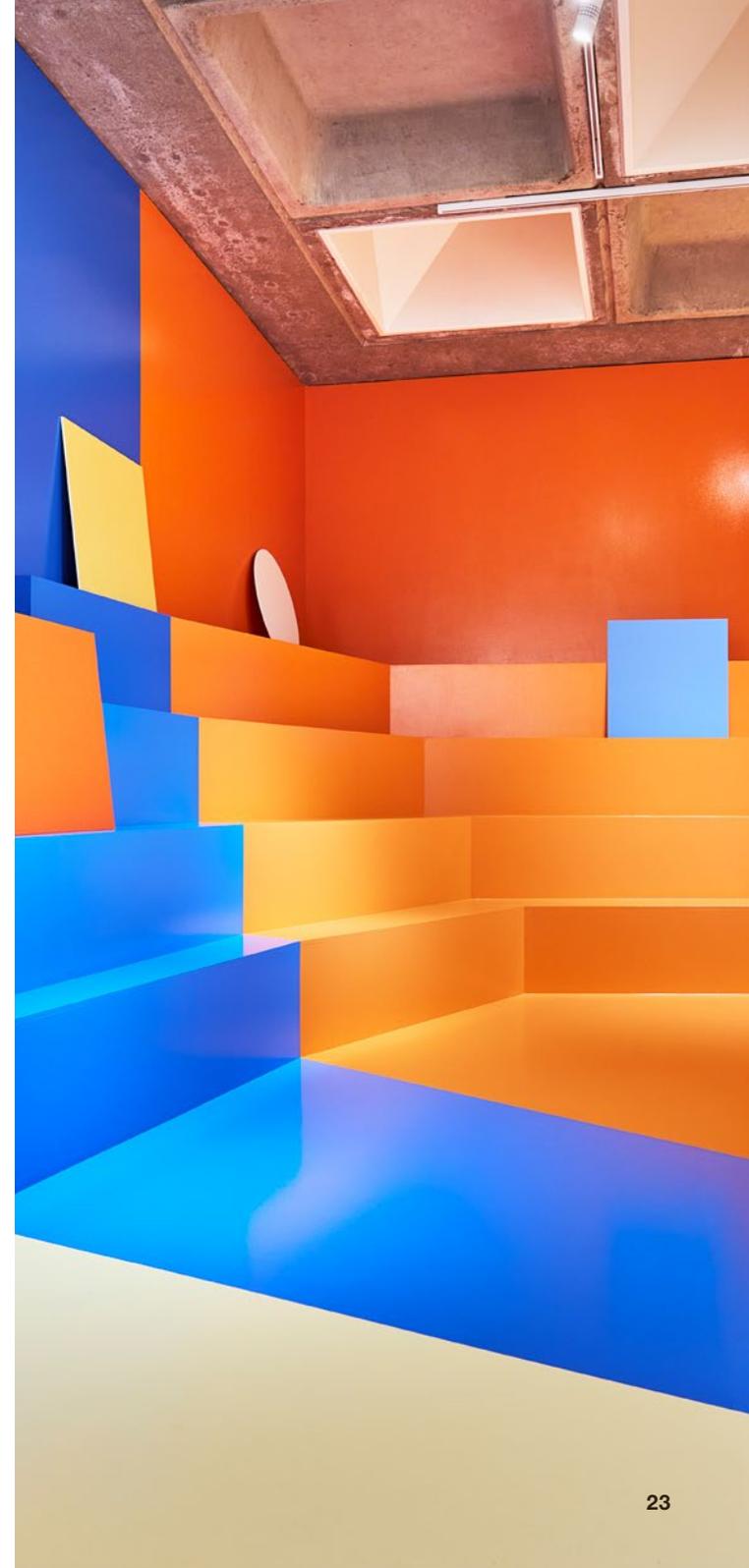
Selected suppliers and partners are also screened for sanctions and relevant ESG risks, such as the risk of corruption and bribery, human rights violations etc. based on publicly available information. The selection of suppliers is based on supplier country and supplier procurement value.

As part of the ongoing development of our responsible procurement efforts, in 2022/23 we prepared an ESG risk map of our suppliers based on the products' country of origin. We based the risk assessment on five publicly available international

indices covering environment/climate (E), human rights and labour (S) and anti-corruption (G).

The ESG risk map forms the basis for assessing the risk level of suppliers, providing us with a better foundation for targeting our sustainability and ESG risk discussions with suppliers, especially those operating in countries with high ESG risks.

We will continually improve our ESG risk map by incorporating more inputs, ensuring a more comprehensive and robust foundation. This may include adding supplementary sources and conducting more in-depth research into relevant ESG areas in the industries we source from.



## Risks and risk management

Our material sustainability-related risks are addressed and managed on par with other risks within our Group risk management framework, which aims to identify and assess relevant risks and to reduce, minimise or control the impact of these risks.

The table on the right presents the risks related to environment/ climate, social and labour conditions, human rights and anti-corruption that we consider relevant for Flügger based on our business model and activities.

Read more about our material risks in Flügger Annual Report 2022/23 at [www.flugger.com/en/investor/annual-reports](http://www.flugger.com/en/investor/annual-reports)

AREA	RISKS	IMPACT	HANDLING
Environment and climate	Emissions and waste from our own production and products as well as emissions from purchases of raw materials from suppliers.	Negative impact on the environment and climate as well as reputational damage.	Focus on reducing carbon emissions, waste, wastewater etc. as an integral part of the business strategy and more stringent requirements on suppliers. In addition, focus on product innovation as well as documentation via environmental certifications and life cycle analyses.
Social and employee conditions	Accidents at work and an unsatisfactory working environment.	Employees may be physically and psychologically affected by injuries or accidents, which may also have a negative impact on Flügger's reputation and efficiency.	Systematic work to reduce accidents at work and increase safety. Focus on working environment, employee well-being and competence upgrading.
Human rights	Flügger is increasingly an international business, with activities in many countries and 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 our supply chain to the detriment of individuals, local communities and Flügger's reputation.	Focus on implementation of and compliance with the Code of Conduct and maintenance of guidelines on human rights and labour rights as well as focus on ESG due diligence.
Anti-corruption	An international presence necessitates more stringent requirements for our business ethics. Non-compliance with rules will constitute a significant risk to our business.	Violations of anti-corruption rules may be highly damaging to our culture and potentially result in significant financial losses as well as reputational damage.	Extensive implementation of guidelines, Code of Conduct, whistleblower scheme, due diligence and training etc.



“During 2023/24, we will develop our strategy and goals for the coming years, including our ongoing sustainability initiatives. Our commitment to be a brand of high-quality and environmental responsibility will guide us on our ambitious journey.”

# Double materiality assessment

At Flügger, we apply the double materiality principle to identify and prioritise the sustainability areas which are significantly impacted by Flügger and our activities - and which, conversely, might present significant opportunities or risks for our business.

The double materiality assessment thus ensures that our strategy and other sustainability initiatives are centered around the sustainability topics that are most relevant and important to our ability to create value and long-term success for our business – and where we can make the most significant positive contribution to the environment, people, and society.

From a reporting perspective, the materiality assessment ensures that our sustainability reporting covers the issues and information that are relevant to our stakeholders, and gives an accurate view of Flügger's work on sustainability.

We base our materiality assessment on several elements, including value chain analysis, competitor and industry analysis, upcoming CSRD\* requirements as well as sustainability criteria used in ESG ratings, international standards and frameworks that are relevant to our industry. Subsequently, relevant internal stakeholders are interviewed to provide further insights and input for assessing the materiality and priority of the topics. Lastly, the materiality assessment undergoes an internal review and is approved at management and board level.

## No changes in the assessment for 2022/23

Our review of the materiality assessment in spring 2023 did not result in any new topics or changes to the priority of focus areas. However, as sustainable construction and sustainability-certified buildings continue to gain ground, we have experienced an increased focus on the environmental and climate footprint of our products as well as on the availability of data and documentation.

This trend confirms that the number one position in our materiality matrix is our products' environmental and health profile, both from a societal and business perspective. Therefore, we are targeting our efforts in the focus areas ReColor Paint and ReColor Packaging on expanding our product range and increasing sales of products with a better environmental and health profile. These include products carrying ecolabels such as the Nordic Swan Ecolabel, EU Ecolabel, FSC-label, as well as emission-tested products or products consisting of materials with lower carbon emissions e.g. recycled plastic.

As a paint manufacturer and retailer with our own network of stores, we have a responsibility for the material impacts that Flügger's own operations have on the environment and climate in the form of carbon emissions, waste, water consumption etc. We particularly address these topics in the focus area ReColor Production.

Based on our life cycle analyses of our own-produced paints and fillers, we understand that our primary sources of carbon emissions originate from our value chain, in particular from suppliers' production of raw materials and packaging. Hence, our scope 3 carbon emissions are also a material sustainability topic for us, and we will enhance our efforts in this area in the coming years.

In addition to the climate-related impacts in our value chain, it is essential for us to identify and manage risks associated with potential adverse environmental impacts, violations of human and labour rights, as well as bribery and corruption in our supply chain and among our customers.

We therefore have a strong focus on compliance and business ethics and work actively throughout our procurement value chain to build close relationships and cooperation with our suppliers. This not only ensures high product quality, but also aims to promote responsible practices and reduce our climate and environmental footprint in the supply chain.

For Flügger, it is crucial to our value creation to be an attractive and inclusive workplace capable of attracting and retaining talented employees with different backgrounds, perspectives and skills. We therefore prioritise maintaining a healthy and safe working environment, focusing on learning and development, and fostering creativity and innovation through our focus on diversity and inclusion.

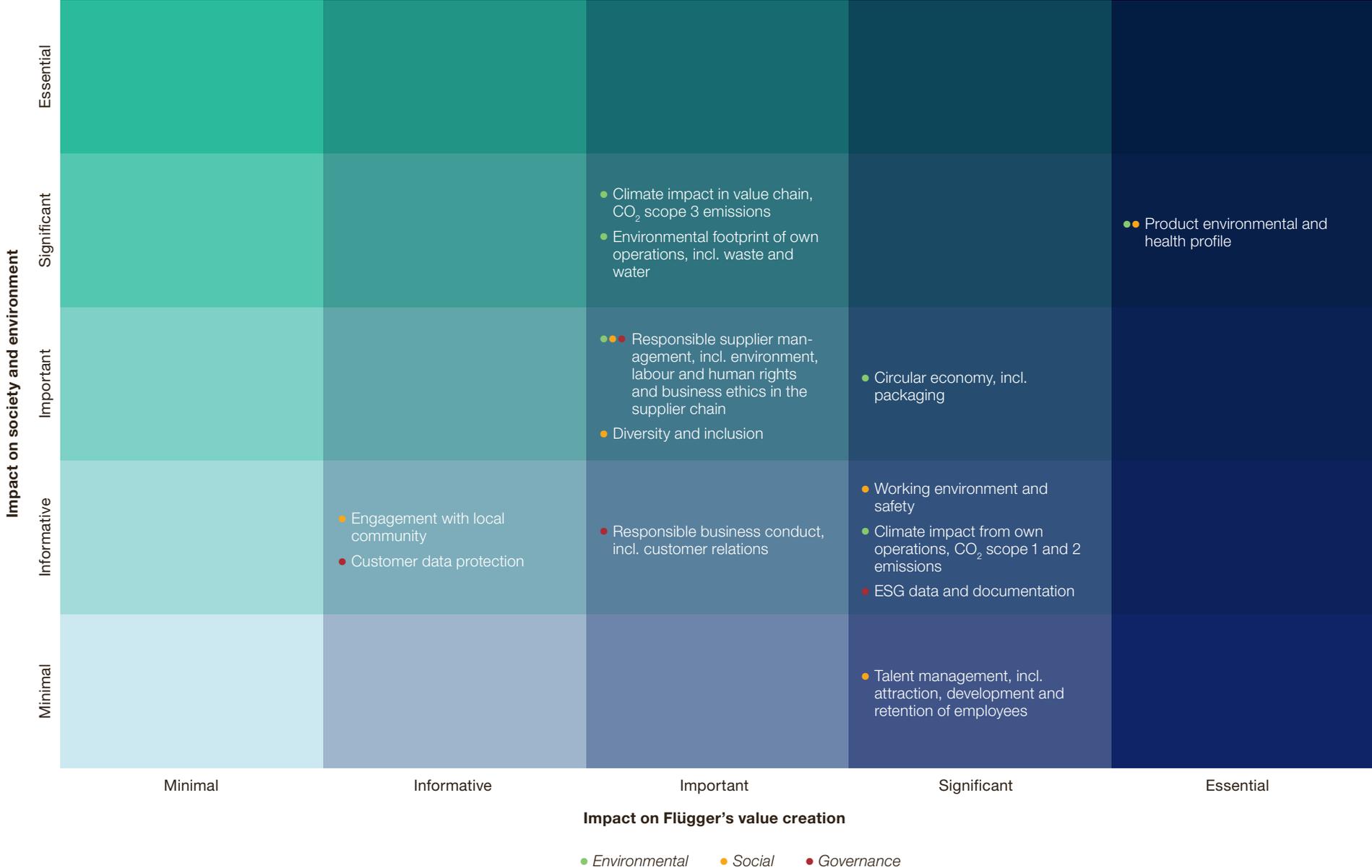
As part of our continued work on sustainability and in order to prepare for the upcoming CSRD requirements, we added 10 new ESG data points this year. See the ESG key figures and the descriptions of our ESG accounting policies on [pages 28-31](#).

In 2023/24, we will align the double materiality assessment methodology with the final ESRS accounting standards that are expected to be adopted in summer 2023.

During 2023/24, we will also develop new targets for our next strategy period, which runs from 2024/25. In this process, the materiality assessment will also provide essential input to ensure that we prioritise the topics where our activities have the largest impact on the environment and society, while also creating the most value for our business.

\* Corporate Sustainability Reporting Directive. Flügger will be subject to the new directive from the 2024/25 financial year.

# Double materiality assessment



# ESG key figures

Environmental data	Unit	Baseline: 2015/16	2020/21	2021/22	2022/23	Target: 2023/24
<b>ReColor Paint</b>						
Share of ecolabelled wetgoods	%	-	73	76	82	80
Share of water-based wetgoods	%	-	98	99	99	99
Share of net revenue from ecolabelled wetgoods	%	-	-	-	60	-
<b>ReColor Packaging</b>						
Share of buckets made of 50% recycled plastic	%	-	4.6	11.3	20.0	25
Total plastic buckets	number	-	7,204,936	6,124,644	5,780,785	-
Total plastic buckets made of 50% recycled plastic	number	-	328,877	693,004	1,158,471	-
Share of recycled plastic in own-produced tools and accessories	%	-	19.8*	34.2*	31.7	50
Total plastic granulates	kg	-	288,356*	200,090*	180,080	-
Total granulates of recycled plastic	kg	-	57,138*	68,393*	57,058	-
<b>ReColor Production</b>						
Reduction in CO <sub>2</sub> per litre of produced wetgoods	%	-	47	41	47	50
CO <sub>2</sub> per litre of produced wetgoods	g	49	26	29	26	24
Energy consumption from production	MWh	14,041	13,840	13,050	11,323	-
CO <sub>2</sub> e scope 1 emissions from production	tonnes	1,373	705	646	551	-
CO <sub>2</sub> e scope 2 emissions from production, location-based	tonnes	1,364	907	875	866	-
Total energy consumption	MWh	-	-	-	24,121	-
Total CO <sub>2</sub> e scope 1 emissions	tonnes	-	-	-	2,267	-
Total CO <sub>2</sub> e scope 2 emissions, location-based	tonnes	-	-	-	2,732	-
Reduction of wastewater per litre of produced wetgoods	%	-	-20	-58	-52	25
Wastewater per 1000 litres of produced wetgoods	m <sup>3</sup>	209	251	330	317	157
Total wastewater from production	m <sup>3</sup>	11,689	15,768	17,583	17,010	-
Total water withdrawal at factories	m <sup>3</sup>	-	-	-	42,266	-

\* The figures for 2020/21 and 2021/22 were restated due to the incorporation of additional data and improvements to the basis of calculation

Environmental data (continued)	Unit	Baseline: 2015/16	2020/21	2021/22	2022/23	Target: 2023/24
Increase in share of waste for recycling	%	-	7	-10	20	25
Share of waste for recycling	%	32	35	29	39	40
Total amount of waste	tonnes	1,193	1,067	2,370	1631	-
Total amount of waste for recycling	tonnes	386	368	692	634	-

Social data	Unit	Baseline: 2015/16	2020/21	2021/22	2022/23	Target:
Employees, headcount	number	-	1,711	2,057	2,516	-
Full-time employees, average	FTE	-	1,527	1,873	2,234	-
Employee engagement	scale 0-10	-	-	-	7.6	-
Internal mobility rate	%	-	-	-	12.9	-
Absence from work due to illness	%	-	-	-	4.2	-
Lost Time Injury Frequency Rate (LTIFR)	accidents per 1 million working hours	-	3.17	5.63	4.5	-
Injury Severity Rate (ISR)	number of working days lost	-	-	8.5	26.6	-
Gender distribution, all employees (women/men)	%	-	49/51	48/52	46/54	40/60*
Gender distribution, management (women/men)	%	-	47/53	44/56	44/56	40/60*

\* min. 40% of the underrepresented gender

Governance data	Unit	Baseline: 2015/16	2020/21	2021/22	2021/22	Target:
Gender distribution, Board of Directors, members elected by the Annual General Meeting (women/men)	%	-	50/50	33/67	25/75	40/60*
Share of employees with completed Code of Conduct training	%	-	90	91	80.6**	100
Number of employees with completed Code of Conduct training	number	-	1487	1,805	2,027	-
Reported whistleblower cases	number	-	1	5	9	-
Confirmed corruption or bribery events	number	-	0	0	0	-
Signed Sustainability Principles for Suppliers (new supplier contracts)	%	-	-	98	100	-

\* min. 40% of the underrepresented gender

\*\* employees of Eskaro Ukraine were exempt from Code of Conduct training due to the war

# ESG accounting policies

## Basis of preparation

This section describes Flügger's accounting policies applied to the datapoints in the ESG tables on [pages 28-29](#) and the Group's sustainability activities.

The report covers the 2022/23 financial year (1 May 2022 - 30 April 2023), and forms part of the management commentaries in the annual report on statutory corporate social responsibility, cf. section 99a of the Danish Financial Statements Act (*Årsregnskabsloven*).

## Principles of consolidation

The information in the ESG tables covers Flügger group A/S and its subsidiaries controlled by Flügger group A/S. Unicell international and Eskaro Group are included in the datapoints concerning the number of employees and full-time employees, as well as gender distribution at employee, management and board level. They are also included in the share and number of employees with completed Code of Conduct training, reported whistleblower cases and confirmed corruption or bribery events. We are working to fully integrate Unicell International and the Eskaro Group in the upcoming financial years.

## Changes to accounting policies

The policies applied in the CSR Report 2022/23 are unchanged compared to last financial year. In 2022/23, we added the elements below to our ESG data:

### Environmental data:

- Share of revenue from ecolabelled wetgoods
- Total energy consumption
- Total CO<sub>2</sub>e scope 1 emissions
- Total CO<sub>2</sub>e scope 2 emissions, location-based
  
- Total water consumption in production

### Social data:

- Employee engagement
- Internal mobility rate
- Absence from work due to illness

### Governance data:

- Confirmed corruption or bribery events
- Signed Sustainability Principles for Suppliers

At Flügger, we are constantly developing our ESG data to support our business and provide our stakeholders with accurate and transparent insights into our ESG performance. Our selection of ESG datapoints is based on Flügger's Going Green strategy, the double materiality assessment conducted annually, and international standards relevant to our industry.

## Description of method for calculating ESG data

### Wetgoods

At Flügger, we define wetgoods as paints, wood stains, fillers, wallpaper adhesives, sealants etc.

Ecolabelled wetgoods are defined as wetgoods certified with the Nordic Swan Ecolabel and/or the EU Ecolabel. The KPI for water-based wetgoods is calculated on the basis of an internal categorisation into water-based and solvent-based wetgoods based on the type of diluent in the product. In water-based wetgoods, water is used as diluent, whereas solvent-based wetgoods contain organic solvents.

The KPIs "Share of ecolabelled wetgoods" and "Share of water-based wetgoods" are both based on the sales volume of wetgoods in segments 1 and 2, excl. Unicell International. This means that own-produced, outsourced and purchased wetgoods are all included in the calculation.

"Share of revenue from ecolabelled wetgoods" is calculated as the revenue before bonus from ecolabelled wetgoods as a percentage of total revenue in segments 1 and 2, excl. Unicell International.

### Recycled plastic in buckets

This KPI is based on the share of purchased buckets made of min. 50% recycled plastic out of all purchased buckets used as packaging for wetgoods sold in segments 1 and 2, excl. Unicell

International. The calculation method is based on a 12-month rolling average.

### Recycled plastic in own-produced tools and accessories

This KPI is based on the total quantity of granulates of recycled plastic out of the total quantity of plastic granulates used in our own production of tools and accessories at our factory in Bodafors (SE). The calculation method is based on a 12-month rolling average. Note that the results for 2020/21 and 2021/22 were restated due to the incorporation of additional data and improvements to the basis of calculation.

### Greenhouse gas emissions (CO<sub>2</sub>e) and energy consumption

Greenhouse gas emissions are measured in CO<sub>2</sub>e equivalents (CO<sub>2</sub>e) and are divided into "scopes" in accordance with the Greenhouse Gas Protocol.

The KPI "Reduction in CO<sub>2</sub> per litre of produced wetgoods" and the datapoint "Energy consumption from production" are based on CO<sub>2</sub>e scope 1 and 2 emissions from energy consumption from our Flügger factories and connected offices, warehouses and/or stores in Kolding (DK), Bollebygd (SE), Bodafors (SE) and Gdansk (PL). Energy sources include natural gas and oil (scope 1) as well as district heating and electricity (scope 2). However, oil was replaced with district heating in Bodafors in 2017/18 and with wood pellets in Bollebygd in 2018/19.

The datapoints for total CO<sub>2</sub>e scope 1 and 2 emissions as well as total energy consumption are based on emissions from energy consumption from our five Flügger factories in Kolding (DK), Bollebygd (SE), Bodafors (SE), Bankeryd (SE) and Gdansk (PL), our 212 own stores in Denmark, Sweden, Norway and Poland, our headquarters in Rødovre and our company cars. Energy sources include natural gas and fuel (scope 1) as well as district heating and electricity (scope 2). About 10% of the energy consumption in our stores is estimated on the basis of store size and calculated average energy consumption for our stores in these countries.

For the calculation of emissions, location-based emission factors from the International Energy Agency (IEA) (2020 edition) were used, as well as emission factors from the IT platform One Click LCA®, which we use to do life cycle calculations for our products.

#### **Wastewater from production**

We include wastewater discharged from our Flügger factories and connected offices, warehouses and/or stores in Kolding (DK), Bollebygd (SE) and Gdansk (PL).

#### **Water withdrawal at factories**

We define water withdrawal as the sum of all water consumed from all sources such as surface water, groundwater, rainwater or municipal water. We include the water withdrawal from our five Flügger factories in Kolding (DK), Bollebygd (SE), Bodafors (SE), Bankeryd (SE) and Gdansk (PL).

#### **Waste from production**

This includes waste generated at and disposed of from our factories and connected offices, warehouses and/or stores in Kolding (DK), Bollebygd (SE), Bodafors (SE) and Gdansk (PL). We distinguish between waste that is sent for incineration and landfill and waste that can be recycled or reused according to our local waste management supplier. We define waste for recycling as waste that is recycled or reused through our waste management supplier.

#### **Employees (headcount)**

All employees employed and remunerated by the Flügger Group are included, including temporary employees and substitutes on a Flügger contract, employees on leave (for example maternity/paternity leave and sick leave as well as unpaid leave), office trainees, student assistants, paid PhD and MA students, apprentices etc. as well as employees who have been released from duty. The number of employees is calculated as of 30 April 2023.

#### **Full-time employees (FTE)**

All employees included in headcount are part of the FTE, based on the number of work hours described in their contract.

#### **Employee engagement**

The overall employee engagement score is calculated as the average score for four questions regarding engagement, belief, satisfaction and loyalty in our “Flügger Pulse” engagement survey. Flügger employees in Denmark, Sweden, Norway, Iceland and Poland can participate in the survey, which is conducted approximately every 6 weeks. Employees in Lithuania and China, as well as employees of Unicell International and the Eskaro Group, are not included. The score for 2022/23 is based on the survey conducted in March/April 2023.

#### **Internal mobility rate**

We define the internal mobility rate as the number of times an employee starts in a new position at the same level or higher during the financial year compared to the average number of employees (headcount) over the same period. We include Flügger employees in Denmark, Sweden, Norway, Iceland and Poland. Employees in Lithuania and China, as well as employees of Unicell International and the Eskaro Group, are not included.

#### **Absence from work due to illness**

Absence from work due to illness is calculated as the percentage of the total planned working hours for which employees were absent due to their own illness. The calculation includes Flügger employees in Denmark, Norway, Sweden and Poland. Employees in Iceland, Lithuania and China, as well as employees of Unicell International and the Eskaro Group, are not included.

#### **Lost Time Injury Frequency Rate (LTIFR)**

The Lost Time Injury Frequency Rate (LTIFR) is defined as the number of workplace injuries resulting in at least one day of absence per 1 million working hours. The LTIFR includes Flügger employees in Denmark, Norway, Sweden and Poland. Employees in Iceland, Lithuania and China, as well as employees of Unicell International and the Eskaro Group, are not included.

#### **Injury Severity Rate (ISR)**

The Injury Severity Rate is defined as the number of working days lost due to accidents at work per 200,000 working hours. The ISR includes Flügger employees in Denmark, Norway, Sweden and Poland. Employees in Iceland, Lithuania and China, as well as employees of Unicell International and the Eskaro Group, are not included.

#### **Gender distribution at employee, management and board level**

We define gender diversity among employees as the share of female employees out of the total workforce of the Flügger Group. Gender diversity in management is defined as the share of female employees in positions with staff responsibility relative to the total number of employees in positions with staff responsibility in the Flügger Group. Gender diversity is based on the number of employees (headcount).

The gender distribution at board level is calculated on the basis of board members elected by the general meeting. Employee representatives on the Board of Directors are not included.

#### **Code of Conduct training**

The share and number of employees having completed e-learning about the Flügger Code of Conduct is calculated on the basis of all employees in the entire group, including employees who are on maternity leave, long-term sick leave etc. during the period in which the annual e-learning takes place.

#### **Whistleblower cases**

All cases reported to the Flügger whistleblower scheme are included, regardless of whether the report is received via the whistleblower portal or through other channels, for example by email.

#### **Confirmed corruption or bribery events**

Only cases of corruption or bribery that have been confirmed are included here. The datapoint therefore does not include cases that are still under investigation at the end of the reporting period (30 April 2023). The decision as to whether potential violations are considered confirmed is made by Flügger's Group General Counsel.

#### **Signed Sustainability Principles for Suppliers**

This includes new contracts with Flügger suppliers in which the supplier has signed Flügger's Sustainability Principles for Suppliers, or Flügger has approved the supplier's own Code of Conduct. In order to be included in the basis of calculation, the contracts must be concluded and be active during the respective financial year.

# EU taxonomy

The European Commission has set the goal of making Europe the world's first climate-neutral continent. The EU Taxonomy Regulation has been adopted as an important foundation for achieving this goal. The taxonomy is a set of common rules for determining when an economic activity qualifies as environmentally sustainable across the EU. It consists of a total of six environmental objectives. From 1 January 2022, listed companies with more than 500 employees must report whether their economic activities fall within the scope of the EU taxonomy's classification system and screening criteria for the first two environmental objectives: climate change mitigation (objective 1) and climate change adaptation (objective 2).

Article 3 of Regulation (EU) 2020/852 describes the criteria for environmentally sustainable economic activities:

- The activity must contribute substantially to one of the six environmental objectives and must comply with the technical screening criteria for the particular environmental objective
- The activity must not significantly harm any of the five other environmental objectives (DNSH - do no significant harm)
- The activity must be carried out in accordance with the minimum social safeguards, ensuring that it does not violate human rights and labour rights or other essential social standards

In the 2022/23 financial year, we reviewed our double materiality assessment and taxonomy assessment to determine whether our economic activities fall within the scope of the taxonomy's two environmental objectives: climate change mitigation and climate change adaptation. To do this, we screened Commission Delegated Regulation (EU) 2021/2139 in order to identify whether Flügger's economic activities are in accordance with the classification system.

As only the first two climate objectives are currently implemented, and the taxonomy covers a limited scope, we have assessed that there is no risk of double counting.

## Economic activities in accordance with the classification system

We identified a number of capital costs in the current financial year that fall within the scope of the activities described in the taxonomy concerning the two environmental objectives relating to climate:

- Renovation of Islevdalvej 151 (Renovation of existing buildings)
- Installation of district heating at Islevdalvej 151, installation of charging stations for electric cars at Islevdalvej 151, rebuilding of the factory in Kolding and replacement of LED lighting in a large number of stores (Installation, maintenance and repair of energy efficiency equipment)
- Installation of solar panels in Unicell International (Installation, maintenance and repair of renewable energy technologies)

For the current financial year, we report that 15.4% of CAPEX is taxonomy-eligible (0% alignment). We are working on developing a systematic procedure in order to measure and calculate alignment in the future.

## Economic activities not covered by the classification system

Based on NACE codes and an analysis of Flügger's activities, which include developing, producing and selling a wide range of building paints, wood stains, fillers and wallpapers, it is our assessment that Flügger's revenue-generating activities and OPEX are not covered by the taxonomy's two environmental objectives relating to climate. We therefore report that 0% of revenue and OPEX in the 2022/23 financial year resulted from economic activities is taxonomy-eligible. Our expectation is that this will change in the coming financial years as the scope of the taxonomy is extended to cover the remaining four environmental objectives.

## Accounting policies applied

### Revenue

Total revenue is in line with the revenue reported in the annual report for 2022/23. The revenue KPI is defined as the share of revenue resulting from products or services associated with economic activities covered by the classification system (numerator) divided by total revenue (denominator).

### OPEX

OPEX contains direct non-capitalised costs related to the renovation, maintenance and repair of buildings, short-term leases and any other direct expenditure related to the day-to-day maintenance of property, plant and equipment. In the taxonomy, the OPEX KPI is defined as the share of operating expenses associated with environmentally sustainable economic activities (numerator) divided by total OPEX (denominator). Flügger has no economic activities that are covered by the classification system.

### CAPEX

The total CAPEX is consistent with the approaches reported in the annual report for 2022/23 in note 12 Intangible assets (IAS 38), note 13 Property, plant and equipment (IAS 16) and note 14 Leases (IFRS 16), respectively. The CAPEX KPI is defined as the share of capital expenses associated with environmentally sustainable economic activities (numerator) divided by the total CAPEX (denominator).

## REVENUE

Economic activity	Absolute revenue (DKK million)	Share of revenue ( %)	Substantial contribution criteria ( %)		DNSH criteria (do no significant harm)									
			Climate change mitigation	Climate change adaptation	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum social safeguards	Taxonomy-aligned share of revenue	Category (enabling/transitional activity)	
<b>A. Taxonomy-eligible activities</b>														
A.1 Environmentally sustainable activities (taxonomy-aligned)	0	0%	0%	0%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0%	n/a	
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)	0	0%												
<b>Total A.1 + A.2</b>	<b>0</b>	<b>0%</b>										<b>0%</b>	<b>n/a</b>	
<b>B. Taxonomy-non-eligible activities</b>														
Revenue resulting from taxonomy-non-eligible activities (B)	2,550	100%												
<b>Total A + B</b>	<b>2,550</b>	<b>100%</b>												

## CAPEX

Economic activity	Codes	Absolute CAPEX (DKK million)	Share of CAPEX (%)	Substantial contribution criteria (%)		DNSH criteria (do no significant harm)								Taxonomy-aligned share of CAPEX	Category (enabling/transitional activity)
				Climate change mitigation	Climate change adaptation	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum social safeguards			
<b>A. Taxonomy-eligible activities</b>															
<b>A.1 Environmentally sustainable activities (taxonomy-aligned)</b>															
CAPEX resulting from environmentally sustainable activities (taxonomy-aligned) (A.1)		0	0%	0%	0%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0%	n/a	
<b>A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)</b>															
- Renovation of existing buildings		F43.3.9	0.2	0.1%											
- Installation, maintenance and repair of energy efficiency equipment		F43.2.2, F43.2.9	18.3	15.1%											
- Installation, maintenance and repair of renewable energy technologies		F43.2.1	0.3	0.2%											
CAPEX resulting from taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned) (A.2)													0%	n/a	
<b>Total A.1 + A.2</b>		<b>18.8</b>	<b>15.4%</b>										<b>0%</b>	<b>n/a</b>	
<b>B. Taxonomy-non-eligible activities</b>															
CAPEX resulting from taxonomy-non-eligible activities (B)		103.5	84.6%												
<b>Total A + B</b>		<b>122.3</b>	<b>100%</b>												

## OPEX

Economic activity	Absolute OPEX (DKK million)	Share of OPEX ( %)	Substantial contribution criteria ( %)		DNSH criteria (do no significant harm)							Taxonomy-aligned share of OPEX	Category (enabling/transitional activity)	
			Climate change mitigation	Climate change adaptation	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum social safeguards			
<b>A. Taxonomy-eligible activities</b>														
A.1 Environmentally sustainable activities (taxonomy-aligned)	0	0%	0%	0%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0%	n/a
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)	0	0%												
<b>Total A.1 + A.2</b>	<b>0</b>	<b>0%</b>											<b>0%</b>	<b>n/a</b>
<b>B. Taxonomy-non-eligible activities</b>														
OPEX resulting from taxonomy-non-eligible activities (B)	40.6	100%												
<b>Total A + B</b>	<b>40.6</b>	<b>100%</b>												

