Sustainability report 2021.

At Zound we take our sustainability responsibility seriously. Making consumer electronics means we can challenge long-held industry conventions, as well as initiate change that brings about better outcomes for both people and the planet.

Out of everything we do, our products have the biggest impact on the environment. To tackle this impact we focus on sustainable design to create headphones and speakers that not only look and sound great, but that push our industry towards more sustainable practices.

Mapping our climate impact is key to our sustainability work. We need to know where and how we are affecting the environment to make better decisions to reduce it.

Our supply chain involves many stakeholders both upstream and downstream. Because it is so complex, we know there are lots of opportunities for us to make a difference. A focus on responsible sourcing is key for us to continue to improve together with our suppliers.

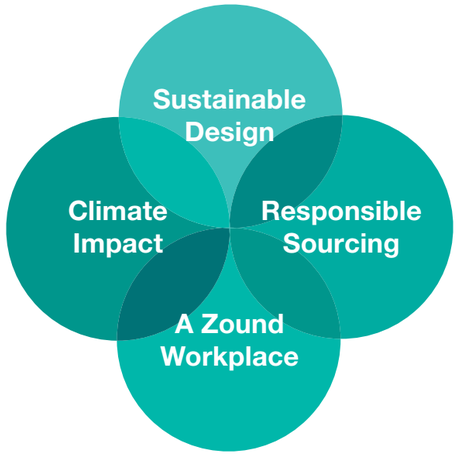
But it is not all about our products. It is also about our people. We show respect for and treat all our employees fairly, just like we would want to be treated.

2020 was an unusual year and 2021 continued to surprise us. Zound, like all companies, had to continue to adapt to the unforeseen changes sparked by the global pandemic.

We have established new ways of working, to protect our employees, react to global supply and logistics challenges, find new ways to meet our partners and customers, and build financial resilience.

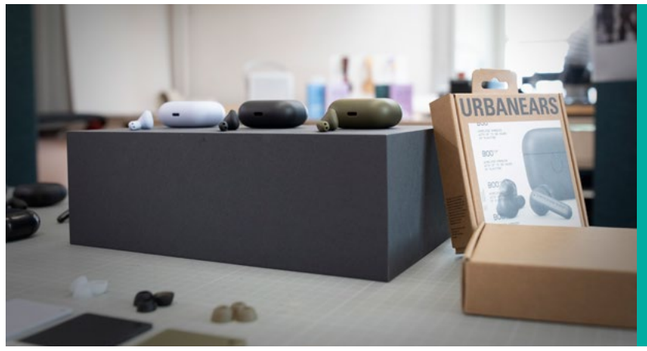
We have continued to work hard to find new solutions to challenges, meet demand, and improve our sustainability processes. As our business has grown, so has our climate footprint, but our continued focus on sustainability and the actions we are taking is making sure we lower the footprint of our products over the long term.

These focus areas make up the foundation of our sustainability work.



Sustainable design

At Zound, design is our passion. It drives us to create products our audience desire. Design is also our most valuable tool to enrich lives, reduce our environmental footprint and show our genuine love for our planet. Through clever design, careful choice of materials, and tech innovation we can create quality and sustainable products.



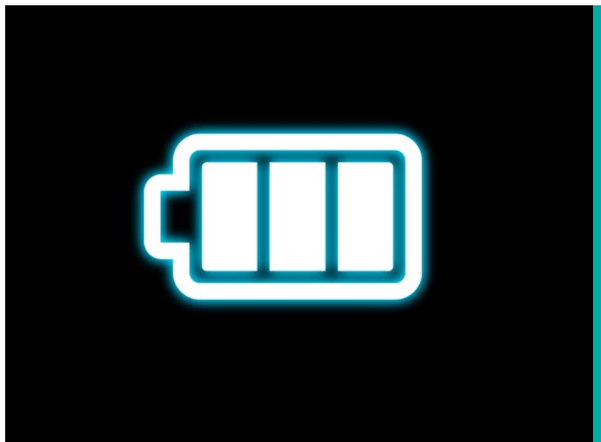
Our approach

We are innovative, curious and not afraid to challenge conventional methods to make our products and packaging more sustainable throughout their lifecycle. We use sustainable and durable materials and components when possible, minimize power consumption, as well as take responsibility to extend product longevity and the life of the materials we use.

It is not always clear how consumer electronics can be more sustainable. However, we believe that our portfolio of products has several both common and unique, opportunities for improvement. Working across departments, we identify these opportunities early in the concept phase, set out clear targets, and work to find solutions to implement.

We love a challenge and do not take 'no' for an answer. Sustainable design is not an isolated product development island, it stretches right across our organization. And all our departments and locations can research and innovate so we can affect longer-lasting positive change.

The main environmental and social impact from our products lies in the electrical components. Electrical components are to large extent pre-defined in each industry, which makes it hard to reduce and substitute them. For now, our main focus is to make our products easier to recycle and prolong their lifetime. This year we initiated work to improve recyclability and prolong product lifetime. We performed a repairability study of our existing products to gain insights, started building knowledge around battery lifetime improvements, implemented eco-charging and we joined the research-industry project "Certified to LAST" hosted by RISE (Research Institutes of Sweden). Aiming to define a methodology to measure and improve product lifetime of consumer products.



Prolonging battery lifetime

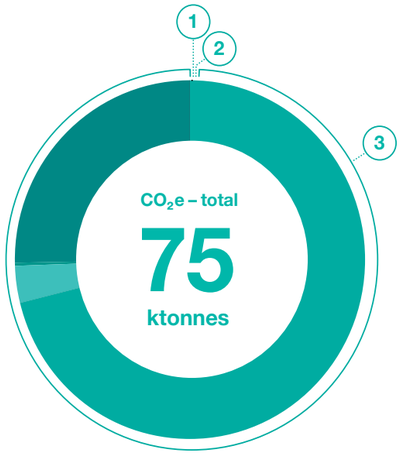
Battery capacity degradation is among the most common causes limiting product lifetime. In true wireless earbuds, it is a common issue, due to the small battery. To change this, during the year we initiated work to find ways to prolong battery lifetime in collaboration with battery suppliers. Setting an upper charge limit can prolong the battery lifetime by two to three times. This feature named "Eco-charge" has therefore been implemented in all headphones launched in 2021, either as a choice in the app, or as a pre-set feature. The battery lifetime of course depends on many factors, and we continue to look for ways to improve this further.

Making use of recycled plastic

Reducing our environmental footprint using recycled, responsible sourced materials is another focus area. One key area for us is finding ways to phase out virgin plastics. We want to make sure that the plastic we put in our products reuses waste, is durable and has a minimal impact on the environment. Over the past year, we have continued the successful journey of implementing recycled plastics in new applications. This has resulted in more suppliers and more color variants, all certified through GRS (Global Recycle Standard). By using post-consumer recycled plastic in our top-selling headphone Marshall Major IV emissions from the use of plastics in the product decreased by 98% according to an analysis done by our external partner.

Reducing climate impact

Being transparent about our sustainability performance is critical. And so is reducing climate impact across our entire value chain. To achieve the best possible results, we need to concentrate our efforts on where we have the biggest footprint, and first we need to know what that footprint is.



Scope 1	Direct GHG emissions	0.00%
Scope 2	Electricity indirect GHG emissions	0.10 %
Scope 3	Purchased goods and services	71.1 %
	Fuel- and energy related activities	0.00 %
	Upstream & Downstream transportation and distribution	3.30 %
	Business travel	0.10 %
	Employee commuting	0.10 %
	Use of sold products	25.20 %

Our approach
For a holistic view of our climate impact, we calculate our emissions based on the Greenhouse Gas Protocol. In our calculations, we use internal and third-party data as well as emission factors from recognized databases. We constantly look for ways to improve the quality of our data and the accuracy of our calculations.

We report all our direct emissions (Scope 1 and Scope 2), as well as our most significant indirect emissions (Scope 3) where data is available. For example, we are still evaluating the best way to calculate greenhouse gas emissions for end of life of our sold products.

Most of our emissions are indirect. Our direct emissions account for only 0,2 percent.

Purchased goods and services
In 2021 emissions generated from materials used in the production of our headphones and speakers is estimated at 53,330 tonnes CO2e, compared to 20,726 tonnes CO2e in 2020. 2020 was an exceptional year where we mostly sold out inventory due to supply constraints. As production capacity increased in 2021 and demand drove sales to new all-time highs, emission numbers went up as a consequence.

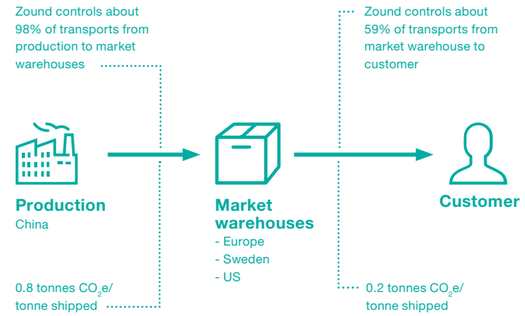
Product usage
Emissions from consumers using our products are estimated at 18,946 tonnes of CO2e for 2021, compared to 18,907 tonnes of CO2e in 2020. Due to the product mix, with a lower number of voice and WIFI speakers sold compared to 2020 emissions are estimated to be in line with 2020 despite the increase in total sales. Our product usage estimations are based on speaker power consumption during active, idle and standby mode.

Transportation of products
Transport of our products accounts for about three percent of our total carbon footprint. Carbon emissions from transporting our products are estimated at 2,510 tonnes of CO2e in 2021, compared to 3,665 tonnes of CO2e in 2020. In 2021 it corresponds to 0.3 CO2e/tonnes of shipped product. We distribute products from our factories in China to our hub in Shenzhen to consolidate customer orders and transfers between our warehouses in order to reach a high utilization. From here we distribute to our local warehouses in Europe and the U.S. The largest share, 99%, of these transports was by sea or rail. The final one percent of transport was by air, down from five percent in 2020 which accounts for most of the overall decline in estimated transport emissions for 2021. After the products have reached our local warehouses, they are distributed to local markets largely by road.

Business travel
During 2021, business travel was still significantly lower then travel before the COVID-19 outbreak. We instigated early travel restrictions and changed meetings in person to digital events. In 2021 emissions generated from business travel by air and train is estimated at just 91 tonnes of CO2e, compared to 1,309 tonnes in 2019. We do not currently measure taxi emissions and hotel stays in our business travel calculations but are looking at ways to incorporate this data.

Energy use in offices
Our head office and most of our employees are based in Stockholm, Sweden. The office uses 100% renewable electricity and heating comes from waste incineration. For offices outside Sweden, we cannot choose the energy source, so we use the countries' general energy mix to calculate emissions. Total emissions generated from heating, cooling and electricity for 2021 is estimated at 85 tonnes of CO2e.

Employee commuting
In a normal year, most employees either walk, cycle or use public transport to get to work. In 2021, the majority of staff worked from home with an exemption for Q3, and if people had to come to the office, they took a taxi or came by car to avoid public transport. For the 2020 report we conducted an employee survey on travel patterns. We assess that traveling has been very similar in 2021, and therefore used the same proportions for 2021, just scaled to the current number of employees. On average, Zound employees traveled 23 km a day to and from work in 2020. Total emissions for commuting are estimated at 58 tonnes of CO2e*.



[1] Our climate calculations are based on the Greenhouse Gas (GHG) Protocol, the most widely used international accounting tool used to understand, quantify, and manage greenhouse gas emissions. Different greenhouse gases are recalculated into CO2 equivalent (CO2e). In GHG Protocol the emissions are divided into three scopes; Scope 1 is direct emissions from operations; Scope 2 is indirect emissions from electricity, heating and cooling; Scope 3 is indirect emissions. We use Scope 3 because we do not own nor control any sources directly. It also gives us a fuller picture of our emissions both downstream and upstream from our core operations.

Employee commuting	Distance	tCO_2e (2021)
Train/Subway	26%	7.0
Walk/Bike	51%	0.0
Bus	15%	24
Car	9%	26

*ZI sustainability survey

Responsible Sourcing

The consumer electronics supply chain faces challenges in terms of human rights, health and safety, and the environmental impact of sourcing materials. We are committed to improving, but we cannot do it alone. We need to work with our suppliers to keep raising standards and improve social, environmental and ethical performance together.

The COVID-19 pandemic continued to present many unexpected challenges. Shortage on integrated circuits and many other components and materials has made it necessary to spend a lot of work to find new components and suppliers, still keeping our standards on quality, compliance and fair conditions. Production had to adjust to supply. However, we continued working with all our suppliers throughout the year, having an open and ongoing dialogue with them about subjects like their financial situation, working conditions and health protection measures. Since the majority of suppliers are located in the same province as our local office, many visits and audits could go on during 2021. It was only at the end of the year when travel restrictions stopped the last planned audits. In total, we managed to do more full audits according to our Code of Conduct than ever before.

Our approach

We want to collaborate with a selected number of long-term suppliers who share our values and sustainability vision. By working closely with these suppliers and maintaining a high presence at our factories we can raise standards. We also work with our partners to share knowledge and experience of sustainability. This year we initiated training on circularity and what it will mean for us with our long-term suppliers.

Supplier Code of Conduct

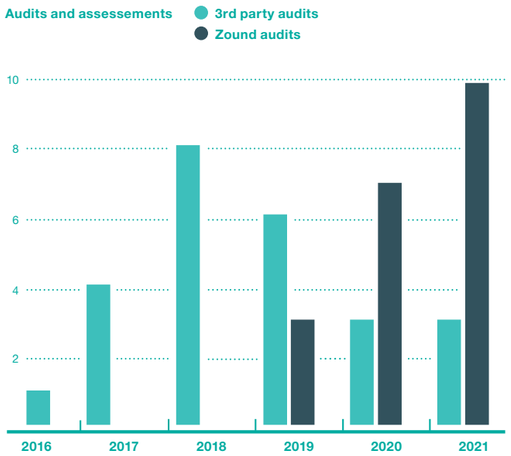
Zound Industries' Supplier Code of Conduct sets out the sustainability requirements that we expect all our suppliers to fulfill. It covers management, health and safety, human rights, environment and ethics. In 2021, the code was updated with a clearer requirement on overtime. The updated code has been signed by all our product suppliers.

Supplier Audits

Audits are an important tool to help our suppliers act in accordance with our requirements. Zound Audits are based on our Supplier Code of Conduct. They focus on identified risk areas typical for our industry and locations. During 2021, we carried out 12 full Zound Audits; these were at five long-term suppliers, three new potential suppliers and four second-tier suppliers. We also conduct third-party audits as a requirement of our partners. During 2021, we performed three third-party audits at product manufacturers. In the past five years, 100% of our long-term product manufacturers have been audited by a third party. We follow up any identified non-compliance with suppliers and draw up action plans to find and implement improvements. Zound audits result in a score, and in 2021 we increased using the score by making it part of supplier review, award and business review. Several suppliers improved their scores during 2021 and no one was impaired.

As a result of our audits, health, safety processes and conditions at our manufacturing partners' sites have improved. Progress in 2021 include social insurance for operators at all long-term product suppliers, increased use of Personal Protective Equipment (PPE) and included PPE-training at all long-term product suppliers. Improved chemical waste management performance through clearer requirements on approved collectors. During the year we have also updated our Code of Conduct with clearer requirements on maximum overtime.

We work in collaboration with suppliers to solve any issues highlighted by our audits. However, if this approach is unsuccessful, we reserve the right to terminate our contract with the supplier.



A Zound workplace

If 2020 was the year when the global pandemic affected all areas of the business, 2021 was more of a versatile year. We were still impacted by the ongoing pandemic both on an individual and company level, however, people got used to work from home and managed quite well to do most of their work without having to go to the office. Through dialogues and from asking the employees about their work environment in our employee survey, it was clear though that Zound employees missed their colleagues and the interaction with others but the perception of the necessity of going back full time to the office, had changed. The ask was to have more of a hybrid model with the possibility to work from home to a larger extent than before the pandemic, but also to be able to go to the office to collaborate, socialize and be creative together. In September we introduced new guidance for employees in our Work at Zound policy.

The right balance between the physical and digital workplace

A strong culture needs to be nurtured and requires constant attention to be kept alive through activities and activations. In our updated policy, we wanted to capture the learnings from the rapid transition to the virtual workplace brought on by the pandemic in 2020 and combine this with our ambition to keep the cultural activities going. The result was a flexible model that gives the individual more ownership of their working situation, giving employees the opportunity to decide a place of work for themselves for the majority of working days each month, but also four days a month where everyone across the company comes together in our offices.

Physical & mental health

To capture different perspectives and angles from the organization within areas such as how productive staff feel, how engaged they are with our goals and what they think about Zound leadership, we have an employee survey to follow this up. Our employee index was 75 out of 100 with a 76% response rate.

In 2021 our sickness absence rate was 1.7% across all offices, down 0.4% compared to 2020.

Diversity & Inclusion

As a part of Zound's updated strategy Diversity & Inclusion has been defined as one of five key strategic pillars. The work to further strengthen our capabilities in this area, to ensure a more diverse workforce and a more inclusive workplace was started in 2022.

We established a partnership with an external D&I consultancy, and set a project plan to develop a holistic D&I strategy. We also initiated company-wide lectures to elevate the competence within D&I and get the organization on the same page.

In recruitment, we have reviewed and adapted our processes. We actively sourced international talents with more focus on a global scope to find the right talent. Enhanced focus on relocation with an increased budget to enable help and support for international candidates moving to Sweden. Emphasized the importance of D&I to hiring managers, we ensured inclusive language in all candidate communication touchpoints and we started measuring key KPI's within D&I and showcased progress throughout the year.

Fight Corruption

We do not tolerate any form of corruption or other unethical business. Our employee Code of Conduct and our Anti-Corruption policy set out how we fight corruption. Employees must not offer, give or accept bribes or any other inappropriate benefits. They must always put our company's interests first and escalate any potential conflicts of interests. To support employees, we offer online training about preventing bribery and corruption.

In 2020 we carried out a risk assessment to identify elevated risks for bribery and corruption. We interviewed managers about any changes to the business. No incidents or elevated risks have been reported. In fact, there has been a reduction in risk in 2020 and 2021 due to presenting new products digitally rather than in person.

Governance of Sustainability at Zound Industries

Our sustainability resources consist of a Sustainable Design Manager with focus on product sustainability and circular materials while a Sustainability and Compliance Manager works with products and our corporate responsibility. Alongside these dedicated posts, a cross function team explores new solutions and ways of working, for example new materials, usability, life cycle assessment and transportation.

To help communicate our sustainability work with employees and partners we use policies and guidelines including our Sustainability Policy, Zound Play – our employee code of conduct – and our Supplier Code of Conduct.

Sustainability risks and mitigation
Zound's approach to sustainability is defined from both a risk and an opportunity perspective. In 2017, we conducted a review of the company's sustainability topics, risks and activities, including interviews with internal and external stakeholders and it has been revised ever since. During 2021 we have involved a large part of the organisation to compile a new company strategy which also includes sustainability.

Risks and risk management sheet

Area	Material impact	Scope	Management
Environment	**Environmental impact from products** From a lifecycle perspective, most of our products' environmental impact comes from extraction of materials, manufacturing and packaging. Apart from managing legal requirements, such as those linked to chemical management, Zound Industries' brand could be exposed if associated with causing negative environmental impacts.	Zound Suppliers	Reducing negative environmental impacts starts with product design and carries on throughout the entire value chain. • Sustainability policy • Sustainable design guidelines – covering the lifecycle of the product. • Build awareness of sustainable design, materials and technologies through training, workshops and guidelines for designers and product development teams • Chemical analyses of materials and products • Sustainability requirement training, including adidas' enhanced requirements for product manufacturers • Sustainability audits of manufacturers • Collection of end-of-life products, batteries and packaging • Continued improvements to size and recycled content of product packaging
	Environmental impact from product transports From a lifecycle perspective, the second largest environmental impact is product transports. Transports made by air lead to both increased costs and a greater climate impact.	Zound	• Sustainability policy • Plan production and optimize logistics • Implement targets on consolidated goods • Evaluate alternative modes of transport, use carbon off-set for US ecom • Use rail to limit air shipments
Human rights	**Responsible supply chain** Zound Industries outsources production to suppliers in China. The electronics industry has a complex supply chain that includes a risk of negatively impacting human rights. Stakeholder interviews in 2020 deem the risks of outsourced production and mineral and metal sourcing high. There is a clear need for a continued focus on risk control.	Zound Suppliers	Zound Industries Supplier Code of Conduct, (revised 2021) communicated and signed by product manufacturers • Training of product manufacturers • Audit of product manufacturers, both Zound audits and third party audits
Anti-corruption	**Fight corruption** Zound Industries advocates free and fair trade, strives for open and fair competition and ethical conditions within the legal frameworks of the countries in which it operates. If Zound Industries does not follow these principles, it can jeopardise the company's reputation and can also result in fines.	Zound Suppliers	• Supplier Code of Conduct • Employee Code of Conduct • Anti-corruption policy • Risk analysis • Anti-corruption training • Audit of product manufacturers • Routines for follow-up of irregularities • Interviews of managers of teams with elevated risks
Employees & social conditions	**Strategic talent supply** At Zound Industries we manage the entire value chain in-house, apart from production. This means we have expertise in several areas. Having people with the right competencies in the right position is business critical.	Zound	• Quality-assured recruitment process • Skills development according to individual needs
	Strong commitment and wellbeing An inspiring workplace where employees are happy, developing and want to stay, is important to ensure Zound Industries' stable development. Clear leadership, defined areas of responsibility and the right competencies help create a healthy working environment.	Zound	• Employee Code of Conduct • Working with our culture and values • Diversity & Inclusion strategy, staring with awareness building with several workshops • Employee survey conducted in September on leadership, wellbeing, communication • Heartpace, performance management tool, to follow up individual development connected to role, responsibility and performance • Systematic working environment work, including a forum that meets quarterly and employee representatives • Online activities – sports and learning • OneLab, a health platform that identifies ill health and offers the right care at the right time

Reporting principles

Climate Impact:

Zound Industries used the Greenhouse Gas (GHG) Protocol in its climate calculations. This Protocol is the most widely used international accounting tool to understand, quantify, and manage greenhouse gas emissions. The different gases are calculated into CO2 equivalent (CO2eq) depending on their global warming potential. To calculate CO2eq we use emission factors from DEFRA and NTM (default and benchmark transport data).

In the GHG Protocol emissions are divided into three scopes:
Scope 1 is direct emissions from operations.
Scope 2 is indirect emissions from purchases in electricity, heating and cooling.
Scope 3 is indirect emissions.

We have chosen to use a financial approach when declaring our emissions, which means all our emissions fall into Scope 3 because we do not own nor control any sources directly.*

Scope 3 categories that we have not evaluated are capital of goods, fuel- and energy-related activities, waste generated in operations, upstream leased assets, processing of sold products and downstream leased assets. These are estimated to represent less then 1% of total CO2eq emissions.

*Scope 3 categories which are not applicable are franchises and investments.

About the statutory sustainability report:

The following table shows where information required for the statutory sustainability report is reported.

Area	Requirement	Page
Overall	Business Model	36 – 37
Environmental issues	Policy and procedures Risks and risk management Performance	38 – 45
Employees and social issues	Policy and procedures Risks and risk management Performance	38 – 45
Human rights	Policy and procedures Risks and risk management Performance	38 – 45
Anti-corruption	Policy and procedures Risks and risk management Performance	38 – 45