

# Sustainability report 2020.

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 goes beyond the boundaries of sustainability and brings about better outcomes for both people and planet.

Out of everything we do, our products have the biggest impact on the environment. We use sustainable design to tackle this impact while still creating great headphones and speakers.

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.

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

2020 was an unusual year. Zound, like all companies, had to quickly adapt to the unforeseen changes sparked by the global pandemic. We had to find new ways of working, protect our employees, react to fluctuating product demand, find new ways to meet our partners and customers, solve supply issues and so much more.

**“Sustainable design is our most important tool to reduce climate and social impact.”**

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, sustainable products.

### Our approach

We are innovative, curious and unafraid to challenge conventional methods to make our products and packaging more sustainable throughout its lifecycle. We use sustainable and durable materials and components where possible, minimise 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 common, and some unique, improvement opportunities. Working cross-department, 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. We have learned that sustainable design is not an isolated product development island, it stretches right across our organisation. And all our departments and locations can research and innovate so we can affect longer-lasting positive change.

### CASE Recycled plastic

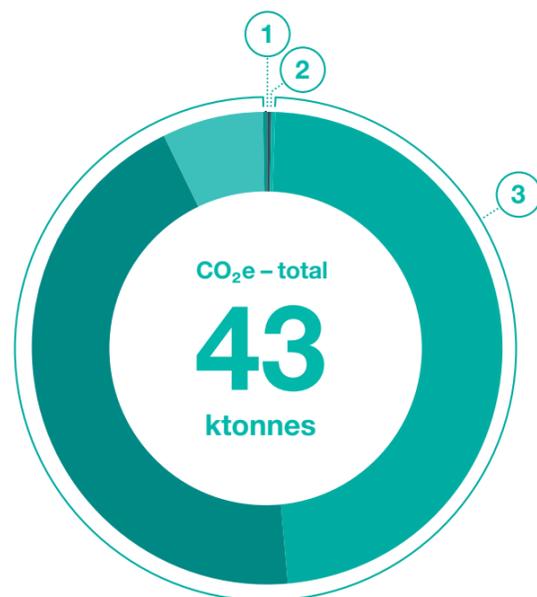
We have not found a way to make headphones and speakers without using plastic. Yet. So, we want to make sure that the plastic we put in our products reuses waste, is durable and has a minimal impact on the environment. Over the past year we have been working close with our recycling partner to create a custom material that ticks all these boxes, and in 2020 we used it for the first time in Marshall's Major IV headphones. The plastic is made from 100% post-consumer products, such as used electronics and water bottles, and because our recycling partner can sort the materials, we will be able to keep bringing you products in a whole rainbow of colours.

### CASE Packaging

Packaging is an important part of all our products. At Zound, we have our own inhouse team who make sure that our headphones and speakers are protected and presented in the best way. We aim to minimise the environmental impact of packaging by optimising the size and weight, using materials from renewable sources and slowly, but surely, designing out plastic. Each year we've reduced the amount of non-renewable content in our packaging and in 2020 we hit 99% paper-based materials. Now we are working on cutting out that last percent. For example, this year we ran a pilot to replace the plastic hangers on our headphone packaging with ones made of paper-based materials. The pilot was a success, and we will introduce the new hangers to more products in 2021.

# 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.



### 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 recognised 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 the end of life of our sold products.

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

Scope 1	Direct GHG emissions	0.03 %
Scope 2	Electricity indirect GHG emissions	0.18 %
Scope 3	Purchased goods and services	48.30 %
	Fuel- and energy related activities	0.02 %
	Transportation and distribution	6.99 %
	Business travel	0.29 %
	Employee commuting	0.13 %
	Use of sold products	44.06 %

### Purchased goods and services

In 2020 emissions generated from materials used in the production of our headphones and speakers is estimated at 20,726 tonnes CO<sub>2</sub>e, compared to 36,709 tonnes CO<sub>2</sub>e in 2019. This 2020 figure is much lower than 2019 due to our focus on reducing existing stock levels in place of procuring new units. Find out more about our initiatives to reduce impact in these areas in the Sustainable Design section (p.35).

### Product usage

Emissions from consumers using our products is estimated at 18,907 tonnes CO<sub>2</sub>e for 2020, compared to 14,922 tonnes CO<sub>2</sub>e

2019. This rise is due to increased sales of voice speakers that have higher power consumption when not in use. 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 eight percent of our total carbon footprint. We distribute products from our factories in China directly to our customers within the Asia-Pacific region, and to local warehouses in Europe and the USA. The largest share, 95%, of these transports was by sea or rail. The final five percent of transport was by air, compared to three percent in 2019. Our use of air freight rose in 2020 due to production and distribution issues as a result of the COVID-19 epidemic. After the products have reached our local warehouses, they are distributed to local markets largely by road (93 percent). Carbon emissions from transporting our products is estimated at 3,665 tonnes CO<sub>2</sub>e in 2020, compared to 3,200 tonnes CO<sub>2</sub>e in 2019. In 2020 it corresponds to 0.23 CO<sub>2</sub>e/tonnes of shipped product.

### Business travel

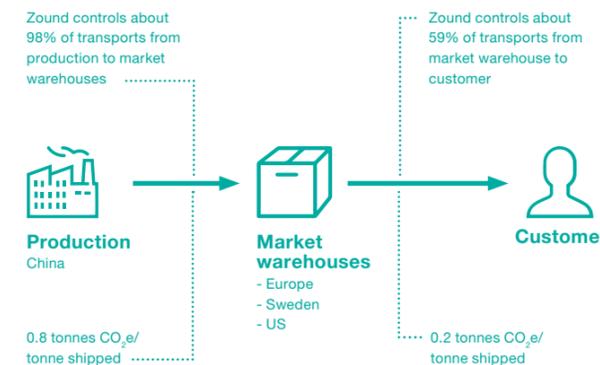
During 2020, business travel dropped significantly due to the COVID-19 outbreak. We instigated early travel restrictions and changed in-person meetings to digital events. In 2020 emissions generated from business travel by air is estimate at just 125 tonnes CO<sub>2</sub>e, compared to 1,309 tonnes in 2019. We do not currently measure taxi emissions in our business travel calculations.

### 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' typical energy mix to calculate emissions. Total emissions generated from heating, cooling and electricity for 2020 is estimated at 533 tonnes CO<sub>2</sub>e.

### Employee commuting

In a normal year, most employees either walk, cycle or use public transport to get to work. In 2020, the majority of staff worked from home from March onwards and if people had to come to office, they took a taxi or came by car to avoid public transport. The percentage of employees commuting by car increased to 9%, up from 4% in 2019, and the emissions from commuting rose 39%. On average, Zound employees travelled 23 km a day to and from work in 2020. Total emissions for commuting are estimated at 54 (39) tonnes CO<sub>2</sub>e\*.



Employee commuting	Distance	tCO <sub>2</sub> e (2019)
Train/Subway	25%	7.0
Walk/Bike	51%	0.0
Bus	15%	22.7
Car	9%	25.1

<sup>1</sup> 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 CO<sub>2</sub> equivalent (CO<sub>2</sub>e). 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.

\*ZI sustainability survey