

Festi Sustainability Policy

Purpose, Responsibility, and Focus

The Festi Sustainability Policy sets the direction for the Festi group and its subsidiaries regarding environmental, social, and governance (ESG) matters. Sustainability presents various business opportunities and strengthens the group's operations and foundations for the long term. With diverse operations through subsidiaries such as Bakkinn vöruhótel, ELKO, Krónan, Lyfja, N1, and Yrkir eignir, the company has a unique opportunity to make a real impact on sustainable development and quality of life in Icelandic society.

The policy applies to all operational units within the group and includes measurable objectives, with references to the European Sustainability Reporting Standard (ESRS). The policy also takes into account the United Nations Sustainable Development Goals. More detailed discussions on environmental aspects can be found in the environmental policies of most group subsidiaries.

The board of directors and executive management of Festi approve this policy. The CEO of Festi is responsible for the policy and delegates its implementation to the Head of Strategy, in collaboration with Festi's Sustainability Manager and key executives. The policy and its objectives are reviewed annually, published on Festi's website, and communicated to management and staff.

The main focus areas highlight what matters most to Festi, based on its own impact, stakeholder expectations, and the results of a double materiality assessment (DMA). These areas are:

- **Environment and Climate:**
 - **Climate and nature**, with an emphasis on reducing emissions, protecting resources, and promoting a circular economy.
- **Social Factors – Internal:**
 - **Own workforce**, with a focus on equality, safety, and well-being.
- **Social Factors – External:**
 - **Consumers and human rights in the value chain**, with an emphasis on consumer well-being and promoting responsible production practices.
- **Governance:**
 - **Good governance and transparency**, with a focus on responsible decision-making, clear processes, and information sharing as keys to trust and future success.

These focus areas provide a clear framework for strategy, actions, and sustainability objectives, and are also key elements in the company's sustainability reporting. Festi publishes an annual sustainability report based on the ESRS framework, as part of its annual report.

Sustainability Goals and Key Supporting Actions

Environment and Climate

Festi commits to achieving net zero emissions by 2050, and in its own operations by 2031¹. The company will also reduce pollution, ensure responsible resource use, and support the circular economy in various ways.

- **ESRS E1: Reduce the Group's direct emissions by 98% by the end of 2031 compared to 2023**
 - Complete the phase out of refrigerants using F-gases by the end of 2031
 - Reduce emissions from fossil fuel combustion in Group operations by 90% by the end of 2031 compared to 2023
- **ESRS E1: Reduce annual energy use per square meter** (excluding EV charging)
 - Transition to lighting LED by the end of 2030 at all company-operated locations
 - Select electrical equipment based on lifecycle cost, including operational energy use
 - Increase installation of energy meters and monitoring of energy use
- **ESRS E1, E5: Increase waste sorting ratio to 90% by 2030** (from 72% in 2023)
 - Reduce general waste volume from the Group
 - Reduce food waste, e.g. through more effective sorting and utilisation of organic waste
- **ESRS E1: Reduce indirect emissions from transport in the Group's supply chain**
 - Request transition plans from major suppliers and logistics partners
 - Participate in the development of EV charging infrastructure at sites accessible to suppliers and logistics providers
- **ESRS E1, E3, E5: Reduce indirect emissions in construction and the supply chain**
 - Use natural resources responsibly and reduce energy use where possible
 - Minimise procurement and use of products and materials that may harm the environment, and choose environmentally friendly alternatives
 - Use recognised standards and sustainability certifications in construction and operations
- **ESRS E1, E3, S2, S4: Increase the proportion of sustainable products and services as a share of annual sales**
 - Increase the share of products and services with sustainability certifications and eco-friendly packaging
 - Label sustainable products and make it easier for customers to choose them
 - Improve access to EV charging for vehicles
- **ESRS E2: No pollution accidents**
 - Reduce risk through prevention, processes, monitoring and education
- **ESRS E3: Map and reduce internal water use**
 - Select water-saving devices and equipment in construction projects
 - Improve mapping of water consumption
- **ESRS E5: Increase proportion of recyclable packaging for own-brand products** (produced within the Group or under Group brands)

¹ Scope 1, scope 2, waste and business travel in scope 3.

- Choose packaging that is reusable/recyclable (e.g. avoid polystyrene)
- Choose packaging from recycled materials (e.g. rPET plastic or FSC-certified cardboard)
- **ESRS E5: Ensure each Group company is running at least one circular economy project at all times**

Social Factors – Internal: Human Resources

Festi emphasises equality, safety and wellbeing in the workplace. The company aims to be a health-promoting employer. Further details are in Festi's HR policy.

- **ESRS S1: Active employee participation in workplace surveys, over 80% response rate**
 - Increase employee satisfaction across all Group companies; each sets goals related to the VR exemplary company survey
 - Provide good onboarding for new employees
 - Ensure robust training programmes across the Group
- **ESRS S1: Support increased quality of life and health of employees**
 - Emphasise preventative health in training content
 - Ensure staff access to healthcare professionals through a welfare package
 - Train managers in conducting wellbeing conversations and ensure employees facing health challenges receive appropriate support
- **ESRS S1: Ensure continued gender equality and diversity in leadership roles; aim for a 40%/60% gender ratio in boards, senior management and other leadership teams**
 - Use gender-neutral language in job adverts
 - Actively seek qualified applicants of the underrepresented gender in specific leadership groups
- **ESRS S1: Promote increased inclusion of employees**
 - Assess results from workplace surveys
 - Offer Icelandic language instruction for foreign employees, e.g. through the "Bara tala" programme
- **ESRS S1: Reduce serious workplace accidents year-on-year (zero tolerance policy)**
 - Foster a strong safety culture through active training for employees
 - Maintain clear procedures for incident response and handling

Social Factors – External: Consumers, Society and Human Rights in the Value Chain

Festi Group is committed to responsible business conduct and strong cooperation with suppliers and service providers to ensure respect for human rights throughout the value chain.

- **ESRS S1, S4 og G1: Promote the security and confidentiality of personal data of customers and employees**
 - Annual review of Group policies and procedures related to data protection
 - Annual staff training on internal data protection procedures
 - Update Festi's Data Protection Policy

- **ESRS S2, E1, E2, G1: All suppliers and service providers to sign Festi's Supplier Code of Conduct**
 - Supplier Code of Conduct presented to all new suppliers and service providers
 - Contact made with all active suppliers and service providers yet to confirm the Code
 - Follow-up on responses
- **ESRS S2, E1, E2, G1: All key suppliers and service providers to complete supplier assessments, covering at least 90% of each company's turnover**
 - Focus on suppliers in high-risk sectors for environment and human rights and those delivering repeat business
 - Develop internal dashboard tracking response per company
 - Maintain procedures for requirements, monitoring, and follow-up on unsatisfactory results
- **ESRS S2: Increased focus on human rights in the supply chain**
 - Update contracts with key suppliers and service providers to include human rights clauses
 - Update procedures and risk assessments for suppliers and service providers regarding human rights in the value chain
 - Increase training for employees
 - Launch and introduce a Group-wide whistleblowing platform

Governance

Festi and its subsidiaries place strong emphasis on responsible business conduct across all areas. Good governance underpins trusted stakeholder relationships and promotes integrity, transparency and accountability in management.

- **ESRS G1: Festi's or relevant subsidiary's Code of Conduct is accessible and introduced to all staff**
 - Review existing Festi Code of Conduct
 - Updated Code of Conduct introduced to staff via Group communications tools
 - Staff with access to the quality system to confirm they have read the Code
- **ESRS G1: Rank among the top companies in Iceland in terms of sustainability**
 - Achieve "A" rating from Reitun (not fall below B1)
- **ESRS G1: Take systematic action against money laundering and terrorist financing**
 - Ensure necessary policies and actions are in place for reporting entities within the Group
- **ESRS G1: Actively combat corruption and bribery of all kinds**
 - Ensure internal processes and training for employees across the Group
- **ESRS G1: Ensure clear process for whistleblowing across the Group**
 - Implement whistleblowing channel and update related processes