

**ANNUAL REPORT**  
AND SUSTAINABILITY REPORT  
2021

**RUGVISTA GROUP AB (PUBL) | Reg. nr. 559037-7882**



## RUGVISTA GROUP

RugVista Group is one of Europe's leading "direct-to-consumer" e-commerce players and markets carpets and rugs through its own web-shops available in 20 different languages using the brands **RugVista** and **CarpetVista**. The company was founded 2005 and offers a wide and relevant selection of high-quality design- and traditional carpets and rugs at attractive prices. RugVista Group offers its EU based customers free deliveries and returns free of charge. The Group's operations are divided into three segments: Private consumers (B2C), Business consumers (B2B), and Marketplaces & Other (MPO). The B2C segment represents the consumer market and is the Group's core segment.

Head office is located in Limhamn, Sweden.

The RugVista Group AB (publ) share is traded on Nasdaq First North Premier Growth Market under the ticker symbol "RUG"

Net revenue was SEK 705 million during 2021.

RugVista Group has defined three visions, each of which has a clear purpose and ambition level:

### **BUSINESS VISION**

To be the center of gravity for the European rug industry

### **PEOPLE VISION**

To attract, motivate, and retain extraordinary people

### **SUSTAINABILITY VISION**

To lead the rug industry towards a sustainable future

"OUR HIGHEST PRIORITY IS TO CONSISTENTLY DELIVER A WORLD-CLASS CUSTOMER EXPERIENCE AND ENSURE A HIGH LEVEL OF CUSTOMER SATISFACTION."

### **MICHAEL LINDSKOG**

*CEO RugVista Group*





750

AVERAGE NUMBER OF ORDERS  
PER DAY IN 2021

34%

ORGANIC NET SALES GROWTH  
IN 2021

67

NET PROMOTER SCORE FOR 2021

SEK 138m

ADJUSTED OPERATING PROFIT

MARCH 18, 2021

RUGVISTA GROUP AB (PUBL) IS  
LISTED ON NASDAQ FIRST NORTH  
PREMIER GROWTH MARKET  
IN STOCKHOLM

197k

NUMBER OF NEW CUSTOMERS  
IN 2021

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## SELECTED KEY PERFORMANCE INDICATORS

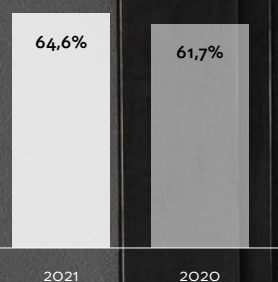
NET REVENUE, SEKM

# +25,5%



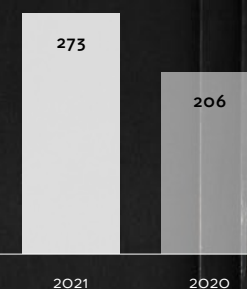
GROSS MARGIN

# +2,9pp



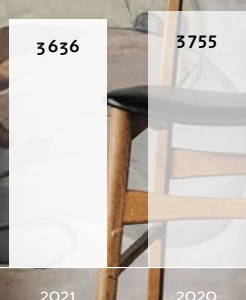
NUMBER OF ORDERS, THOUSAND

# +32,5%



AVERAGE ORDER VALUE, SEK

# -3,2%

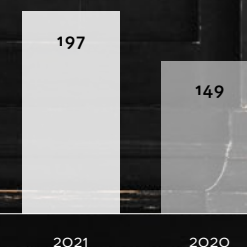


CUSTOMER SATISFACTION



NEW CUSTOMERS, THOUSAND

# +32,1%



### SELECTED KEY PERFORMANCE INDICATORS (See page 129 for definitions and motivations for alternative performance measures)

SEK thousand if not stated otherwise	1 Jan 2021 31 Dec 2021	1 Jan 2020 31 Dec 2020	Change
Net revenue	704,984	561,883	25.5%
Gross profit	455,698	346,950	31.3%
Gross margin, %	64.6%	61.7%	2.9pp
EBIT	127,658	104,153	22.6%
EBIT margin, %	18.1%	18.5%	-0.4pp
Adjusted EBIT	137,558	109,196	26.0%
Adjusted EBIT margin, %	19.5%	19.4%	0.1pp
Profit for the period	99,851	79,983	24.8%
Profit margin, %	14.2%	14.2%	-0.1pp
Earnings per share, SEK	4.80	3.94	21.8%
Earnings per share, diluted, SEK	4.80	3.84	25.2%
Total cash flow during the year	78,607	93,906	-16.3%
Number of website visits, million	39.8	33.4	19.1%



## HIGHLIGHTS 2021

### OUTSTANDING FINANCIAL PERFORMANCE DESPITE CHALLENGES

Our net revenue growth excluding divested operations was 30.1% in 2021. The growth was almost as high as in 2020 when we reached 33.0%. We have thus had an average growth rate of approximately 31.6% during the past two years.

Adjusted EBIT margin was 19.5% for 2021, which is a slight improvement compared to 2020 (19.4%). That we have succeeded in maintaining profitability during the rapid growth during the past two years is proof of the strength and scalability of our business model.

The figures for 2021 were also achieved in a market climate that was characterised by increased competition for consumers' attention and customer demand that was volatile as well as difficult to predict in our different markets.



### ASSORTMENT TARGETING A NEW SEGMENT

In December, we launched the first part of a new initiative targeting individuals decorating their first home. Previously, we did not have a sufficiently relevant offer for this consumer and therefore chose to develop a completely new collection with these consumers in mind. The new products are offered under the *RugVista Essentials* brand. We plan to continually introduce new collections as part of *RugVista Essentials* with trend-right products offering exceptional value-for-money.

### CONTINUED LEADING CUSTOMER SATISFACTION LEVELS

Our top priority is that every customer should be satisfied after having shopped with us. We use two metrics to measure our customers' satisfaction level, i.e., NPS and Trustpilot. Both metrics were consistently high during 2021, which makes us incredibly happy and proud.

Satisfied customers is the base for our long-term success. We will therefore always strive to develop and improve the customer experience.

### RECORD NUMBER OF NEW MEMBERS IN THE RUGVISTA FAMILY

Our "good-to-great" journey continued during 2021 and we became even more efficient in our warehousing and customer service functions while further developing our office functions. As a natural part of this journey, we are also growing the number of co-workers. We welcomed 36 new individuals to the RugVista family in 2021.







## SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

### COMMITMENT TO ADOPT SCIENCE BASED TARGET'S INITIATIVE FRAMEWORK FOR REDUCING GREENHOUSE GASES

We continue to deliver on our ongoing sustainability work based on our LEAD.CHANGE strategy that we developed during 2020. In addition to achieving significant improvements in our overall sustainability work, we also chose to adopt the Science Based Targets initiative (SBTi) framework for measuring our greenhouse gas emissions during the year. Through the SBTi undertaking, we further reaffirm our commitment, increase the transparency, and make it easier for our stakeholders to follow our progress.

### THE SHARES ARE LISTED ON NASDAQ FIRST NORTH PREMIER GROWTH MARKET

On March 18, 2021, we took another important step in the development of the company when we were listed on Nasdaq First North Premier Growth Market. The listing was an important milestone and a testament to the degree of maturity we have achieved as an organisation.

It was especially pleasing that several thousand private investors registered an interest in subscribing for our share at the time of the listing.



### THE RUGVISTA BRAND IS 10 YEARS OLD!

The RugVista brand was introduced in 2011 and we celebrated our 10th anniversary this year. The RugVista brand was first introduced as a brand for offering high-quality design rugs. The brand's purpose has been updated over the years and today RugVista is a brand that offers both design and traditional rugs to consumers all over Europe and the rest of the world. We celebrated our 10th anniversary by offering all customers an additional discount on purchases during the campaign.



## LETTER TO THE SHAREHOLDERS

### DEAR SHAREHOLDERS,

2021 was an outstanding year for RugVista Group. We grew organically by 34% and reached 705 million in net sales. Our adjusted EBIT was SEK 138 million, which corresponds to an adjusted EBIT margin of 19.5%. The Board of Directors proposes a dividend of SEK 2.50 per share (a total of MSEK 52.0).

2021 was also an eventful year where we not only reached milestones across several strategic priority areas, but also had to continuously adapt to the dynamic external conditions during the pandemic's second year.

First, we undoubtedly delivered exceptional financial performance. Net revenue was SEK 705 million allowing us to reach the 700+ million threshold. Our gross margin improved almost 3 percentage points to 64.6%. Adjusted EBIT was SEK 138 million representing an adjusted EBIT margin of 19.5%. All figures represent all-time highs.

Second, we took significant steps forward on our strategic initiatives. For instance, we acquired almost 200,000 new customers during the year and hosted close to 40 million visits to our web-shops. Focusing on DACH proved successful with the region delivering a leading 43% growth rate. We are especially pleased that we, while growing, managed to maintain our high customer satisfaction levels ending the year with an NPS rating of 67. Additional strategic initiatives also started to materialize during the latter part of the year. We introduced RugVista Essentials which is a collection of rugs developed especially for those decorating their first home. This also addressed a white spot in our assortment. In addition, we released the first version of our new RugVista web-shop in Croatia. The new web-shop will greatly improve our

ability to offer an even better shopping experience for more user needs and enable us to be more agile in our commercial execution.

Third, we continue to make progress on our sustainability vision. During the year we managed, with the help of our independent auditor partners, to perform 350 sustainability audits of our supplier base for rugs. We also received formal approval of our environmental targets by the Science Based Targets initiative framework during the year. Our target means that we will reduce our green house gas emissions by 50% from the 2019 baseline level by 2030.

Finally, we took significant strides forward on our "good-to-great" journey by increasing productivity in both the warehouse and customer service operations while also becoming more sophisticated in our office functions. During 2021 we also welcomed a record number of new employees to RugVista which has strengthened our organization. I want to take this opportunity to thank everyone for their dedicated and successful work during the year. Without each and everyone's contribution nothing of what we have achieved would have been possible.

Moving into 2022, we start off facing another quarter with challenging comparables (92% growth during Q1 2021). I am nonetheless looking forward to everything that we can achieve in the upcoming year and continue to feel confident that we are working on the right initiatives to deliver on our financial growth and profitability targets.

With best wishes,

**MICHAEL LINDSKOG**  
*CEO RugVista Group*







## ABOUT RUGVISTA INTRODUCTION

**RUGVISTA GROUP IS** one of Europe's leading "direct-to-consumer" e-commerce players and markets carpets and rugs through its own web-shops available in 20 different languages using the brands RugVista and CarpetVista. The company was founded 2005 and offers a wide and relevant selection of high-quality design- and traditional carpets and rugs at attractive prices. RugVista Group offers its EU based customers free deliveries and returns free of charge.

The Group's operations are divided into three segments: Privat consumers (B2C), Business consumers (B2B), and Marketplaces & Other (MPO). The B2C segment represents the consumer market and is the Group's core segment.

In the B2C segment, RugVista offers its assortment of high-quality rugs to consumers in more than 100 countries. In the B2B segment, RugVista primarily focuses on small and medium-sized companies and specifically on the customer groups interior

designers, hotels, and retail stores where rugs form part of the store interior. In the MPO segment, the focus is to sell RugVista's assortment through large fast-growing third-party marketplaces. Currently, the segment consists of sales through Amazon's European platforms where RugVista is working on developing and growing its presence.

During 2021, RugVista Group had an average of 82 full-time employees. In all internal functions such as technology, customer services, warehousing, and other business functions, the daily focus is on ensuring an exceptional customer experience and high satisfaction levels.

RugVista Group AB (publ) has its head office in Limhamn, Sweden, and has two warehouse facilities in the Malmö area. The company's shares are traded on the Nasdaq First North Premier Growth Market under the "RUG" ticker symbol.

# BUSINESS MODEL

**WE OPERATE A** Direct-to-Consumer (D2C) business model which means that unnecessary intermediaries in the value chain are eliminated. We have internal design and product development and cooperate directly with producers to manufacture the in-house developed assortment. These products are then sold directly to end consumers through our web-shops. The business model enables us to offer high-quality rugs and carpets at competitive prices while at the same time achieving attractive gross margins. Our own web-shops also offers a world-class shopping experience that is continuously developed as our customers' needs and expectations change. A few critical factors driving our exceptional customer experience are our broad and attractive products in different styles and price ranges, clear and true to

reality product pictures, as well as free deliveries and returns.

Over the years, we have adapted and optimized internal processes, systems, and infrastructure according to the business model. This ensures the best possible customer experience as well as operational efficiency. The D2C business model also has the advantage of being scalable and only requires modest investments into tangible assets. This is possible as we do not own our production facilities but instead collaborate with leading producers in India and Turkey primarily. We also enjoy economies of scale which means improved purchasing terms, more efficient marketing investments, operational efficiency, and leverage on fixed costs.

## D2C - DIRECT-TO-CONSUMER





## VALUE PROPOSITION

Our overarching focus is on the consumer market (B2C segment) and we continuously develop our value proposition for these consumers primarily. The most important factors in our current value proposition for the consumer market are:

- A broad range of design and traditional rugs and carpets in different design styles, categories and sizes
- High quality and value-for-money products in different price ranges
- Convenient and seamless digital buying experience focusing on the user experience
- Free deliveries and returns as well as free of charge customer service
- High degree of trust thanks to outstanding customer reviews
- Cooperation with well reputable suppliers
- Safe and relevant payment options

## STRENGTHS AND COMPETITIVE ADVANTAGES

We have a long history of profitable growth since the company was founded back in 2005. Our strengths and competitive advantages is the foundation for our visions and long-term goals.

### DEEP PRODUCT AND ASSORTMENT EXPERTISE

We have extensive experience and expertise within the rugs and carpet product category. This means that we can offer a broad and relevant range of high-quality design and traditional rugs and carpets at value-for-money prices. Our size gives us the opportunity to make purchase at attractive prices and terms. These savings can then be transferred to our customers and is the reason that we can offer high quality products at attractive prices.

Our assortment is also tailored according to the needs and expectations of our target customers as well as continuously developed as their preferences and needs change. Consumer research, sales data, and trend research is used to continuously develop and optimize the assortment.

### FIT-FOR-PURPOSE TECHNOLOGY PLATFORM AND DATA-DRIVEN OPERATIONAL MODEL

Our technology platform consists mainly of in-house developed software and is thus adapted to our needs and processes. The proprietary platform also means that we can ensure the best possible user experience in our web-shops as well as efficiency in our internal processes and functions.

The platform is based on what is referred to as "open source" technology and we use Amazon Web-services as an operating environment. This technical infrastructure makes our platform scalable, reliable, and future proof.

We believe that technology and data can drive development and efficiency improvements in operational as well as commercial processes. Our technology platform enables collection of anonymous user data from visitors to our web-shops. This information is leveraged in our different organizational functions to better understand customer needs and trends as well as to identify improvement potential in our value proposition and other commercial processes. Features and algorithms have also been developed in the technology platform to automate, optimize, or support recurring internal processes. This has resulted in efficiency and quality improvements in many of our functions.

### LEADING POSITION IN A MARKET WHERE SIZE IS IMPORTANT

We are today one of the leading players within the European digital commerce of rugs and carpets. Our size, and to a certain extent our digital business model, provides economies of scale compared to physical rugs and carpets retailers and smaller digital players. These economies of scale includes the ability to negotiate favorable prices and terms when purchasing products and services, more efficient marketing, the ability to offer a broader and more complete assortment, and the ability to recruit the best co-workers.

### WORLD-CLASS CUSTOMER SATISFACTION AND GROWING CUSTOMER BASE

We measure customer satisfaction through customer surveys that include the NPS<sup>1</sup> value and TrustPilot reviews. Our customers' responses to the customer experience we provide is second to none in our category and our NPS value is on a par with world leading brands.

Our most important priority is, and has always been, to ensure that our customers are satisfied with the end-to-end experience when buying from us. Satisfied customers is a prerequisite for our future profitable growth since satisfied customers have a higher repeat purchase rate and are also more likely to recommend us to friends and acquaintances.

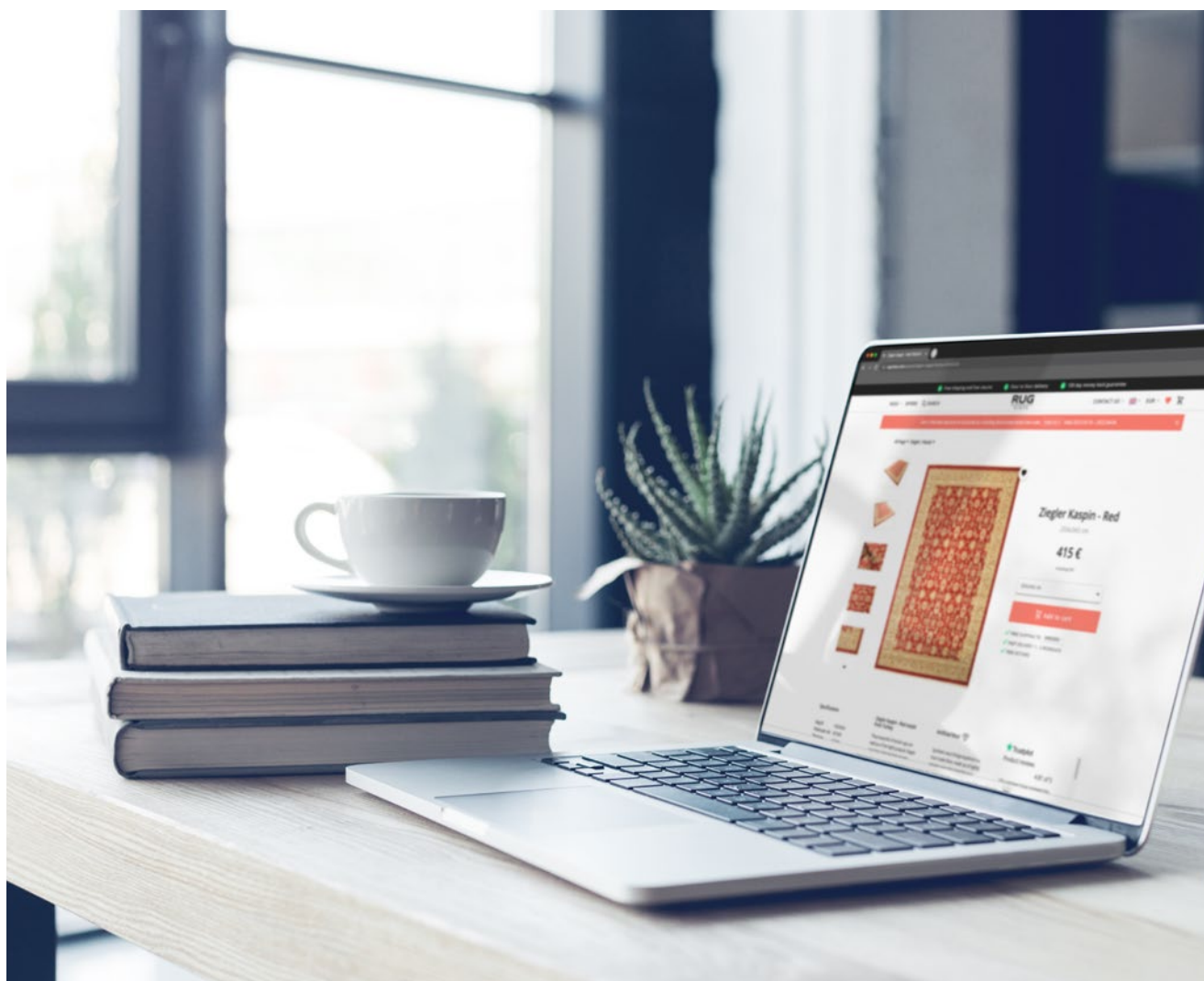
Our customer base grew by almost 200,000 individuals in 2021 and we have attracted almost 350,000 new customers since the beginning of 2020. Since most of our customers are extremely satisfied after buying from us, we consider our growing customer base as an important asset for future growth.

### TRACK RECORD OF PROFITABLE GROWTH AND HIGH CASH GENERATION

We have a track record of profitable growth and between 2019 and 2021 net revenue excluding divested operations grew at an annual average of 31.6% while the adjusted EBIT margin improved from 12.0% to 19.5%. Cash flow from operating activities grew by an annual average of 48.8% during the same period.<sup>2</sup>

1. Net Promoter Score

2. All figures exclude divested operations



Our ability to generate positive cash flow in combination with profitable growth enables us to continue to invest into our customer proposition and organizational development with the purpose to further improve our long-term prospects.

**WELL-QUALIFIED MANAGEMENT AND BOARD OF DIRECTS WITH EXTENSIVE AND RELEVANT EXPERIENCE**

RugVista's management team consists of well-qualified individuals with extensive experience within e-commerce and technology. The management team has since 2019 been led by CEO Michael Lindskog who earlier was responsible for Zalando's entry into the Nordic region. Four individuals have been added

to the management team during 2021 and they have added further expertise and experience.

In 2021, we have also strengthened the organization through key recruits in several functions such as marketing, technology, and warehouse operations. We believe that the combined expertise and experience of the management and other key personnel is an extremely important component in the fulfillment of our long-term ambitions.

The management team is also supported by an involved and experienced Board of Directors. Chairperson Erik Lindgren has more than 20 years of experience within e-commerce and was previously the Chairperson for Apotea for five years.



## THE MARKET FOR RUGS AND CARPETS

### SIZE AND FORECAST<sup>1</sup>

Rugs and carpets are part of the mega-category of home furnishing products. The European home furnishing market was valued at BSEK 2,170 in 2019 and has had an average annual growth rate of 12.3% since 2015. The value of the European rug market was approximately BSEK 193 in 2019. In 2019, e-commerce was estimated to account for 16% of the total European rugs and carpet market resulting in a value of BSEK 31. At the end of 2019, e-commerce of rugs and carpets was expected to grow at an annual average rate of 11.0% between 2020 and 2024.

We estimate that the Covid-19 pandemic resulted in a greater migration rate from physical to digital stores

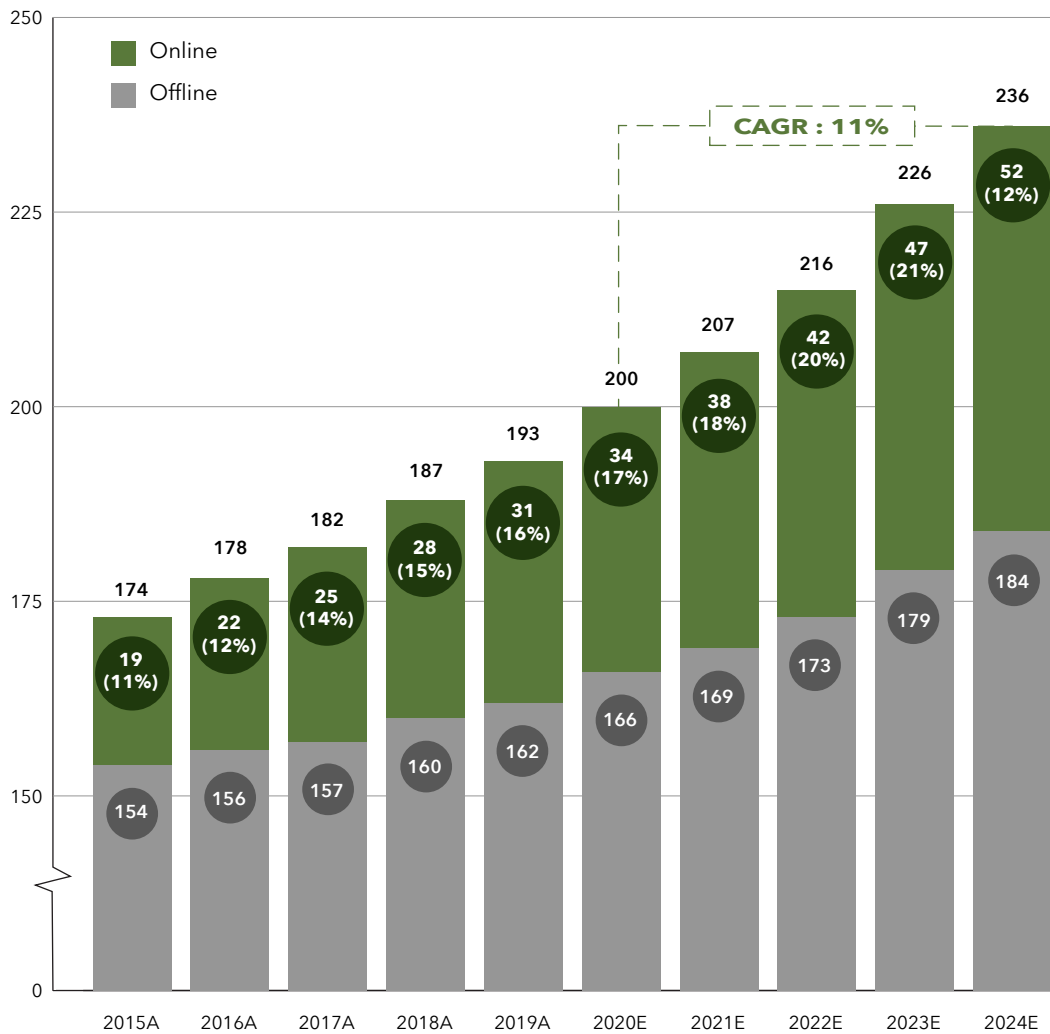
compared to the market study. Instead of the expected e-commerce share of 17% and 18% for 2020 and 2021 respectively, we estimate that the e-commerce share within the category was approximately 19% during the period. This estimate means that we assume that the value of the European e-commerce market for rugs and carpet was approximately BSEK 40 in 2021. This would mean that that our market share of the European e-commerce market for rugs and carpets was approximately 2.5%. Thus, we still have significant growth potential left on the European market. This fact, combined with the relatively low e-commerce penetration rate compared to more mature verticals such as fashion that has an estimated e-commerce



EUROPEAN HOME FURNISHING  
2019 MARKET SIZE

1. All values based on a market study completed by Technavio at the end of 2020 unless otherwise specified.

**EUROPEAN RUG & CARPET MARKET, SEK BILLION (ONLINE SHARE & CAGR)**



share of 30%, makes us believe that our outlook for the mid- to long-term is bright.

**MARKET TRENDS**

We consider that the rugs and carpets market is largely driven by the same trends and factors that influence the overall home furnishings market. These factors includes the personalization of the home and the home furnishings where the furniture and home-textiles are selected to reflect the individual's personality. We assess that this mega-trend has been ongoing during the past 10-15 years in Europe and we expect that it will continue within the foreseeable future.

**STRUCTURAL TRENDS IN THE EUROPEAN MARKET FOR RUGS AND CARPETS**

We are convinced that some structural trends during the past 5 years has driven, and will continue to drive, the transition from physical to digital stores within the European market for rugs and carpets. These trends are described in more detailed below.

**Availability and convenience**

We believe that digital commerce means a convenient shopping experience for many customers by, among

other things, always providing a relevant selection of products and services regardless of where the person is located or which device (cellphones, laptops, and other mobile devices) the person is using. The convenience factor is further enhanced by fast deliveries, simple procedures for making returns, and secure payment options. In addition, e-commerce means that consumers can complete their purchase without visiting a physical store and handle the products themselves. This favors bulky and heavy products such as rugs and carpets. Rugs and carpets are also products that very seldom are damaged during the transport which makes it possible to distribute the products in good condition directly to the customer's home without expensive packaging and transport solutions.

**Selection**

By browsing a web-shop, the visitor within a few seconds gains access to a broad and relevant selection of rugs and carpets which is an advantage for web-shops compared to physical stores. Web-shops can generally offer a much broader assortment compared to physical stores since the store space is often limited.

One advantage for the rugs and carpets category compared to many other product categories is that



they are not impaired when stored during longer periods. The sensitivity to changing design trends is also lower compared to for example the fashion category. This means that it is possible to hold inventory of a broad assortment with only a limited depreciation risk due to changing design trends.

E-commerce players within the rugs and carpets category can also quickly optimize their assortment based on customer preferences by leveraging sales data and algorithms to identify consumer behaviors and thereby offer a more relevant assortment.

**Demographic factors**

We assess that younger consumers generally continues to have a greater tendency to shop online compared to older consumers. We therefore believe that this consumer segment will contribute to an increased e-commerce share of the total market as they start to establish themselves within the working population, increase their disposable incomes, and begin to setup their own households. Our opinion is that a larger share of rugs and carpets likely will be purchased from a web-shop in the future.

We also see that middle-aged and older consumers are becoming more inclined and used to shop online. This trend was accelerated by the Covid-19 pandemic and is expected to result in a broader target audience for web-shops.

**COMPETITIVE SITUATION**

Online and offline sales of rugs and carpets in Europe is fragmented. To better understand the different players within the European market for rugs and carpets we categorize them into four different segments.

**Traditional retailers**

Traditional rugs and carpets retailers primarily focus on sales through physical stores and can be divided into two sub-types, i.e., a) *small local stores* that generally only offer a selection of rugs and carpets of a certain type and b) *department stores* that generally offer a relatively narrow selection of competitively priced products but are typically located in larger cities (for example Bauhaus and Jysk).

**Multichannel home furnishing retailers**

Multi-channel home furnishing retailers are retailers with both physical stores and online sales. Historically, these retailers have focused on sales through their physical stores and have introduced e-commerce reactively rather than proactively. Examples of multi-channel home furnishing retailers include Ikea and Mio.

**Digital department stores**

Digital department stores are players that operate e-commerce within many product categories, including home furnishings which includes rugs and carpets. Due to their lack of specialization and low focus on the rugs and carpets category, these players currently do not have a large presence within the European market for rugs and carpets. Examples of digital department stores includes Amazon and Alibaba. A sub-segment within digital department stores is digital home furnishing stores that also offer rugs and carpets. Examples of these includes Wayfair and Home24.

**Digital rugs and carpets retailers**

Digital rugs and carpets stores focus on selling online stores. There are a number of online based rugs and carpets retailers on the European market, but only a few are sizable. These players benefit from being able to offer a broad range of products at competitive prices and most have developed an organization tailored for online sales. Examples of digital rugs and carpets retailers include RugVista Group, Benuta, and Nain trading.

**RUGVISTA'S CONSUMER TARGET GROUPS (B2C)**

The B2C segment represents the consumer market and is our main segment. We offer sales to consumers in over 100 countries and sales are geographically divided into the Nordic region, the DACH (Germany, Austria, and Switzerland) region, and the Rest of the World region. Regardless of geography, we also work with three different consumer target groups that are described in more detail below.

**The Decorator**

The Decorator has a genuine interest in interior design in general and spends a great deal of time and energy on the visual appearance of the home. The Decorator has a strong interest in rugs and considers that they have an important role in decorating the home.

The Decorator emphasizes the visual aspect of the product and regards rugs as a form of art. For the Decorator it is vital to follow trends. They believe that rugs have an important role in how the home is presented primarily in terms of style, but also in terms of comfort. The Decorator is the one of the company's target groups that places the most emphasis on the visual aspect and also has an emotional connection to design and rugs. Besides design, the Decorator emphasizes the attributes of comfort and value for money when buying.

**The Householder**

The Householder's preferences when buying rugs and carpets primarily relate to function and quality rather than visual aspects. As far as quality is concerned, the Householder emphasizes attributes such as durability, resistance to wear, and whether the rug is easy to clean. The Householder also regards the rug as an important and functional product in the home, but not a product category they prioritize to spend a great deal of time and effort on when buying.

When purchasing rugs, quality is prioritized over price. Important attributes that are considered include the life expectancy of the product and how easy the rug is to maintain (to vacuum and keep clean). The Householder believes that if the rug is functional, price is not a crucial factor.

**The Carpet Connoisseur**

For the Carpet Connoisseur, factors such as uniqueness and history determine the choice of rug rather than fashion, functionality, or comfort. The Carpet Connoisseur is extremely interested in discussing the origin of the rug and the production process. The Carpet Connoisseur's process for buying new rugs is complex compared to those of the Decorator and the Householder since the Carpet Connoisseur often takes more factors into consideration compared to the other target groups.







## PURPOSE, VISIONS, AND VALUES

**RUGVISTA WAS FOUNDED** in 2005 and has since the start focused on customer satisfaction. Delivering an extraordinary customer experience from "A-to-Z" remains our most important daily task. However, as part of developing the organization and defining long-term ambitions, we clarified RugVista's overall purpose, visions, and values early 2020.

*"Besides our daily focus on delivering a world-class customer experience, our purpose, our visions, our defined strategies, and our values permeate everything we do."*

**MICHAEL LINDSKOG**  
CEO RugVista Group

### PURPOSE

*We help people to a home they love*

#### BUSINESS VISION

*To be the center of gravity for the European rug industry*

#### SUSTAINABILITY VISION

*To lead the rug industry towards a socially and environmentally sustainable future*

#### PEOPLE VISION

*To attract, motivate, and retain extraordinary people*

### OUR VALUES

*Focus on impact | Stay true | Be entrepreneurs*

## OUR PURPOSE

Our purpose is the reason why we as a company exist and is also the fundamental goal in everything we do. We have defined our purpose as *"We help people to a home they love"*.

The words in the definition of our purpose are important to us. *"We help"* is the basis of what we try to do in every part of our organization. We consider ourselves rug experts. We can therefore help our consumers to make the best possible choice when they want to buy a rug. It can be about providing inspiration on which rug to choose to fit your interior design style. We can recommend specific products if the consumer needs a rug that is easy to care for. It can also be a question of describing the origin of a specific traditional rug and explaining the reason why it contains certain patterns, etc. Of course, we also help our customers if, contrary to expectations, something has gone wrong in the delivery or if they want to return a product. *"We help"* is part of our DNA.

With the word *"people"*, we mean everyone who is interested in buying a rug. Our ambition is to offer a complete selection of relevant rugs for virtually all consumer needs.

What we mean by *"to a home they love"* is our belief that a rug can make an enormous difference in how a room is perceived and can therefore form a crucial part of the interior design of a home. Our products help our customers to decorate rooms and homes that reflect their personalities and needs. Whatever those may be.

## OUR VISIONS

During the work to develop our long-term ambitions, we elected to define three visions. Each vision has a specific purpose and a clear ambition level. We chose to establish specific visions for our business, for our sustainability work, and for us as an employer because we felt that all three areas are equally important to us as an organization as well as specifically addresses our most important stakeholders. Having specific visions for our most important areas means clarity related to specific goals and priorities within each area. However, the visions should not be seen as independent, but instead as interconnected parts that form our complete vision.

The business vision defines how we view our role within the rug industry and primarily targets our shareholders and business partners. The sustainability vision defines how we see our role in society as a whole and how we can take responsibility for and be part of the solution to the sustainability challenges facing the world. The people vision defines our role toward existing and potential employees.



## OUR BUSINESS VISION

Our business vision is *to be the center of gravity for the European rug industry.*

What the vision implies is that we in the future want to be in a position so that when a person ask themselves, "I need to buy a rug, where should I buy it?", the obvious answer should be to visit a RugVista web-shop. The vision also implies that the best producers and other third-party suppliers want to work with us since we are the obvious choice within our category.

We have identified several strategic initiatives to achieve our vision. These initiatives, or focus areas, are described in more detail below.

Win the key European markets	Showcase our assortment	Be world-class in everything we do	Capture selected marketplace opportunities
<ul style="list-style-type: none"> <li>Enhance localization of shopping &amp; delivery experience</li> <li>Build a known &amp; liked brand</li> </ul>	<ul style="list-style-type: none"> <li>Merchandise own assortment clearly</li> <li>Enhance storytelling and visuals when browsing</li> <li>Add additional features to discover assortment</li> </ul>	<ul style="list-style-type: none"> <li>Optimize operational performance continuously</li> <li>Steer commercial activities more granularly</li> </ul>	<ul style="list-style-type: none"> <li>Scale Amazon optimized assortment</li> <li>Secure Prime eligibility to attract high-value customers</li> </ul>

← **Leverage data and technology to fuel the growth** →  
**Continue to ensure high customer satisfaction ratings**

### WIN THE KEY EUROPEAN MARKETS

To really be the center of gravity for the European rug industry, we need to win the major European markets such as Germany and France. Sweden is also an important market for us as it is our home market. We also believe that, if we manage to achieve an even more dominant position in the major markets, we will be able to take advantage of the larger operational scale to grow in the smaller markets across Europe.

We have identified several priorities to ensure that we win these markets. First, we need to improve and further localize our value proposition. We already localize parts of our commercial approach such as language and currency. However, we do not consider this sufficient to really win in the most important markets. We need to go further and localize additional aspects of our value proposition in the various markets. This could, for example, mean additional local payment methods, collaborating with the best deliver options available in each market, and tailoring our campaigns both in our own web-shops as well as when we buy exposure on external advertising platforms.

The second priority within this initiative is to start building a known and liked brand in our most important markets. To be successful with this effort, we need to create wider awareness about us among potential consumers compared to what currently exists. To be known is a critical first step in being able to attract a larger share of the potential consumers in the major European markets. If we succeed in persuading more people to try us out and to choose a digital store instead of a physical store, we are convinced that our customer focused shopping and delivery experience will result in satisfied customer who will want to return to us for their next rug purchase and will also want to recommend us to others.

### SHOWCASE OUR ASSORTMENT

Our broad, in-house developed, and carefully curated assortment has always been one of our main strengths. In addition, most of the products that we offer can only be bought from us. We need to be better at conveying this fact to those visiting our web-

shops by clearly labelling and presenting the products as developed by us.

This initiative also includes enabling additional ways for our web-shop visitors to discover our assortment. We know that different consumer segments have different needs when they search for the perfect rug. Some want to find a rug that fits a specific room. Some knows what rug style or category they want to buy. Others want to find the perfect rug based on a specific interior design style. Our web-shops must satisfy all these different consumer needs more effectively than they do today.

The final part of this initiative is about us wanting to offer a more inspiring and informative experience for those visiting our web-shop. This means, among other things, that we plan to present our collections with more inspirational images and additional written content. Care instructions, category descriptions, and advice on how to find the perfect rug for a specific room are additional examples of inspiring and informative content that we need to produce more of.

**BE WORLD CLASS IN EVERYTHING WE DO**

Our historic success is to a large extent a result of our exceptional product expertise combined with a technical and operational platform tailored to deliver the best possible end-to-end customer experience within our vertical. We will continue to strive toward delivering an exceptional end-to-end customer experience for those wanting to buy a rug.

Although we see ourselves as the leading rug specialists in Europe, we are also aware that e-commerce is constantly evolving within most product categories. We believe that, because of this, future consumers will have even higher expectations on the customer experience when the buy from a web-shop across all product categories.

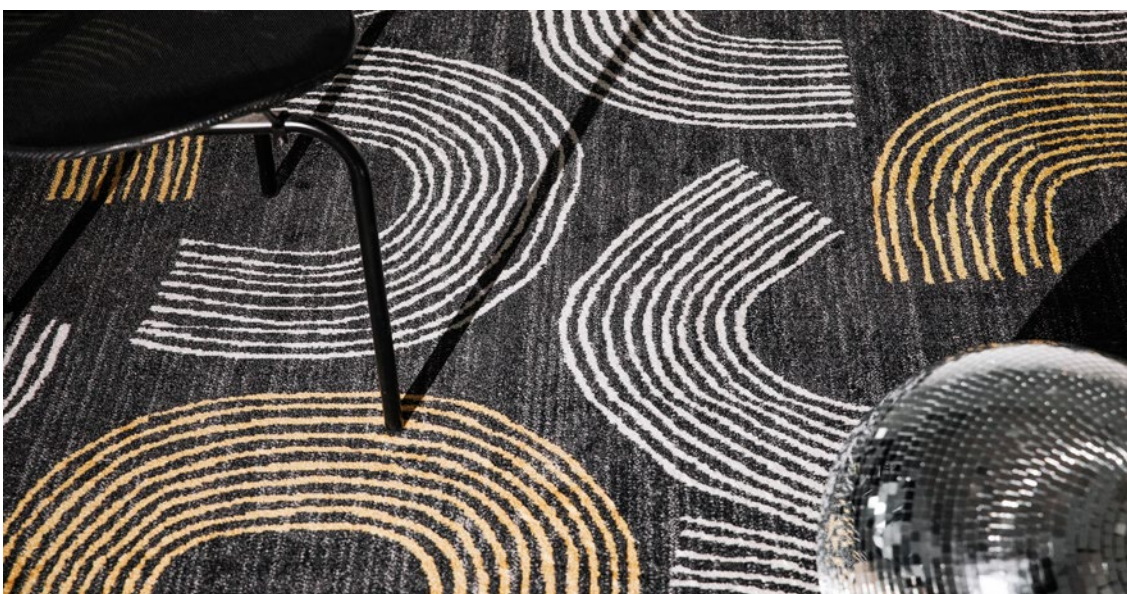
Our assumption about how consumer expectations will develop over the next few years means that we will not be satisfied comparing ourselves to other digital rug specialists. We want to compare ourselves to leading e-commerce players around the world, regardless of the product they sell. If we can be inspired by world-class e-commerce players from other verticals and succeed in emulating their degree of sophistication and optimization in what we do, we are convinced that we will further grow our category share.

**CAPTURE SELECTED MARKETPLACE OPPORTUNITIES**

Until we are the obvious market leader within the European rug industry, we need to realize that other platforms or marketplaces attract customers. Amazon is currently the leading global digital marketplace and has a very strong position in several of the major European markets. We have therefore chosen to try to capture demand from customers loyal to Amazon.

After having sold through Amazon for several years, we have learned that Amazon's customers' preferences are slightly different compared to those buying directly from us. Amazon's customers, in general, consider value-for-money extremely important. We therefore focus our sales through Amazon on parts of our assortment that has the greatest potential for these consumers. We believe that *RugVista Essentials* will be an important tool moving forward in continuing to grow our presence on Amazon.

Besides optimizing the assortment we offer through Amazon, we need to make the most efficient use possible of the tools and possibilities that Amazon offers its merchants. This includes investing in marketing activities directly on the Amazon platform and continuing to explore options for making a larger portion of our assortment Prime eligible.





### OUR SUSTAINABILITY VISION

Our sustainability vision is to *lead the rug industry towards a socially and environmentally sustainable future.*

As one of the largest players in the European rug industry, we need to take additional responsibility for leading the industry towards a more sustainable future. We have therefore developed an ambitious vision for our sustainability work that clarifies our sustainability ambitions, both for our business and for how we want to be as an employer.

To date, our focus has been on developing our internal sustainability work and working closely with our most important suppliers and partners to address

and make a positive contribution to the sustainability challenges facing the industry. In the future, we also see an opportunity to collaborate more closely with other stakeholders such as our investors, our customers, and other rug retailers in Europe. Only then will we really begin to approach our vision of leading the industry towards a socially and environmentally sustainable future.

In 2020, we developed our long-term sustainability strategy, LEAD.CHANGE, to realize our sustainability vision and specify our ambitions. The strategy defines three focus areas, i.e., *Planet, People, and Business.*

Read more about our sustainability work in our sustainability report for 2021.


#### FOCUS AREAS


**PLANET**  
Develop a circular business model & Reduce our environmental impact

**PEOPLE**  
Promote inclusion & Social responsibility


**BUSINESS**  
Maintain good governance & Responsible business practices


#### CHANGE LEVERS

 **OUR TEAM**

 **OUR CUSTOMERS**

 **OUR BUSINESS PARTNERS**

 **OUR BUSINESS PRACTICES**

 **OUR COMMUNICATION**

#### APPROACH

*Drive sustainability into everything we do*

*Engage and inspire customers to consume more sustainably and circular*

*Support all our business partners to develop sustainable business practices*

*Maintain functioning and efficient governance through our standards, policies, and Code of Conduct*

*Be transparent about our current progress, ambition, and challenges*



### OUR PEOPLE VISION

Our co-workers are undoubtedly RugVista's single most important asset and our competitiveness depends on our employees' commitment, expertise, and performance.

To define and develop advanced strategies and plans is pointless without dedicated and capable individuals who can fulfill and realize the ambitious goals that we have set for the company. Based on these insights, we have defined a people vision that is "to attract, motivate, and retain extraordinary individuals".

We realized at an early stage of the work to define our visions and strategies that we also needed to develop and clarify RugVista's values. We have established three (3) values: *Focus on Impact*, *Stay True* and *Be Entrepreneurs*. Within each of these values, we have described behaviors that exemplifies our values and ensures that we act and think according to them. The ambition is that our values should permeate decisions and our day-to-day work at RugVista and thereby form the basis of our corporate culture.

### OUR VALUES

#### Focus on impact

##### We are obsessed with delivering customer value

Our first, second, and third priority is the customer. We consider the customer's perspective in every decision and aim to exceed their expectations.

##### We are sustainability leaders

Our ambition is to make a positive impact on all stakeholders that we touch. Our Code of Conduct guides us and acts as proof of our commitment.

##### We make decisions based on insights and the best arguments

Our decision-making leverages data driven insights and logic, not hierarchy or emotions.

##### We earn responsibility and are accountable

Responsibility is earned and not entitled. We deliver on commitments and hold ourselves accountable for both good and bad outcomes.

#### Stay true

##### We put purpose and team first, ego last

We work together and support each other toward achieving our visions. Our work is focused on developing the organization, not our own position.

##### We act with integrity, respect, and honesty

We are steadfast and transparent when we communicate and act; even when it is difficult or means that we must walk away from an opportunity.

##### We appreciate our differences

Different perspectives, experiences, and backgrounds makes us a better team. We dare to be ourselves and express our opinion.

##### We take pride in and celebrate our successes

We seek opportunities to enjoy and celebrate our achievements and successes; both big and small.



**Be entrepreneurs**

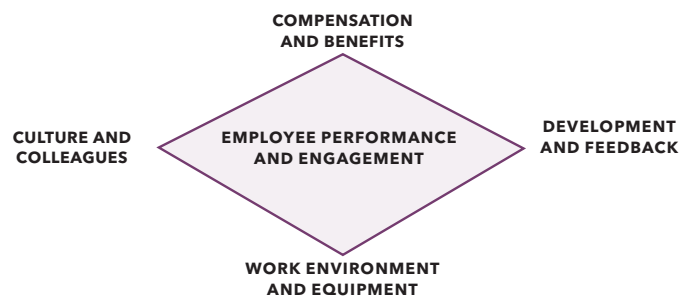
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<p><b>We seek to improve ourselves and our business</b></p> <p>We are committed to constantly improve and always seek the next opportunity to learn, develop, and grow ourselves and our business.</p>	<p><b>We dare to change</b></p> <p>We challenge the status quo and encourage a “test-and-learn” mind-set in everything we do.</p>
<p><b>We pursue excellence</b></p> <p>We strive for excellence in everything we do because we understand that it is the key to our long-term success as individuals and as an organization.</p>	<p><b>We act as owners</b></p> <p>We consider the company’s success our own and we use organizational resources as we would our own.</p>

**FRAMEWORK FOR EMPLOYEE**

**PERFORMANCE AND ENGAGEMENT**

We have created a framework for our work in recruitment, organizational- and employee-development, and leadership development that focuses on four (4) different dimensions of what we offer as an employer. This framework forms the basis for our value proposition as an employer toward potential future employees, how we continually work with and develop our employer value proposition, and what we expect from our co-workers and leaders. The purpose of the framework is that all co-workers should feel that their work is motivating, meaningful, and that performance excellence is rewarded.



**LEADERSHIP**

Part of being a leader at RugVista is to support the co-worker’s well-being as well as to drive their engagement in the work and the company. The ability and courage to make decisions, organize, delegate, and challenge as well as support our co-workers in their development are basic expectations on our leaders. We also expect that our leaders should be driving the continuous development and improvement of processes and capabilities within their area of responsibility. You are welcome to read more about our people vision and our employer value proposition in this year’s Sustainability report.

### OUR FINANCIAL TARGETS

The Board of Directors has adopted the following financial targets for the medium- to long-term:

#### **GROWTH**

RugVista Group targets to organically grow net revenues by approximately 20 percent per year.

#### **PROFITABILITY**

RugVista Group targets to maintain an EBIT margin of at least 15 percent.

#### **DIVIDEND POLICY**

RugVista Group targets to invest resources into growth and developing the business. In addition, RugVista Group aims to pay out up to 50 percent of annual net profits in dividends to shareholders.



RugVista's management team. From left: Peter Rosenfors, Maria Tholin, Carin Terins, Patricia Rajkovic Widgren, Anders Matthiesen, Michael Lindskog, Ulrika Klinkert and Henrik Bo Jørgensen





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## ABOUT THIS REPORT

**THE PURPOSE OF THIS SUSTAINABILITYREPORT** is to communicate to all stakeholders about the RugVista short and long-term sustainability goals, actions, and goal fulfillments. It presents issues that reflect the significant economic, environmental, and social impacts of RugVista.

We have prepared this report in accordance with the Swedish Annual Accounts Act (Årsredovisningslagen) chapter 6 and in accordance with the

GRI-Standards: Core Option. *GRI-Index is published on our website [rugvistagroup.com](https://www.rugvistagroup.com).* This is our second sustainability report prepared in accordance with GRI guidelines.

We use the United Nation's SDGs (Sustainability Goals) as benchmark. Climate data is reported according to the GHG protocol. The report is published annually, and our last sustainability report was released in April 2021.



## CEO LETTER

### DEAR READER,

2021 was an outstanding year for RugVista Group. We reached financial all-time highs, acquired almost 200,000 new customers, hosted close to 40 million visits to our web-shops, introduced a new product collection targeting a new customer segment, and took other significant steps forward on our strategic initiatives to develop our business. That we, during an intense year colored by the challenges related to the Covid-19 pandemic, managed to maintain focus on the sustainability perspective and managed to reach substantial results and successes in our sustainability work makes me especially proud and satisfied.

To assume responsibility and act for a more sustainable future, both from a social as well as environmental perspective, is something that we at RugVista consider extremely important. We also believe that we, as one of the leading players within the European rug industry, need to take on a higher degree of responsibility in leading the entire industry toward a more sustainable future. We have therefore highlighted this belief and prioritization by defining a very ambitious sustainability vision and developed a detailed long-term sustainability strategy - LEAD.CHANGE.

LEAD.CHANGE is based on a framework with three focus areas, *Planet, People, and Business* in addition to five change levers through which we work to reach our sustainability targets. The strategy and framework has proven valuable in our work and in this year's report we describe how our key performance indicators

(KPIs) have developed as well as the achievements we have made in specific projects.

To mention a few specific accomplishments, I am especially proud that we, in cooperation with our partners and despite the challenges that the pandemic has resulted in, managed to execute 350 audits of our producers which is an all-time high. Another highlight is that we during the year achieved formal approval of our sustainability targets by the *Science Based Targets initiative* (SBTi). Our targets entails reducing the carbon dioxide emissions from our own operations by 50 percent by 2030 compared to the 2019 baseline. We also welcomed 36 new colleagues to the company during the year which is incredibly exciting and is proof that the work we are doing related to our organizational vision is yielding results. Everyone within the RugVista family has contributed to making 2021 into our most successful and eventful year ever.

In closing, I want to again emphasize how committed we are toward achieving our sustainability vision, our sustainability targets, and our organizational vision. This year's sustainability report includes detailed accounts of our sustainability and organizational work, activities and projects that we have executed or are planning to execute, as well as the current state of the KPIs that we measure.

With warm regards,

**MICHAEL LINDSKOG**  
CEO RugVista Group AB (publ)



## OUR SUSTAINABILITY VISION

**OUR SUSTAINABILITY VISION** is to lead the rug industry towards a socially and environmentally sustainable future. This vision is not only necessary from an environmental and social perspective, it also makes good business sense. Understanding emerging sustainability themes and how they impact our business, continue to be key factors in developing RugVista as the sustainability leader for the European rug industry. By using our position as one of the leading players, we are working to implement systemic changes in our own company, our value chain, and the industry. Over the coming years, we will continue developing a systematic approach for identifying sustainability themes and underlying challenges, and fully integrating sustainability into our business.

LEAD.CHANGE is the umbrella name for our sustainability strategy that will enable us to reach our 2030 sustainability goals and our vision. LEAD.CHANGE will lead the transformation journey and shape how we work on sustainability. It will make sustainability an integrated part of our strategic thinking and our daily business decisions, to ensure that we reach our sustainability goals and vision.

### SUSTAINABILITY GOVERNANCE

A prerequisite for successful sustainability work is that a clear division of responsibilities is integrated into the company's strategy and business management. RugVista's Board of Directors have the overall responsibility for the company's sustainability work and have approved the RugVista sustainability strategy. The

CEO has the operational responsibility and RugVista's Chief Organization & Sustainability Officer (COSO) is responsible for the implementation of the company's strategy and follow-up processes. The COSO is part of the management team, reporting directly to the CEO and reports performance to the Board of Directors once per year.

To reach our goals it is important that sustainability plays an active role for every single employee within our organization. The implementation of the various activities is carried out by the company's functional teams, in collaboration with the sustainability department. All employees have a responsibility to contribute to RugVista's sustainability work within their areas of responsibility, and each function owner in the management team is responsible for their respective sustainability goals and ensuring that follow-up and compliance takes place.

Sustainability work is governed via our sustainability strategy, code of conduct for employees, code of conduct for suppliers, common policies, measurable goals, and action plans.

RugVista Code of Conduct for employees sets the expectations for how RugVista conducts business. It includes clear requirements for employees to ensure that business is conducted with transparency and a strong sense of integrity. The Code reflects its commitment to the UN Global Compact's Ten Principles and the UN Guiding Principles on Business and Human Rights. Employees and consultants working under the direction of RugVista must comply with it and acknowledge that they have read, understood, and adhere to the Code.

As part of the company's responsible sourcing practices, RugVista strives to continuously strengthen its requirements and expectations on social, ethical, environmental, and human rights-related topics applicable to our supply chain. The Code of Conduct for suppliers specifies requirements and expectations that all suppliers must comply with when doing business with RugVista. The Code is included in the supplier agreement and covers areas such as anti-corruption, environmental requirements, human rights working conditions,

and occupational health and safety. The Code is based on the UN Global Compact's Ten Principles, the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises

RugVista's sustainability work is based on 7 of the UN's 17 global goals for sustainable growth. We have identified the goals that directly or indirectly have a major impact and can influence to drive development forward in the entire value chain.

**REFLECTIONS FROM THE SUSTAINABILITY TEAM**

Our belief is to live by our values and the goals we set - we believe they improve our own business resilience and contribute to a sustainable future. The foundation for our efforts is the long-term sustainability strategy "LEAD.CHANGE" which is centered around three focus areas for continuous improvement:

**PLANET:** Developing a circular business model and minimizing the environmental impact of our business through meaningful business transformation

**PEOPLE:** Strengthening our supply chain by helping our business partners to operate more sustainably and creating a work environment where all employees feel included, valued, and supported to achieve their full potential.

**BUSINESS:** Maintaining good governance and responsible business practices.

These focus areas reflect the most material aspects of our business and stakeholder expectations and will be the foundation for our sustainability efforts for years to come. We are striving for a transparent journey, to share with and learn from others facing similar challenges and opportunities. We are proud of what we have accomplished so far, and by raising the bar, we will continue pushing the industry and inspire others to follow.

We would like to thank our team, business partners, investors, and other stakeholders for their support of RugVista's sustainability initiatives, especially during a period full of unpredictable challenges that COVID-19 has thrown our way. We are all working together to lead the change for a better and more sustainable tomorrow.

The dialogue with our customers, owners and other stakeholders about our sustainability work gives us valuable insights into our continued development, so feel free to contact us to ask questions or provide input.




With warm regards,

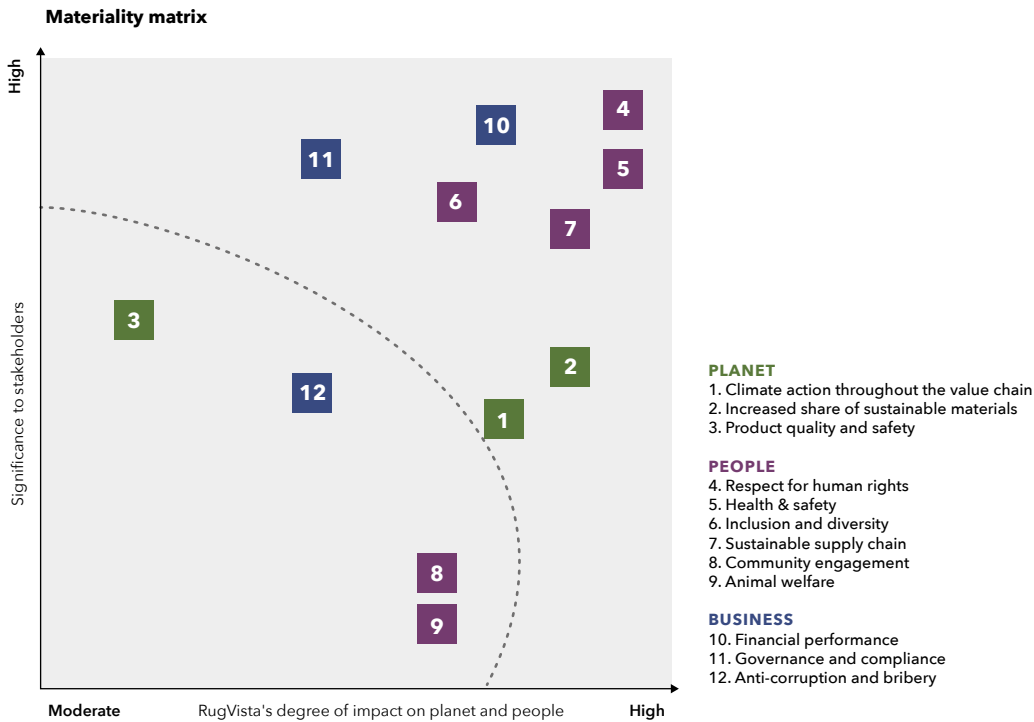
**Patricia Rajkovic Widgren**  
Chief Organization & Sustainability Officer

**Beatrice Perlman Ewert**  
Sustainability Manager

SUSTAINABILITY MANAGEMENT TABLE

GLOBAL GOALS (SDGS)	TOPICS	MANAGEMENT/ POLICIES	GOAL	2021 ACTIVITIES	FOLLOW-UP	RESPONSIBILITY
	Financial performance	Internal financial goals	To ensure a financially sustainable business over time and that the business delivers according to goals and expectations of owners, board, and management	OKR's and forecasts.	Monthly reports to owners and management board	CEO, CFO
 	Increased proportion of recycled/sustainable materials.	LEAD.CHANGE strategy	To ensure that the materials chosen contribute to our goal of increasing the proportion of recycled, reused or naturally sourced materials to 80% by 2030.	Start selling printed rugs made of 80% recycled cotton.	Quarterly analysis of materials in stock	CDPO
   	Reduced environmental impact	LEAD.CHANGE strategy, suppliers' Code of Conduct	Efforts to reduce the amount of truck shipments. Encourage suppliers to use energy from renewable sources, such as solar panels.	Amfori BSCI and Label STEP audits, ongoing communication with suppliers where we strive to give preferences with good environmental initiatives. Decreased business travel. Regular communication with employees regarding environmental impact and how we can reduce our own impact.	Annual review of energy consumption. The reasons for any increases in truck shipments must be explained. Increases in energy use must be explained and corrective action must be taken as soon as possible. If discovered that our environmental requirements are systematically not met from a business partner, cooperation with the supplier/ forwarder in question will be suspended.	COSO, CDPO, COO
 	Product safety	Supplier's agreement, Chemical Restriction List	Ensure all products are safe to use, and meet our customers' expectations and statutory requirements		If prohibited chemical substances/contents are discovered, the products will be stopped destroyed if no other option is possible.	CDPO, COSO
 	Good working conditions and occupational health and safety (own operations and supply chain).	Code of Conduct for suppliers collective agreements, systematic work environment management	Good health and spirits among the employees contribute to a profitable company, benefit society, and is important for personal development	Preventative health and safety efforts - in warehouses and the head office. Offering company healthcare services, massages, and wellness allowances. Safety training and safety rounds.	Regular third-party audits. Accident and incident reporting. Follow-up talks with employees.	COSO, work environment managers
  	Ensuring human rights throughout the value chain.	Code of Conduct for suppliers	The aim is to strive for a safe and secure work environment for workers and for suppliers to respect human rights.	Amfori BSCI and Label STEP audits. Ongoing communication with suppliers.	Amfori BSCI and Label STEP audits, ongoing communication with suppliers. Training through amfori BSCI education system.	COSO, CDPO
 	Good business ethics	Code of Conduct for suppliers and RugVista employees, supplier's agreement, Personnel policy, company values	The goal is to have good compliance and in the best way prevent corruption and fraud.	Training in anti-corruption	Internal training, implementation of company values	CEO, L&C CFO, COSO
 	A healthy and inclusive corporate culture including non-discrimination, diversity, and gender equality	Employment terms and conditions, Code of Conduct for RugVista employees, Personnel policy, company values	We strive to be the best and most attractive employer in the region.	Development reviews, monthly employee surveys, regular communication between managers and their team members	Salary reviews, Development reviews, monthly employee surveys, action plans based on results of employee survey.	Management team
 	Skills development and career opportunities for employees.	RugVista People, Evaluation & Development process	We strive to attract next gen-stars. Our efforts are part of our employer value proposition and aim to ensure we have the right competencies to achieve our strategic goals.	Development reviews including personal development plan	Manager's regular coaching and follow up.	CEO, COSO
 	Preventing corruption and bribery.	Internal anti-corruption policy, Code of Conduct for RugVista employees and guidelines.	All the relationships RugVista is engaged in, will be characterized by good business ethics.	General anti-corruption information communicated to key employees.	RugVista's whistleblowing system	CEO, L&C CFO, COSO





**STAKEHOLDER ENGAGEMENT**

Through systematic sustainability work, RugVista creates good conditions for delivering sustainable and increased value to our stakeholders. We have an ongoing dialogue with the stakeholders who influence or are affected by our business. The purpose of the dialogue is to give our stakeholders the opportunity to give their view on which sustainability issues are most important to them and how RugVista impacts planet, people, and business in different ways.

We have identified our most important stakeholders to be our customers, our team, potential employees, our suppliers and their employees, our owners, authorities, associations and local communities.

Having insight into which sustainability issues are most relevant to our stakeholders is crucial to be able to prioritize the right activities and increase value creation. A structured stakeholder dialogue, including surveys and interviews was conducted during spring 2019 with employees, owners, suppliers, and customers. In January 2021, the dialogue was supplemented with further surveys answered by employees, management, and owners. Our suppliers' employees'

voice is taken into account through our regular audits conducted by third party auditors.

**MATERIALITY**

We embody our value *Focus on Impact* by prioritizing the sustainability impacts most important to our stakeholders and our social and environmental impact. With input from our stakeholder dialogue, we have analyzed our most important sustainability priorities, which are now integrated into our sustainability strategy and serve as our compass for mapping future performance.

Our first analysis of key sustainability topics was finalized in 2019, and in January 2021 we completed an update to ensure that our issue prioritization is up to date.

Our materiality analysis resulted in a list of our most material topics, see sustainability management table on page 32. These are the aspects that provide a basis for sustainability reporting in accordance with the Global Reporting Initiatives (GRI).





# LEAD.CHANGE - OUR SUSTAINABILITY STRATEGY

**IF WE WANT** to achieve our sustainability vision and if we want to win the hearts and minds of our customers, employees, and other stakeholders, we need to become part of the solution to the sustainability challenges. We are however determined not only to be part of the sustainability solution, but to lead the change in our industry.

Our ambition is to maximize value creation for our various stakeholders and to minimize the negative impact that our value chain has on people and the environment.

In 2020, we launched a new sustainability vision; "To lead the rug industry towards a socially and environmentally sustainable future". Our sustainability

strategy; LEAD.CHANGE, which focuses on three areas; *Planet, People* and *Business*, will help us achieve the vision. The sustainability strategy forms the basis for our 2030 sustainability goals and aims to integrate sustainability into all parts of our business and our entire value chain.

We have defined five change levers that need to be engaged for us to achieve our sustainability goals:

- Our team
- Our customers
- Our business partners
- Our business practices
- Our communication.

FOCUS AREAS	CHANGE LEVERS	APPROACH
<p><b>PLANET</b></p> <p>Develop a circular business model &amp; Reduce our environmental impact</p>	 <p><b>OUR TEAM</b></p>	<p>Drive sustainability into everything we do</p>
<p><b>PEOPLE</b></p> <p>Promote inclusion &amp; Social responsibility</p>	 <p><b>OUR CUSTOMERS</b></p>	<p>Engage and inspire customers to consume more sustainably and circular</p>
<p><b>BUSINESS</b></p> <p>Maintain good governance &amp; Responsible business practices</p>	 <p><b>OUR BUSINESS PARTNERS</b></p>	<p>Support all our business partners to develop sustainable business practices</p>
	 <p><b>OUR BUSINESS PRACTICES</b></p>	<p>Maintain functioning and efficient governance through our standards, policies, and Code of Conduct</p>
	 <p><b>OUR COMMUNICATION</b></p>	<p>Be transparent about our current progress, ambition, and challenges</p>

## SUSTAINABILITY GOALS & AMBITIONS

We have set several goals for a sustainable future and will constantly challenge ourselves by continuing to review and set new or to revise to even more ambitious goals.

These are RugVista’s most important goals within our 3 focus areas:

PLANET	PEOPLE	BUSINESS
<p><b>By 2030:</b></p> <ul style="list-style-type: none"> <li>• we shall increase the proportion of recycled, reused or natural materials to 80%</li> <li>• we shall reduce greenhouse gas emissions by 50% (base year 2019)</li> <li>• all packaging must be made of circular or other sustainable material</li> </ul>	<p><b>By 2025:</b></p> <ul style="list-style-type: none"> <li>• 100% of our suppliers must be included in RugVista’s system for social audits</li> <li>• RugVista’s employee Net Promoter Score shall reach 60</li> </ul>	<p><b>By 2025:</b></p> <ul style="list-style-type: none"> <li>• 100% of all tier 2 sub-suppliers must be mapped</li> </ul>

## UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS



Our sustainability goals are clearly linked to the UN’s Sustainable Development Goals, Agenda 2030. The SDGs are a collection of 17 global goals set by the United Nations Assembly and adopted by all UN member states in 2015 to achieve a better and more sustainable future for all by 2030. The SDGs cover a broad range of social and economic development issues. These include poverty, hunger, health, education, climate change, gender equality, water, sanitation, energy, urbanization, environment, and social justice.

RugVista currently focus on seven goals where we believe we have the greatest opportunity to contribute and make a difference.

### SDG 5: GENDER EQUALITY

RugVista commits to provide equal opportunities to every woman and man employed in the company. We believe this is a matter of social justice, which is a condition for sustained market economy development. RugVista is committed to have between 40-60% women in the management team, which we reached during 2020 and maintained during 2021. We continue to build a diverse and inclusive company, welcoming and encouraging extraordinary people regardless of gender and cultural background.



### SDG 6: CLEAN WATER AND SANITATION

RugVista is committed to protecting water, a vital and increasingly scarce resource, by working with our suppliers to strengthen the water cycle at local level and adopting sustainable practices across our value chain. Sustainable water use is a focus for RugVista, whether it involves the direct use in our premises or its use in the supply chain.



### SDG 13: CLIMATE ACTION

It is our responsibility to help fight climate change and contribute to achieving a decarbonized economy. RugVista has committed to become a carbon neutral company by 2040, which we can only reach by working together in partnership with our suppliers, customers and local communities. In 2021 we committed to the *Science Based Target Initiative*, ensuring our CO<sub>2</sub> goals are aligned with science. To reach our goal, the first step is to improve our operations and energy intensity while in a second step substitute the remaining energy used with energy generated from renewable sources.



### SDG 8: DECENT WORK AND ECONOMIC GROWTH

We see our employees as the main asset, and it is important to offer competitive and safe working conditions throughout the organization. In 2015, RugVista joined amfori BSCI and endorsed their Code of Conduct based on International Labour Organization (ILO) conventions and declarations, the United Nations (UN) Guiding Principles on Business and Human Rights as well as the principles of the Organization for Economic Co-operation and Development (OECD). All our suppliers have signed and are committed to follow the 11 core labour rights set out in the code.



### SDG 16: PEACE, JUSTICE, AND STRONG INSTITUTIONS

Responsible business practices are critical to achieve RugVista's vision and a precondition for business success, sustainable profitable growth, and healthy societies. To achieve this, RugVista has implemented policies and procedures applicable to all employees and business partners, including a Code of Conduct for employees, a Code of Conduct for suppliers and, a Personal Data Privacy Policy. This helps us to implement a culture of compliance and reduce related risks.



### SDG 12: RESPONSIBLE CONSUMPTION AND PRODUCTION

We want to inspire our customer to make sustainable choices by designing rugs and offering collections of rugs made from natural sustainable materials. We aim to lead the change in our industry to gradually move to more sustainable and circular models throughout the value chain. A circular business model is a prerequisite for achieving our long-term goal to become climate-neutral by 2040. The work includes developing new materials, new ways of producing and using materials and products, and how they can then be maintained, repaired, reused and recycled.



### SDG 17: PARTNERSHIPS FOR THE GOALS

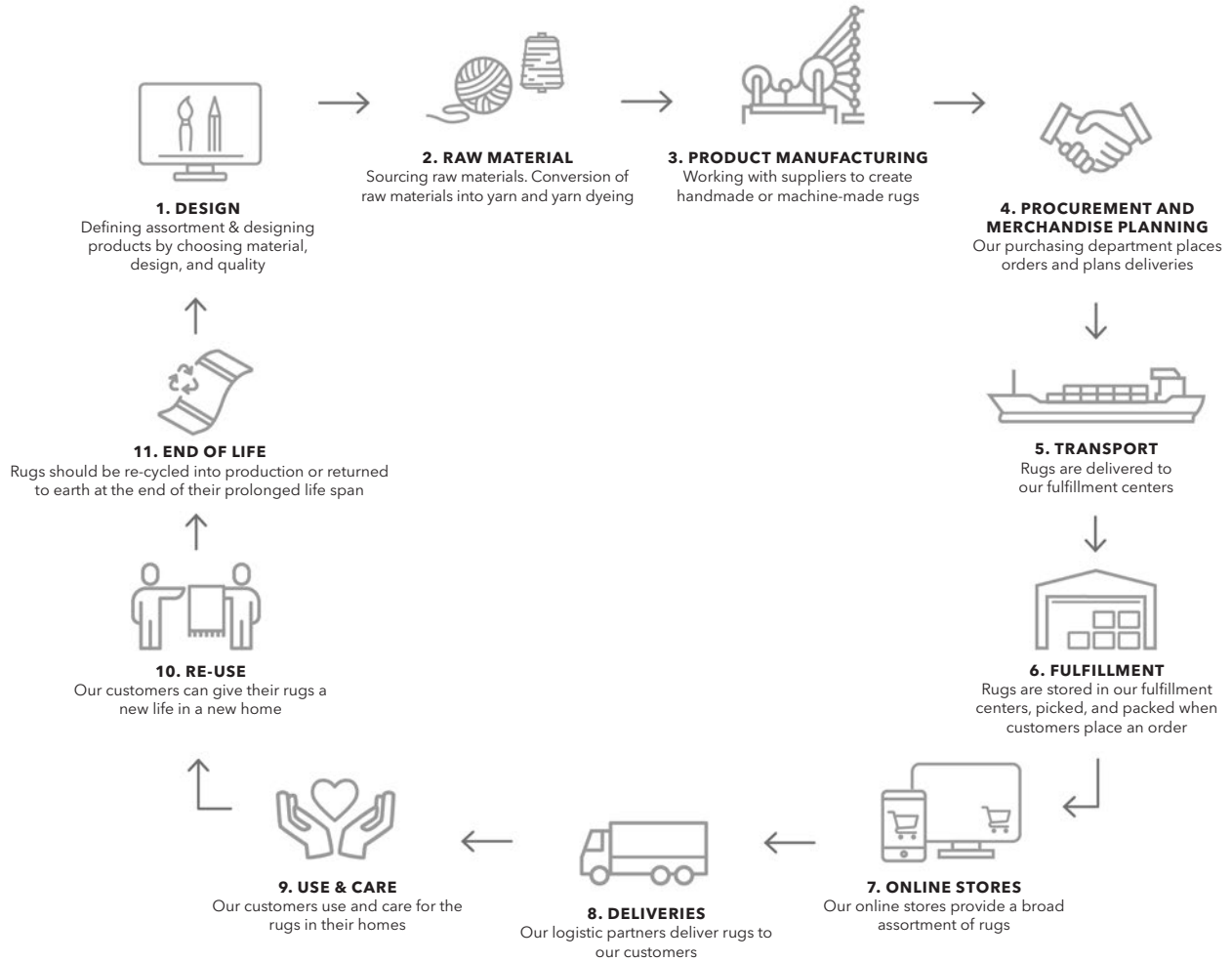
As a relatively small enterprise, cross-border collaboration and partnerships are crucial if RugVista is to achieve our vision and goals and contribute to Agenda 2030. For our work with the supply chain, we collaborate with organizations such as amfori BSCI, Label STEP and the Chemical group to ensure our suppliers can develop towards our high set standards. Read more under the section Collaborations.



**OUR VALUE CHAIN**

We have a long-term ambition to contribute to a resource-efficient and responsible value chain. To handle the positive and negative impacts of our business in an effective way, we must understand where in the value chain, the impact for each significant topic is.

Our responsibility extends beyond the direct impact of our own operations and includes also indirect impact through our business relationships with our stakeholders. The value chain perspective helps us to identify opportunities and risks, understand boundaries, the ability to influence the different parts of the value chain and how value is created for stakeholders.



*We have analyzed the degree of impact RugVista has on the various parts of the value chain. We have a direct impact on the following parts of the value chain:*

**1. DESIGN**

*Our development work will focus on designing products that provide sustainability benefits in material selection, production, and customer use.*

**4. PROCUREMENT & MERCHANDISE PLANNING**

*We will focus on reducing negative impacts by developing sustainable purchasing processes, planning and maintaining a sustainable product offering.*

**6. FULFILLMENT**

*We intend to reduce the environmental impact of our fulfillment centres through optimized packaging and transport choices that contribute to making our distribution as efficient as possible.*

**7. ONLINE STORES**

*We will show how customers can make sustainable choices by providing information on the durability of the products, include information on product care, and what they can do when they no longer want to keep the rug. In this way, we contribute to promoting more sustainable behaviours among our customers.*

## DEEP DIVE: RAW MATERIAL & PRODUCT MANUFACTURING

RugVista offers a wide range of different rugs, from machine made polyester rugs to hand knotted silk rugs. The processes involved in the product manufacturing stage therefore vary depending on the type of rug.

Here follows a simplified overview of the different steps involved in this stage. We are working on deepening our understanding of the environmental and social impacts of each step and to set needed goals and plans accordingly:



### 1. Raw material

The first step in the actual production of the rug is the sourcing of raw material. We work with our suppliers in the choice of raw materials and aim to work even closer to speed up the process of using more sustainable choices. More information about the different fibers used in our rugs are found under the Material section in the Planet chapter.



### 2. Yarn processing

Yarn processing includes several steps converting the raw material fibres into yarn suitable for rugs. Depending on the natural characteristic of the raw material, such as fiber length, methods can vary. Spinning and twisting are central steps in producing the desired quality of the yarn, often measured in density.



### 3. Dyeing

There are different dyeing techniques used, including raw material dyeing, cone dyeing, hang dyeing and space dyeing. Factors such as quantities, patterns and price will impact the choice of dyeing. The colors used are either of natural or artificial origin. All needs to meet the requirements set out in our Chemical agreement, which is signed by our suppliers. Random tests are also made to ensure compliance. The water usage and treatment of waste water are also important areas to focus on for the dyeing stage.



### 4. Weaving

Rugs can be either machine- or handmade, resulting in a wide range of styles and qualities but also in different environmental and social impacts depending on method.

Machine made rugs are mainly produced in Turkey in large quantities, in factories, where relatively little time is required to produce a rug.

For handmade rugs there are several methods:

Flatwoven rugs are created by interlocking warp and weft, creating a relatively thin rug without pile. The technique is for example used in Kilim rugs and commonly used in India, Afghanistan and Iran.

Our handloom rugs are mainly produced in factories in India, using a special loom allowing it to work faster than traditional handknotting. The technique does not allow for advanced patterns. Depending on the size of the rug several weavers can be involved making one rug.

Our handtufted rugs are often produced in India, using a "tufting-gun" which pushes yarn loops through a pre-woven backing. Handtufting technique makes it possible to create detailed patterns. Is often used for wool rugs with modern patterns.

Handknotting is a craftsmanship and most commonly used for unique rugs, such as the traditional persian rugs. It takes time and allows for intricate patterns.



### 5. Washing & Finishing

Depending on the weaving technique used, washing and finishing steps differs. For the machinedmade rugs this stage can include cutting and interlocking of the edges. For the handmade, subject to the type, some are being washed and put outside to dry in the sun while others are directly checked after weaving in the compulsory quality controls and thereafter ready to be shipped.

# LEAD.CHANGE

## FOCUS AREA

### PLANET

**IN PARALLEL WITH** the challenges Covid-19 has persisted to impose globally during 2021, the climate change continues to be the most urgent long-term challenge our planet is facing. The interrelation between depletion of the world’s natural resources, global warming and loss of biodiversity is getting clearer every day. We highly welcome the Glasgow Climate Pact and its effort to further mobilize the world to limit global warming to 1,5C degrees.

At RugVista we continue our efforts to reduce our impact on the planet. Aiming for a circular business model at the same time as exploring other ways to reduce our climate footprint are ongoing efforts. During 2021 we committed to the *Science Based Target Initiative* and shifted to renewable electricity in our own facilities. At the same time, we are supporting the progress being made in the supply chain with more manufacturers shifting to solar panels and using recycled materials in the production process.

OBJECTIVE	GOAL		RESULTS	
	2030	2025	2021	2020
Increase the proportion of natural, recycled, or reused materials	80%	75%	70.5%	71.1%
% change in CO2 emissions in <i>scope 1</i> compared with base year 2019	-50%	-25%	-16%	-42%
% change in CO2 emissions in <i>scope 2</i> compared with base year 2019	-50%	-25%	-43%	-10%
% change in CO2 emissions in <i>scope 3</i> compared with base year 2019	-50%	-25%	16%	-29%
Packaging made from circular or other sustainable material	100%	100%	0%	0%



## TOWARDS A CIRCULAR APPROACH

The circular economy is a systems solution framework that tackles global challenges like climate change, biodiversity loss, waste, and pollution. We need to rethink how we design, make, and use the things we need. Instead of a linear production process, circular economy is based on three principles, driven by design: Eliminate waste and pollution, circulate products and materials and Regenerate nature, all underpinned by a transition to renewable energy and materials.<sup>1</sup> We are aware this shift will take time but nevertheless we know this is a shift that needs to take place for both the long-term survival of the planet and our business. At RugVista we focus on three important areas:

### A CIRCULAR APPROACH TO HOW OUR RUGS ARE MANUFACTURED AND USED

A circular model optimizes resources and minimizes waste so that the resources remain in use as long as possible before they are recycled or reworked. At the same time financial stability can be retained without dependency of finite resources. Our ambition to create circularity throughout the value chain starts not only with the design of our rugs, but also by honouring and promoting the long tradition of the handcraft within the rug industry. Our rugs are designed to be used for many years - some materials last for generations. Provided that this is observed or that the rugs are reused and given a new life in new homes, life span is an important key in our work towards circularity.

Our responsibility is to find new materials and new ways of producing and using materials and products, as well as endorsing and facilitating how our rugs can be maintained, repaired, reused, remade and recycled.

### INSPIRE CUSTOMERS TO MAKE SUSTAINABLE CHOICES

We want to educate and help our customers to make well-informed buying decisions, including the sustainability aspect of the rugs. Sustainability alone will in most cases not be the main driver for making a purchase decision. We do however firmly believe that by highlighting sustainability information about our products, for example by sharing info about the positive impact of choosing a rug from recycled material or an older, restored rug, this can impact the final decision. Further by including information about how the customer can take care of their rug and what can be done once they no longer want to keep the rug to avoid it ending up in landfill helps drive a more sustainable behaviour amongst our customers.

### EXTENDED PRODUCT LIFE IN A NEW HOME

By informing our customers about how to extend the life of their rugs, either in their own home or at someone else's home we inspire customers to make more sustainable choices. We do however see that our responsibility extends beyond informing. To move from inspiration to action we are exploring how we can facilitate our customers to resell rugs they now

longer want. This also includes new ways for customers to repair, reuse and recycle products with the goal of extending the lifespan and minimizing waste.

Our plans to pilot our own second-hand sales service during 2021 has unfortunately been delayed and is instead on the agenda for 2022. We are excited to see how this will develop.

Here follows a few other examples of how we currently work towards circularly:

### OLD RUGS ARE BEING RESTORED FOR NEW LIFE

Our suppliers reclaim beautiful older wool rugs in Asia and the Middle East to give the rugs a new life with our customers. There are two ways to restore these old rugs.

The first category is older rugs that are still in a good condition. They can be restored in three different ways:

- Our older unique wool rugs are washed to regain their luster.
- Our coloured Vintage rugs are washed and recoloured.
- Our patina rugs are recoloured, and pile height is slightly cut.

The second category is beautiful handmade rugs that have lived for generations in homes around the world but where time begins to take its toll. When the rugs get worn out, they are reclaimed by our suppliers who then use pieces of the rugs to create new beautiful unique *Patchwork* rugs.

At the end of 2021, around 4 % of our assortment consisted of rugs that had been restored for a new life.

### EXTENDED LIFE SPAN FOR DEFECTIVE RUGS

Since 2018, we have a collaboration with GIAB, whose business concept is based on the resale of leftover or defective products to consumers. Here we send rugs that are defective or that do not meet our high-quality requirements. In this way, the rugs are used by GIAB's customers instead of being destroyed.

## PACKAGING

All rugs are packaged before being sent to the customer to be protected against damage. For us, it is important to reduce the amount of packaging and its impact on the environment. Therefore, we have set a goal that all our packaging must be made of circular or sustainable material by 2025. In December 2020, a new project was initiated with the goal of having tested and evaluated pine oil-based and recycled plastic by the end of 2021. However due to challenges with our new packaging machine this test has been delayed. During the first half of 2022 we hope to start using packaging from recycled sources. In 2021 we did however take an important step in reducing the amount of packaging used by decreasing the thickness of the plastic by 33% within our own facilities.

1. <https://ellenmacarthurfoundation.org/>

## MATERIALS

The material choice is central to reducing our environmental footprint. We know we have a big responsibility, especially with this being an area we directly control. We want to continuously increase the proportion of recycled materials which has the great benefit of both stopping waste material from going to landfill and reducing the use of virgin raw materials (and the chemicals, energy and water used to make them). With products such as rugs, where it's common with a long lifespan, our focus is also to increase the share of naturally sourced material. These materials have a positive impact on the durability of our products and thus reduce the use of virgin material over time, together with being naturally renewable and biodegradable.

We also explore alternative materials to be used in our rugs that in various ways are more sustainable.

Choosing the most sustainable material is a complex issue, considering amongst other things the life span of our products together with the environmental impact from the raw material process. To help us make more sustainable material choices we are planning to develop a material classification guide during 2022 with support from an independent third party. This will guide our purchase and design department further in making more sustainable material choices and at the same time help our customers making more sustainable choices.

Our goal is to source 80% recycled, reused or natural materials by 2030. In 2021, we reached 70.5%, which is a slight decrease from 71.1% in 2020. This is best explained by a planned overall increase in stock quantities. While the absolute numbers increased for all categories the increase was relatively higher for the petroleum-based carpets. Part of our assortment comes from more sustainable sources through reused rugs, which includes *vintage*, *patchwork*, and re-colored rugs. For 2021 these rugs has been separated out from the general Wool category and has been included in our Recycled and Reused category to provide further details about the mix of our assortment. Therefore, a notable shift was seen for these two categories between 2021 and 2020.

These are the main materials used in our rugs:

### NATURAL VIRGIN FIBERS

#### Wool

A naturally renewable material, also being one of the best materials from a durability point of view. The lifespan of a wool rug can extend over several generations which gives a lower environmental impact than many other materials considering its full life cycle. Wool is also biodegradable and readily recyclable. The material properties of wool help retain the original shape of the rug and is also naturally dirt-repellent which also contributes to extending the life of these rugs.

#### Cotton

Cotton is a natural, renewable, biodegradable fiber. It comes from the cotton bush that thrives in a warm climate. To grow, however, the cotton bush needs a lot of sun and water and therefore irrigation is often required. Large amounts of water are also used in dyeing and preparation. RugVista offers a wide selection of cotton rugs, and it's also used widely in the warp of our rugs.

#### Jute

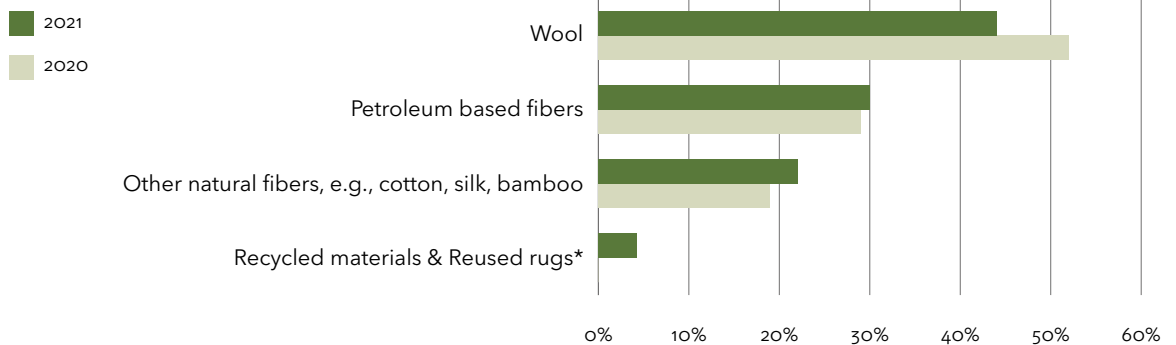
Jute is a subtropical plant with soft, shiny plant fiber that can be spun into rough, strong threads. Jute rugs have a long lifespan and is a natural recyclable material. Jute is being used in both the pile and the warp of our rugs.

#### Silk

Silk is a natural fiber that comes from butterfly larvae and is one of the strongest natural fibers available. Silk is used to emphasize details in wool rugs and in more exclusive rugs. The pile and even the warp can be made by silk. Silk is a completely natural material and thus recyclable.

### RUGVISTA MATERIAL MIX

(% OF TOTAL QTY IN STOCK AT THE END OF 2021)



\*Reused rugs was part of category Wool in 2020 and is separated out for 2021. Reused rugs include rugs >20 year and can be for example patchwork, vintage, re-colored rugs.



#### *Viscose*

Viscose is an artificial fiber that resembles silk and is based on natural materials such as cotton or cellulose. It is a renewable material which is good from a sustainability point of view. However, viscose is a fiber where a relatively high amount of chemicals is used but has potential through sustainable production of raw materials and increased use of recycled fibers.

#### **PETROLEUM BASED VIRGIN FIBERS**

##### *Polyester*

A synthetic fiber most often derived from petroleum and well-known for its long lasting and easy-to-clean qualities, making it a suitable material for rugs. One of the big concerns with polyester used in textiles is the shedding of microplastics into the water when being washed. With the user-phase deferring between different sectors within the textile industry, it's a much smaller issue for the rug industry compared to, for example, apparel. Instead, the focus to reduce the use of conventional polyester in rugs are due to the negative environmental impacts from the production processes by being made from a non-renewable resource using an energy-intensive process.

##### *Polypropylene*

Polypropylene is like polyester, a synthetic fiber derived from petroleum but with its source material coming from propylene gas, a bi-product of oil- and natural gas production. It's commonly used in machine-woven rugs due to its appreciated character-

istics such as being fade- and stain-resistant and giving a nice luster to the rug.

##### *Vinyl*

PVC or vinyl is usually produced from sodium chloride, oil, or natural gas. Our vinyl rugs are made of Swedish phthalate-free vinyl with high UV resistance and are approved according to REACH and ROHS. The material has a very long service life, which in the long run gives a low environmental impact.

#### **RECYCLED FIBERS**

##### *Recycled polyester*

A great substitute to conventional polyester, recycled polyester is mainly produced from worn-out and recycled PET bottles. By using recycled polyester plastic waste is prevented from ending up in landfills at the same time as it cuts out the fossil fuel industry. With the same qualities as conventional polyester it's well suited for rugs giving it a soft and comfortable feel.

##### *Recycled cotton*

Recycled cotton is made from textile residues from production, or from post-consumer textile waste. It's mechanically recycled, grounded into fibers, spun into new yarns, and made into new fabrics. By using recycled cotton, the water, chemical & energy intense process of producing virgin cotton is avoided and its environmental impact is drastically reduced.<sup>2</sup> In 2022 we will launch our first printed rug collection made of more than 80% recycled cotton certified by the Global Recycled Standard.

2. Higg Material Sustainability Index <https://apparelcoalition.org/higg-product-tools/>



## PRODUCT & MATERIAL STANDARDS

Product safety and material standards are important aspects to work towards a more sustainable industry. All suppliers must sign our supplier agreement, where it is stated that they are obliged to comply with our quality, chemical and safety requirements. We constantly work to ensure that our suppliers handle chemicals in a safe and correct manner when manufacturing the rugs and constantly evaluate and conduct product risk assessment with the precautionary principle in mind.

The suppliers are testing the rugs regularly to verify that they comply with the chemical requirements, and we conduct regular third-party tests at accredited laboratories, as well as perform spot checks during production.

We are also regularly evaluating relevant material standards that we believe can help move the industry to a sustainable future.

Here you can read more about organizations and standards we currently rely on:

### *RISE Chemicals Group*

RugVista is a member of RISE Chemicals Group, a Swedish network that give recommendations on chemical and environmental issues. All RugVista suppliers must sign a written agreement that they comply with the Chemicals Group's Chemical Restriction

List, which complies with EU legislation (REACH, BPR and EU waste legislation) and international chemicals legislation (POPS). We strive to remain up to-date on the latest developments through our collaboration with RISE Chemicals Group.

### *OEKO-TEX®*

All machine-made rugs from Turkey are certified according to STANDARD 100 by OEKO-TEX®, which means that the product meets high human ecological requirements, i.e., does not contain chemicals that are harmful to health. The certification means that chemicals in products must not exceed legally established limits, must not contain prohibited substances or other substances that have been scientifically proven or that are suspected of having negative health effects.

### *GRS*

The Global Recycled Standard (GRS) is a voluntary product standard that verifies and tracks recycled raw materials through the supply chain. It also includes processing criteria to prevent the use of potentially hazardous chemicals and verifies positive social or environmental production at the facilities. It's developed by the global well-known organization Textile Exchange. Currently a selection of our suppliers in Turkey apply this standard for products made from recycled materials. We endeavor to use it for all recycled fibers.

## CARBON FOOTPRINT

The main driver of climate change has been identified as greenhouse gas emissions, with carbon emissions currently being the biggest impactor. The carbon footprint was in 2016 estimated to represent 60% of humanity's overall ecological footprint. We see our

carbon footprint as a serious challenge, and we work to reduce emissions throughout the value chain. At the same time, our business is growing, in 2021 we significantly increased both our purchases and selling, which places high demands on our priority to reduce the climate footprint at all levels.

### EMISSIONS SCOPES

(BASED ON GHG PROTOCOL)



**Scope 1:** All direct carbon emission related to our own operations. This includes emissions from sources owned or controlled by the company, e.g., company vehicles.



**Scope 2:** Indirect carbon emissions from consumption of purchased electricity, heating, steam, and cooling used in our own operations (offices and fulfillment centers).



**Scope 3:** Other indirect carbon emissions from the value chain, such as emissions from raw materials, production of the rugs, transportation of products, business travels made by own employees, employees commuting to work and office supplies.

Important focuses include increased energy efficiency and increased use of renewable energy but also the choice of raw material and transportation. During 2021 we have shifted to 100% renewable electricity within our own facilities. Further, we have gradually started replacing our company cars to either fully electrical or hybrids. We have also started the mapping of materials we classify as more sustainable to help guide our designers in making better choices for the environment.

**COMMITTING TO SCIENCE BASED TARGET INITIATIVE**

By setting goals and measuring our carbon footprint we can systematically work to improve our carbon footprint and identify high priority areas. In 2021 we aligned our already ambitious climate goal of reducing greenhouse gas emissions by 50% (base year 2019) with science by committing to *Science Based Target Initiative* (SBTi). Accounted for as an SME by SBTi (<500 employees) we validated the already set goal according to their validation service for SME's. To keep the global temperature increase below 1,5

degrees Celsius our target according to SBTi should be to reduce *scope 1* and *2* GHG emissions with 46% by 2030 from a 2019 base year, and to measure and reduce our *scope 3* emissions.

**OUR TOTAL CO2 FOOTPRINT**

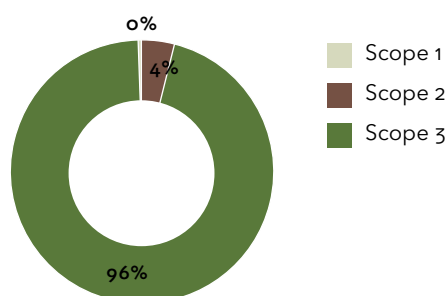
We are currently measuring the carbon footprint in *scope 1, 2* and parts of *scope 3*. Our total CO2 emission in 2021 was 3470 tonnes CO2, which is an increase compared to previous year. The main reason for the change is improved accuracy for calculating our CO2, such as more specific emission factors, impacting foremost *scope 2 and 3*. Another important factor is the continued growth of RugVista, which affects both our inbound and outbound transports as well as our production footprint. While we are fully committed to decrease our CO2 emissions in absolute numbers, we are also aware of the challenge it imposes with growing our business. Identifying the most impactful areas of improvement and to work actively with these will be crucial for us to succeed with our goals.

**CLIMATE FOOTPRINT KEY DATA**

OBJECTIVE	RESULTS		
	2021	2020	2019
Ton CO2 in <i>scope 1</i>	8,1	5,6	9,7
Ton CO2 in <i>scope 2</i>	124,1	197,2	219,1
Ton CO2 in <i>scope 3</i>	3337,8	2049,8	2887,0
% change in CO2 emissions in <i>scope 1</i> compared with last year	46%	-42%	n/a
% change in CO2 emissions in <i>scope 2</i> compared with last year	-37%	-10%	n/a
% change in CO2 emissions in <i>scope 3</i> compared with last year	63%	-29%	n/a
% change in CO2 emissions in <i>scope 1</i> compared with base year 2019	-16%	-42%	n/a
% change in CO2 emissions in <i>scope 2</i> compared with base year 2019	-43%	-10%	n/a
% change in CO2 emissions in <i>scope 3</i> compared with base year 2019	16%	-29%	n/a

Our total emissions mainly come from *scope 3*, which currently stands for 96% of our measured footprint. During the coming years we expect this to increase even further as we are expanding our measurement of *scope 3*. More details about the different *scopes* are found in the coming sections.

**% OF CO2 EMISSIONS PER SCOPE IN 2021**



**ABOUT OUR DATA**

We calculate our CO<sub>2</sub> footprint according to the GHG protocol and use the approach of calculating CO<sub>2</sub> emissions through the application of documented emission factors. The emission factors we use are from publicly available sources such as UK DEFRA and Carbonfootprint.com. We continuously work to improve data quality and precision by updating our data and emission factors as we gain visibility throughout our supply chain. We'll continue to be transparent on how we calculate, learn, and adapt our approach as methods improve. The changes made between 2021 and 2020 in calculation methods together with the use of more updated emission factors affects the comparability. To ensure comparability with base line we will review and potentially update historic CO<sub>2</sub> numbers over time.

**SCOPE 1 & 2 EMISSIONS - A SMALL BUT IMPORTANT PART**

Our carbon footprint within scope 1 and 2 currently covers emissions from our company owned or leased cars as well as electricity and heating of our facilities in Malmö, which consist of our office and fulfillment centers. Relatively to scope 3 the emission generated from these parts are small but nevertheless important as we have a direct impact. Compared to both 2020 and to our base year, 2019, the emissions in scope 1+2 decreased. The decrease is mainly explained by the transition to renewable energy in one of our warehouses during 2021 and other energy reducing activities, such as shifting to LED-lights. At the end of 2021 we shifted to renewable energy for the remaining facilities and expect a further CO<sub>2</sub> decrease during 2022.

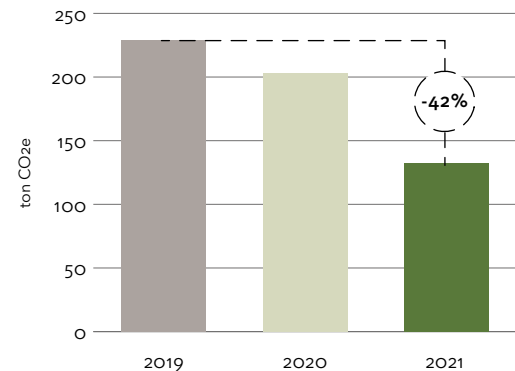
**SCOPE 3 EMISSIONS - TOWARDS MORE SUSTAINABLE LOGISTICS AND SUPPLIER PERFORMANCE**

Our rug production is global. Different production markets have special skills and methods, and all of them are needed to produce the variety of rugs we want to offer our customers. This leads to a variety of logistics set-ups that we need to manage in an environmentally efficient way, which often also results in cost savings as well. We have a clear transportation policy to use the most environmentally friendly options available. The best option for transportation for us is sea freight, which can ship large amounts at the same time while emitting a low amount of carbon emissions. We are measuring the carbon footprints of our suppliers and carriers to monitor their performance and help them improve their sustainability efforts. As part of scope 3 we also follow the carbon footprint from RugVista business travel and employees commuting.

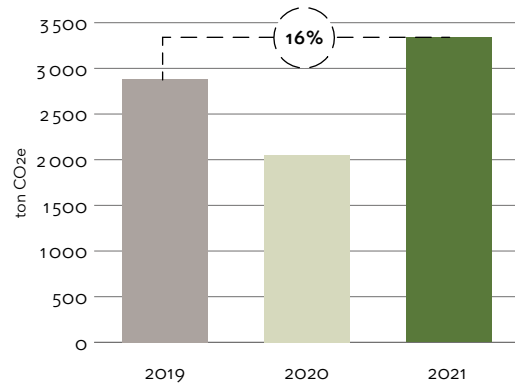
**Suppliers**

The carbon footprint from our suppliers and the production of our rugs is a complex area that we have just started exploring. In 2021 we are measuring the carbon emissions generated by the electricity used for production at our direct suppliers, which

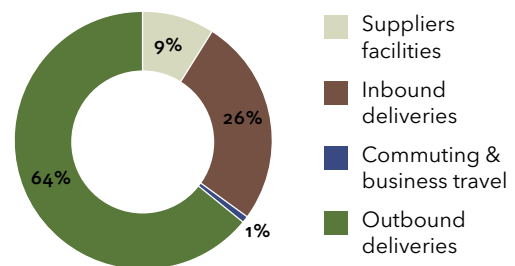
**CO<sub>2</sub> EMISSIONS FROM RUGVISTA SCOPE 1+2**



**CO<sub>2</sub> EMISSIONS FROM RUGVISTA SCOPE 3**



**% OF CO<sub>2</sub> EMISSIONS PER CATEGORY IN SCOPE 3, 2021**



was estimated to 298 ton CO<sub>2</sub>. Due to more detailed information and more precise emission factors when calculating 2021 we can currently not compare 2021 with 2020 numbers. During 2022 we are expanding the measurement of scope 3 by mapping and measuring emissions from raw material and the full production chain. This will allow us to better identify our hot spots and more focused divert our resources to where we can have the biggest impact.

Setting goals and together with our suppliers identify carbon reducing actions are crucial to succeed in



reducing our scope 3 emissions generated from our rug production. During 2021 we managed to visit our suppliers in Turkey when the Covid restrictions were temporarily lifted. We inspected solar panels that was being installed and talked about the increased use of recycled materials, at the same time as we got the chance to discuss how we proactively can work together towards the goals we have set.

**Transports**

We follow our carbon footprint from our inbound and outbound transports but also our business travel and the commuting of our employees. While the two first have by far the biggest impact we find it important to also include the two latter. Every individual within an organization has a carbon footprint. During 2021 business travel and employee commuting accounted for 20.6 ton CO<sub>2</sub> compared to 47.4 ton CO<sub>2</sub> in 2020. We aim to keep all our employees informed and up to date about our sustainability goals and progress and want to help our employees make sustainable choices that contribute to a reduced carbon footprint. Even the smallest things can make a difference. During 2021, as a result of the pandemic, we introduced a hybrid workplace policy, making it easier and clearer for our employees about the possibilities to work from home also after Covid-19, which helps reduce our footprint further.

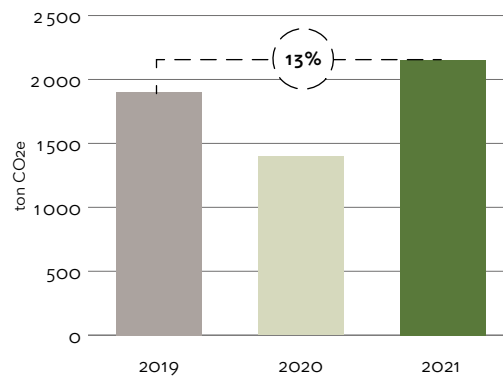
Our inbound and outbound transports emitted 3016 ton CO<sub>2</sub> during 2021. Due to improved methodology, we can currently not compare the 2021 inbound transports with 2020. For the outbound transport our CO<sub>2</sub> emissions increased by 54%. Part of the change is due to incorrect figures from 2020. The increase also depends on the large number of growing orders and the challenge of reducing our emissions in absolute numbers remains. We have an ongoing dialogue with our carriers who share our sustainability ambition, and all have set net-zero goals. While optimizing

routes and packaging are important parts to reduce the footprint, the emissions from the transport fleet is what will make the biggest impact in the end. Working with carriers such as Budbee, who in 2021 started with 100% fossil-free deliveries in Sweden and Finland, will be important for us to reach our goals and we closely follow the CO<sub>2</sub> development with our carriers.

**Returns**

One of the challenges of running an e-commerce business from a sustainability perspective, is handling returns. A key focus during the year has been to improve the product detail pages, with the aim to help customers make the right decision when choosing a rug. In turn this will decrease the number of unnecessary returns, which will not only improve our customer experience, but also lower the CO<sub>2</sub> impact. This initiative brings us one step closer toward embracing our sustainable business model. In 2021 we had an average return rate corresponding to 16% (15.8%).

**CO<sub>2</sub> EMISSIONS FROM OUTBOUND DELIVERIES, INCLUDING RETURNS**



**DEEP DIVE: TOWARDS RENEWABLE ENERGY IN INDIA**

Shifting to renewable energy is a crucial measure to decrease the carbon emissions from our supply chain. During 2021 one of our biggest suppliers in India installed solar panels on their facilities. The installed panels cover 80% of the total electricity usage. This has allowed the supplier to drastically reduce its use of electricity coming from non-renewable sources and thus its carbon footprint. Currently they only need to buy a small portion of its electricity from the national grid where the majority comes from coal power plants in India. When we asked our supplier about the best thing with having installed the panels they simply responded, "It will reduce world carbon emission". The only challenge they have experienced so far is the high cost of the installation. This however doesn't seem to have impacted their overall positive experience of having shifted to solar energy; when asking for their recommendation to anyone considering installing solar panels the response was short and concise: go for it!



## BIODIVERSITY

Biodiversity describes the variety of life on Earth and its natural systems, including plants, animals, and microorganisms. It represents the life support system of the Earth, with human livelihoods directly dependent on genetic, species and ecosystem diversity and function. Over the last decades the global biodiversity has been undergoing a steep degradation with accelerating species extinction rates and an unprecedented decline of biodiversity.<sup>3</sup> Since half of the global GDP is moderately or highly dependent on nature loss of biodiversity this will affect most businesses - through impacts on operations, supply chains, and markets.<sup>4</sup> These trends are especially acute for businesses like rugs which rely on nature-based resources - from cotton and wool from agricultural systems to fibers such as jute and silk from natural ecosystems.

However, biodiversity is still emergent as an issue within many industries, such as the rug industry, in many ways similar to where climate as a priority was several years ago. For us it's important to understand our biggest impact and dependencies which we plan to start mapping in the near future. Once these are identified we can move on to setting specific commitments, and then work to incorporate restorative and regenerative approaches across the supply chain. The interconnectedness of climate and nature also emphasizes how essential it is to tackle these topics hand-in-hand.

## WATER

Water usage and emissions to water is a local as well as a global issue, at the same time as the textile industry currently is highly dependent on water in the production process. Today we work actively to reduce water consumption and emissions to water in the supply chain. Our direct suppliers are followed up through our audit system that regularly assesses that water is managed in a way that respects the environment, including checking required water treatment systems.

We also encourage our suppliers to collaborate with sub-suppliers that actively work on water reducing

activities. In India, our largest suppliers for example work with a joint sub-supplier for yarn dyeing that has implemented an environmental management system and a closed water treatment system that works according to *Sustainable Textile Water Initiative's* criteria to reduce its water consumption.

With progress being made we still need to do more to understand our local water risks and contexts and find ways to reduce water usage and emissions to water. Our choice of material is for example one way to further reduce our water footprint.

## KEY FOCUSES 2022 - PLANET

Our long-term focus to develop a circular business model and to reduce our environmental impact guide us in our short-term activities. With almost endless opportunities to improve within these areas we find it important to identify our key focuses for the coming year to make sure we use our resources in the most efficient way to drive change.

During 2022 we are prioritizing to:

- Pilot our own second-hand sales to take one step further towards a circular business model.
- Test and start using packaging from recycled sources for our rugs during 2022.
- Help both our designers and customers make more sustainable choices to increase the share of recycled, reused, and natural materials. For this purpose, we are planning to develop a material classification guide during the year. This will guide our purchase and design department in making more sustainable material choices. It will also be used as the foundation for guiding our customers to make a better choice.
- Setting a roadmap for how to reduce our *scope 3* emissions. A first and important step during 2022 is to expand what we measure in *scope 3*. This will help us in prioritizing where to put our focus and to find solutions together with different stakeholders in the value chain needed to reach our reduction goals.

<sup>3</sup> The Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES), "the Global Assessment Report on Biodiversity and Ecosystem Services" <https://www.ipbes.net/global-assessment>

<sup>4</sup> World Economic Forum, "Nature Risk Rising: Why the Crisis Engulfing Nature Matters for Business and the Economy" <https://www.weforum.org/reports/nature-risk-rising-why-the-crisis-engulfing-nature-matters-for-business-and-the-economy>







# LEAD.CHANGE

## FOCUS AREA

### PEOPLE

**THE PEOPLE IN** our value chain are the core of everything we do. We aim to have a positive impact on everyone who our business affect, by contributing

to a sustainable social development with a focus on social responsibility, diversity, and inclusion

OBJECTIVE	GOAL		RESULTS	
	2030	2025	2021	2020
<i>Supply chain</i>				
% of rug suppliers included in RugVista's social auditing system	100%	100%	100%	100%
Number of conducted audits	n/a	n/a	350	205
Number of Zero Tolerance cases according to amfori's and LabelStep's protocol for zero tolerance	0	0	0	0
<i>Our People</i>				
Employee Net Promotor Score (eNPS)	80	60	44	53
At least one performance review per year and employee	100%	100%	95%	100%
Gender equality: proportion of women in management	40-60%	40-60%	50%	50%

### SOCIAL RESPONSIBILITY AND INCLUSION

Economic growth and decent jobs are essential factors for stability and well-being. Political instability, growing populations, climate change, migration, and during the last two years, the impacts of Covid -19, contribute to social challenges and insecurity in the regions where our suppliers operate. Diversity, inclusion, decent working conditions, and an equal society are considered key factors in ensuring sustainable social development and are essential to be responsible and successful as a business. This is well grounded in our values and approach to social responsibility and human rights. As a values-driven company, it is crucial to be inclusive in all parts of our

business – in our own operations, in our supply chain, and in the communities, we operate in.

### OUR SUPPLY CHAIN

We are primarily an online retailer of rugs, which means that we do not own any production sites, instead we build long-term partnerships with carefully selected suppliers. All newly produced rugs are made by independent suppliers, mainly in Turkey and India. Our top five suppliers produced 80% of our orders in 2021. Working in close and long-term collaborations with our suppliers enables us to commit to one



RugVista's creative team preparing a photo shoot.

another and together implement new more sustainable processes and production methods.

#### THE IMPACT OF COVID-19

All our suppliers have been impacted by the Covid -19 pandemic and its related lockdowns and disruptions. The main risks from the pandemic related to responsible purchasing are health and safety of the workers and their families and a regular order flow. To mitigate the risks, we have together with our suppliers focused on timely production planning and protecting the supplier's employees. In India the mortality increased significantly during the second wave of the pandemic and the government introduced several restrictions in the workplaces to prevent the spread of infection. We supported the Indian suppliers by providing face masks, food, and blankets to the workers of our two largest producers in India.

Due to the restrictions, a significant number of orders were delayed during the first quarter by our suppliers, at the same time as we faced an increasing customer demand. This hampered our ability to increase stock quantities to levels which would have been ideal during the first months of 2021, however protection of the workers in combination with timely order planning improved the stock situation during the second quarter and onwards.

#### RESPECT FOR HUMAN RIGHTS

RugVista's most fundamental responsibility is to respect and support human rights. It is part of our values and is crucial for the success of our business. Risks related to human rights in the supply chain are identified and managed through the following steps:

- Regular social audits performed by accredited third-party auditors.
- Training in human rights, both for RugVista's employees and suppliers.
- Immediate action in case of zero tolerance incidents regarding human rights of suppliers, according to Label STEP's and amfori BSCI's protocol for zero tolerance.

To ensure human rights in the countries where our suppliers are active, regular dialogue with suppliers and close cooperation with relevant interest groups is required. The most important issues related to human rights are those with high risk of serious negative consequences caused by our supply chain. This includes issues such as fair compensation, the right to trade union membership and collective agreements, but also includes other human rights such as non-discrimination, integrity and, children's right to schooling.

#### FAIR WORKING CONDITIONS IN THE SUPPLY CHAIN

Although we do not own or operate any factories or production facilities, we are committed to ensure that all employees in the supply chain have fair and decent working conditions and that their human rights are respected.

##### Focus areas:

**Health and safety:** Promoting an open dialogue between workers and management, and involving workers in decisions, is fundamental to creating high safety standards.

**Decent working hours:** Every worker has the right to limitation of maximum working hours, to daily



and weekly rest periods and to an annual period of paid leave. Through regular audits and continuous dialogue, we are working to improve this aspect. **Workplace dialogue:** All employees have the right to speak. Employees who have the possibility to express their opinions and can influence their work environment have greater opportunities to achieve good working conditions and a reasonable salary. Through the Code of Conduct for Suppliers, we set requirements for the right to free trade union affiliation and collective agreements in the supply chain. We are through training and continuous dialogue working on achieving an open dialogue and employee representation throughout the supply chain.

**Remuneration and benefits:** A central point in the strategy for fair working conditions is the principle that people working in the supply chain should have equal and fair remuneration for equal work. We work to improve wages and other conditions throughout the value chain, which will provide sufficient income for a fair living standard for workers and their families.

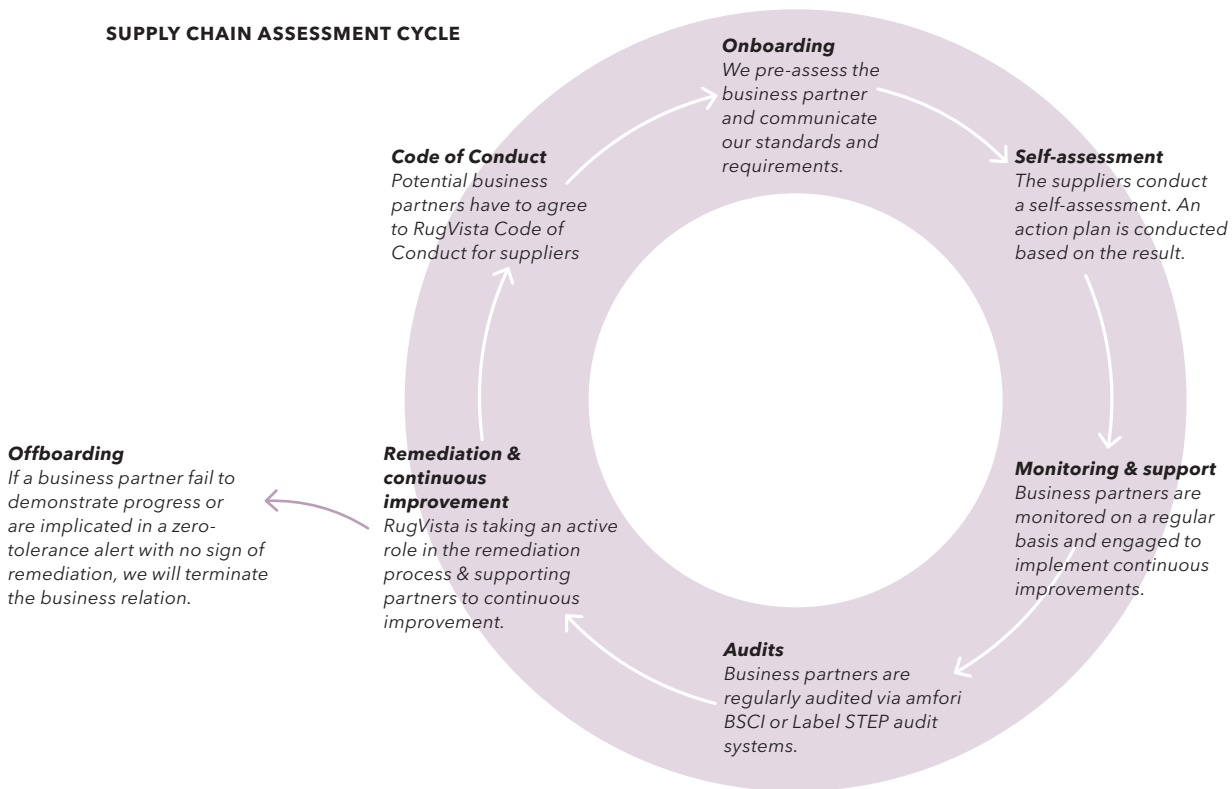
**RESPONSIBLE PURCHASING PRACTICES**

When building long-term relationships, it is important to both qualify the suppliers initially and work for a continuing business relation. Through these long-term collaborations with our suppliers, we also contribute to their financial business development - when they develop their business, we will receive improved





**SUPPLY CHAIN ASSESSMENT CYCLE**



service and improved sustainability awareness. Our purchasing practices must contribute to the development of the rug industry in a sustainable manner whilst simultaneously providing long-term benefits for our suppliers and their employees. This way, our long-term partnerships can grow and create value for all parties.

As we want to lead the change towards sustainability in our industry, responsible purchasing practices is fundamental to ensure fair treatment of workers and a healthy working environment. By setting standards and requirements, staying committed and acting responsibly, we can contribute to the development of our suppliers and them being good employers. With good purchasing routines, we can handle challenges with uneven production based on customers’ varying demand over time. In a long-term partnership, we can, together with the supplier, plan production well in advance, which reduces unnecessary overtime for workers during the high season and evens out the working hours during periods of lower demand.

**CODE OF CONDUCT FOR SUPPLIERS**

Responsible production is at the core of our sustainability work. We apply a stringent code of conduct for suppliers that regulates social and environmental responsibility in the supply chain. RugVista is a member of amfori BSCI and we have adopted the amfori BSCI Code of Conduct as our own. All our suppliers must sign, and commit to comply with, the Code of Conduct, and compliance is verified through regular monitoring and recurring audits.

RugVista Code of Conduct for suppliers in a nutshell:

- Demands observance of the law
- Aligns with UN Guiding Principles on Business and Human Rights
- Builds on International Labor Organization’s (ILO’s) Fundamental Conventions, which apply to all countries.
- Enables business enterprises to follow a systematic due diligence approach in their supply chains

**THE SUPPLY CHAIN ASSESSMENT CYCLE**

The supply chain assessment cycle is the foundation of our work and progress regarding human rights and ethical business practices. The framework helps us to identify and act upon discovered and potential human rights risks for workers in our supply chain. The framework is based on amfori BSCI’s, Label Step’s and our internal processes.

All our suppliers are enrolled either in amfori BSCI or Label STEP audit systems. Regardless of which system they are connected to, audits are conducted on a regular basis.

**AMFORI BSCI**

RugVista is a member of amfori BSCI, a global initiative for companies striving to improve working conditions in the global supply chain. BSCI brings together more than 2400 companies around a common code of conduct and their main role is to support the network in the work of creating sustainable and ethical supply chains.

Amfori has an extensive competence development program that RugVista employees and suppliers have access to free of charge. The training consists of introductory training in sustainability and further training in subjects such as sustainable recruitment to prevent human trafficking, forced labor and child labor in the business and how to create employee participation in issues related to human rights. The work of amfori provides practical support to all businesses committed to achieving the United Nations SDGs (Sustainable Development Goals) with the overall goal to contribute to a world where all trade delivers social, environmental, and economic benefits for everyone.

**AMFORI BSCI AUDIT SYSTEM**

Via amfori BSCI, RugVista has access to a common system for follow-up and audit of suppliers. Amfori BSCI audits are designed to assess suppliers with centralized production against the values and principles of the amfori BSCI Code of Conduct. The principles are translated into thirteen interconnected performance areas. Our largest suppliers, based in Turkey and India, are assessed through amfori BSCI auditing system.

Amfori BSCI audits are conducted by independent third-party certified inspection companies. The audits assess all thirteen interconnected areas, and they take place every two years, which determines the amfori BSCI audit cycle. Follow-up audits are connected in-between cycles and focus only on those performance areas that need new evidence of progress from the producer. The follow-up audits should take place within twelve months from the previous audit and should maintain the same scope and methodology.

In addition, we may request an urgent follow-up audit that focuses on only a specific finding or performance area due to an urgent need, as in the following cases:

- Suspicions were raised by the auditor in confidential comments captured in the audit report.
- There are substantial risks that need verification.

Immediate remediation is needed after a zero-tolerance alert. Zero tolerance alerts include:

**Child Labor**

- Workers who are younger than 15 years old (or the legal minimum age defined by the country)
- Workers younger than 18 who are subjected to forced labor

**Bonded Labor**

- Not allowing workers to leave the workplace or forcing them to work overtime against their will
- Using violence or the threat of violence to intimidate workers to force them to work

**Inhumane Treatment**

- Inhumane or degrading treatment, corporal punishment (including sexual violence), mental or physical coercion, and/or verbal abuse

**Occupational Health and Safety**

- Occupational health and safety violations that pose an imminent and critical threat to workers' health, safety, and/or lives

**Unethical Behavior**

- Attempted bribery of auditors
- Intentional misrepresentation in the supply chain (e.g. hiding production sites, lacking a business license, and purposefully under-declaring the size of the workforce)

**AMFORI BSCI AUDIT PROCESS**



**AMFORI BSCI 13 PERFORMANCE AREAS**

- PA1: Social Management System and Cascade Effect
- PA2: Workers Involvement and Protection
- PA3: The rights of Freedom of Association and Collective Bargaining
- PA4: No discrimination
- PA5: Fair remuneration
- PA6: Decent working hours
- PA7: Occupational health and safety
- PA8: No child labour
- PA9: Special protection for young workers
- PA10: No precarious employment
- PA11: No bonded labour
- PA12: Protection of the environment
- PA13: Ethical business behavior

**LABEL STEP**

To be able to handle the complexity of revisions of rugs woven and knotted by home weavers, RugVista is a certified Label STEP Fair Trade partner. Label STEP is a non-profit organization that is committed to the living conditions and well-being of rug weavers in the handmade rug industry. As a certified Label STEP partner, we commit to independent regular audits of all our suppliers of handmade rugs. Label STEP works actively for long-term improvements in the rug industry while giving rug weavers the opportunity for training in human rights, health and safety, and economics.

**LABEL STEP AUDIT SYSTEM**

Label STEP's auditing system is designed to audit suppliers within the handmade carpet industry having decentralized production, e.g., home weavers and small loom workshops, against the principles of the STEP 10-point Standard.

Not all countries or facilities are alike, so the fair-trade rules embedded in the STEP Standard are customized to individual production circumstances – from home-based work to loom workshops and factories. As part of its oversight, STEP monitors up to 90 compliance measures, which must be either already realized or in the active process of fulfillment.

If a non-compliance situation is found, cooperative corrective action is initiated by STEP field personnel, and conditions are improved step-by-step to effect real change.

The 10 ten rules for fair trade embedded within the STEP Standard include:

- §1 Protection of workers' health and safety
- §2 Payment of fair wages and protection of agreed wages
- §3 Prohibition of child labour
- §4 No forms of discrimination
- §5 Freedom of association and the right to collective bargaining
- §6 No forced or bonded labour
- §7 No harsh or inhumane treatment, no sexual harassment
- §8 Limiting hours of work and application of weekly rest
- §9 Identifying environmental risks and minimizing their impact
- §10 Accepting STEP audit: transparency and access to information

STEP not only addresses isolated issues, it also works holistically to adjust the underlying realities of the industry that incite them. The non-profit organization

seeks fair wages for adult weavers and education for their children, so everyone can have a brighter future. STEP pursues fair trade solutions that consider all social, ecological, and commercial concerns. And it believes in collaboration – encouraging and requiring all players within the handmade carpet industry to cooperatively nurture an industry that is healthy, responsible, and sustainable.

RugVista has committed to the STEP Standard for fair trade throughout our entire line of handmade carpets. We provide Label STEP with full access to all information necessary to carry out the audits conducted by Label STEP auditors. Compliance and the initiation of improvements is verified by local STEP employees through frequent, independent, and unannounced audits. Depending on the production environment, up to 90 carpet-industry-specific criteria must be met or in progress.

**AUDIT RESULTS DURING 2021**

During 2021 RugVista conducted 350 audits through amfori and Label Step compared to 205 in 2020. Part of the increase comes from the changing Covid situation, but a big part comes from the increased number of audits performed by Label STEP. While amfori covers the suppliers producing our machine-made rugs, Label STEP mainly focuses on the traditional rugs made by home weavers. With both organizations sharing the same end-goal: improving the working conditions for the workers in the supply chain, the audits differ. One audit conducted by Label STEP can for example cover one home weaver while one audit performed by amfori covers all workers in the factory. The number of audits made by Label STEP and amfori can thus not be compared.

334 audits were performed by Label STEP during 2021, of which the majority was with home weavers in Afghanistan and India, but also at factories and weaving workshops. In total over 1 100 workers were covered within our supply chain through these audits. No material incidences have been reported in any of the cases. The increased number of audits carried out by Label STEP can be best explained by a deepened relationship and more knowledge gained about the RugVista supply chain. This has allowed Label STEP to cover more parts of our supply chain.

Through our membership with Label STEP, we have been able to uphold audits in Afghanistan despite the critical situation and monitor the wellbeing of the workers, mainly female home weavers, that are involved in the production of our rugs. With the current humanitarian crises, it's of even higher importance that this already vulnerable group can continue working under fair conditions to make a decent living.

amfori accounted for 16 factory audits at RugVista suppliers. From dialogue with our suppliers, we see an increased understanding of the areas in our Code



of Conduct and the importance of why these needs to be addressed properly. It's rewarding to see this being reflected in the audits results with an overall shift towards the higher audit results between the current and previous audit cycles. The total audit result is a summary of the assessment made on each performance area for the supplier. The grade can range from an A, the highest result, to an E. If a supplier get an E on the overall result, it's an indication for fundamental issues with respect to the amfori BSCI principles. This would need special evaluation from our end if considering working with these suppliers. During the year none of our suppliers has been given an E, while several has increased to A & B from lower grades. No zero tolerance cases with respect to human rights has been reported during the year.

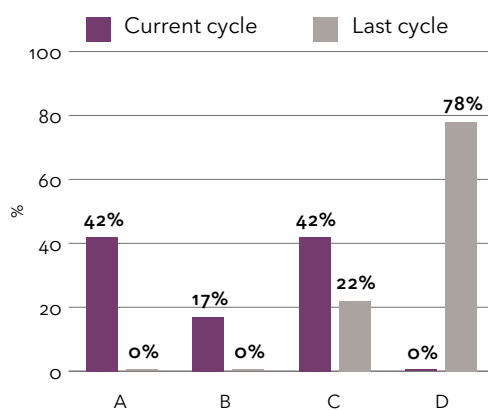
The positive development is mainly driven by improvements made by suppliers that we have been working with for a longer time. In the following graph you can see the audit results including only suppliers that have been taking part in at least two audit cycles. This highlights the importance of a good relationship and ongoing dialogue with our suppliers for RugVista to realize our sustainability vision.

The most common issues identified through the amfori audits are:

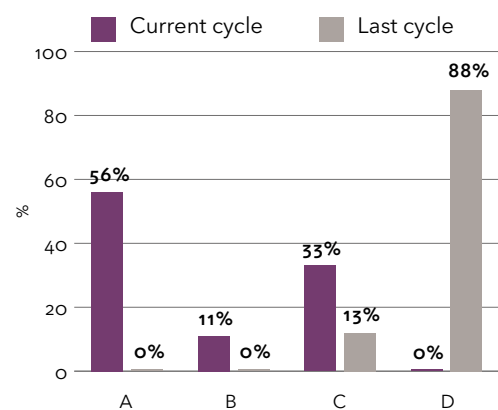
- Decent working hours: cases in mainly Turkey of working more than 7 days without rest
- Occupational Health and Safety: most common finding concerns inadequate plans and procedures related to emergencies
- Worker involvement & protection: issues related to the grievance mechanism, such as non-retaliation policy for workers
- Social Management System: gaps in any of the performance areas that impact the overall management system, for example understanding and knowledge about the BSCI approach, especially for new suppliers

We take these issues seriously and through dialogue and training we encourage the suppliers to set adequate improvement plans. Via the amfori platform we then take part of these plans and can follow the progress being made by the suppliers and ultimately, it's being re-assessed by a follow-up audit by amfori.

**2021 AMFORI AUDIT RESULTS PER GRADING**  
- ALL SUPPLIERS



**2021 AMFORI AUDIT RESULTS PER GRADING**  
- COMPARABLE SUPPLIERS





### DEEP DIVE: COVID-19 RESPONSE AND VACCINATION CAMPAIGN FOR INDIAN RUG WEAVERS

Since the beginning of the COVID-19 pandemic, Label STEP has supported workers and weavers in the handmade rug industries through its *COVID-19 Relief Fund*, supported by development organizations, industry stakeholders and private donors. Label STEP in India is cooperating with health authorities to provide free vaccination to everybody. While the Indian vaccination program is making good progress in urban areas, it lags a bit in some rural areas, among minorities and the less educated and poorer population. Many workers and weavers in the handmade rug industry belong to the latter groups.

During the fourth quarter of 2021, RugVista and Label STEP initiated an extension of the existing vaccination program. The project aims at increasing access to vaccinations against COVID-19 for weavers and other community members of our suppliers in Uttar Pradesh, mainly in the Bhadohi and Mirzapur districts. All weavers who are not vaccinated are offered the opportunity to be vaccinated.

During the end of 2021 staff and volunteers for the vaccination facilities were hired and an awareness and education campaign were initiated. Small facilities have been organized at or close to the weaving units. During December 120 people employed by one of our suppliers were vaccinated. At least 1'000 more people will get offered full vaccination until April 2022.

An awareness generation drive is planned to correct misinformation, rumors and myths that are currently in circulation in certain clusters. There is an obvious need to actively mobilize the community to come forward for vaccination. Many of the people are either not aware about the process of getting themselves vaccinated or are not willing to get vaccinated.

Together with Label STEP, RugVista will reach out to more than 1 000 direct beneficiaries getting fully vaccinated with two vaccination doses and 5 000 indirect beneficiaries, e.g., community members benefitting from the prevention capacity building.

## OUR PEOPLE AND ORGANIZATION

### OUR VALUES

RugVista's values define who we are and how we behave, and they are important tools for guiding internal sustainability work and how managers and employees should act in their daily work. On our continued growth journey, it is important that we build a long-term engaging corporate culture, guided by our values, and aligned with our purpose.

Our values, *Focus on Impact, Stay True, Be Entrepreneurs*, give impressions in development talks, daily decisions, and in customer and supplier relationships.

Employees are continuously informed about the company's ethical guidelines and leaders work continuously to promote a good work climate that creates commitment and initiatives.

### SUSTAINABLE AND INCLUSIVE EMPLOYER

A culture of commitment where all employees are included and enjoy their work environment is fundamental to reach our people vision; **to attract, motivate and retain extraordinary people**. Our People Management processes are centered on attracting, motivating, and retaining a world-class and highly skilled workforce, capable of delivering on our growth



ambitions, fulfilling our company goals, and providing world-class service to our customers. The unique perspectives, thinking and experiences our diverse employees bring to their work is essential for us to deliver on our purpose: **To help people to a home they love.**

We have developed a framework for our work in recruitment, organizational and employee development as well as leadership that focuses on four (4) different dimensions of our employer offering:

- Competence development & Feedback
- Work environment & Equipment
- Culture & Colleagues
- Compensation & Benefits

The framework lays the foundation for how we position RugVista towards potential future employees, how we continuously develop our employer offer and what we expect from our employees and leaders. The purpose of the framework is that all employees should experience a commitment, that their work is motivating and meaningful and that good work performance is rewarded.

**1. Competence development and feedback**

We have developed a feedback and development process for our employees based on three criteria:

- Competence
- Performance & Goal fulfillment
- Alignment with company's values.

Feedback, competence development and performance are discussed within the framework of feedback and development discussions between employees and managers at least once a year and in regular follow-up check-ins. During the feedback and development process, the leader, together with the employee, clarifies what is expected and how the employee can develop. The process will help to increase the commitment, performance, and job satisfaction of our employees. It is also an opportunity to make sure that the employee knows how the salary process works and what is the basis for salary development. The feedback

and development process results in a personal development plan that is followed up regularly.

Our employees' opportunity for competence development will be crucial for RugVista to achieve our performance goals. Developing our employees increases the company's efficiency and productivity and sends an important signal that we prioritize continuous competence development. In addition, opportunities for personal development create both well-being and job satisfaction.

During the year, we had an average of 16 hours of training per employee, which is well above the target of 10 hours per employee. For example, learning Swedish was offered to employees with another mother tongue, and specialist training was offered in areas such as programming, marketing, and sustainability.

**2. Work environment and equipment**

A healthy and safe workplace is a prerequisite for our employee's well-being, ability to perform well and thrive at work. By systematically promoting health and preventing risks in the work environment, RugVista enables sustainable health, well-being and performance. The risks of illness are minimized and followed up systematically. All identified risks in the work environment are managed through systematic work environment work (OHS). The purpose of our management system for the workplace is to identify, assess, follow up and develop work environment goals to reduce the risks for all employees. We register all accidents that have occurred in a digital system.

The risks at our head office include health risks related to poor ergonomics, remote work, poor lighting, poor ventilation, and stress.

The safety of the staff at our warehouses is crucial for the business, and we have a zero vision for work-related injuries. Work environment risks include physical risks mainly in the handling of products but also psychosocial risks such as stress and repetitive tasks. The most common work injuries are shoulder and back pain from repetitive work and heavy lifting. To prevent the high risk of work-related incidents, we



perform frequent risk analyzes, which means, among other things, that new routines and processes are introduced. Five incidents or minor accidents were reported in 2021, compared with three in the previous year. The main reason for the increased number is probably that employees have a higher awareness and understanding of how important it is to report incidents and accidents.

We work with several different health-promoting activities to create a healthy workplace and reduce the level of sick leave. In 2021 we introduced a sleep cycle app which is helping to improve health through better sleep. During the year all employees attended an ergonomics course, and we offer massage during work hours.

In 2021, the absentee rate was 7.1% (6.7%) in our fulfillment centres and 3.6% (6.0%) in our HQ, which in total is slightly lower than 2020. We recognize that 2021 absentee rates are affected by the effects of the Covid -19 pandemic.

#### Incident management

We realize the importance of a safe and healthy work environment with healthy employees. Our HR-policy covers occupational health and safety, as well as employee wellbeing. To cultivate and maintain a safe working environment, we perform continuous risk assessments. We support the right to freedom of association for all our employees as stated and we have collective bargaining agreements for all employees.

#### Monthly surveys

Commitment and work environment issues are followed up through monthly surveys where, among other things, the employee *Net Promoter Score* is measured. This is an important channel for early signals of the need for action. We ended the year with an eNPS score of 44 which is in line with our goal but lower than the result of 2020. We have identified the reasons behind the decrease and developed an action plan to ensure the result develops in line with our expectations forward.

#### Whistle-blower system

We promote an open business climate and high standard business ethics. Employees can anonymously provide information about misconduct or concerns through the company's third-party whistle-blower system. In 2021, no notifications have been received.

### 3. Culture and colleagues

Diversity contributes to an organization with many different views and perspectives. This provides better decision-making, more innovation and better business results. To meet the different needs of customers and suppliers, and to provide world-class service, which in turn requires a high degree of motivation and commitment from each employee, diversity and inclusion is a natural part of our culture.

Purposefully, we create an inclusive culture where people, regardless of gender and ethnicity, can feel a strong sense of belonging and psychological security. This means that we all have the opportunity to make

our voice heard and contribute to the long-term success of the organization and the company. We are very proud to be a team of almost 100 employees originating from more than 30 countries.

### 4. Compensation and benefits

We reward our employees at our HQ based on an individual compensation model that is linked to the feedback and development process. Our collective employees are compensated based on current collective agreements.

The individual compensation is determined for each employee with regard to RugVista's formulated salary criteria. Through these general salary criteria, we want to clarify expectations of the role and performance, what is valued in the salary setting, and keep the values alive throughout the whole organization. The salary criteria constitute support for leaders and employees in the dialogue and are a tool for our leaders to be able to make an objective assessment of employees' results, performance, and commitment.

The compensation model also includes a broad benefit package that will make it easier for our employees to have a sustainable lifestyle. We believe that the well-being of our employees in the workplace is fundamental for them to thrive and develop with us and therefore we invest in health-promoting activities such as massage during working hours, free yoga and a generous fitness allowance.

We offer a variety of other benefits:

- Discounts on, for example, gym, massage, entertainment, and shopping
- Pension plan
- Digital pension consulting
- Extra pension savings through salary change
- Flexible work solutions (depending on role)

During the Covid-19 pandemic, many employees have worked from home, which has proven to work well. In 2021, we introduced the concept "hybrid working model" which offers employees who have the opportunity to work both from home and in the office. This benefit contributes to better work-life balance and flexibility.

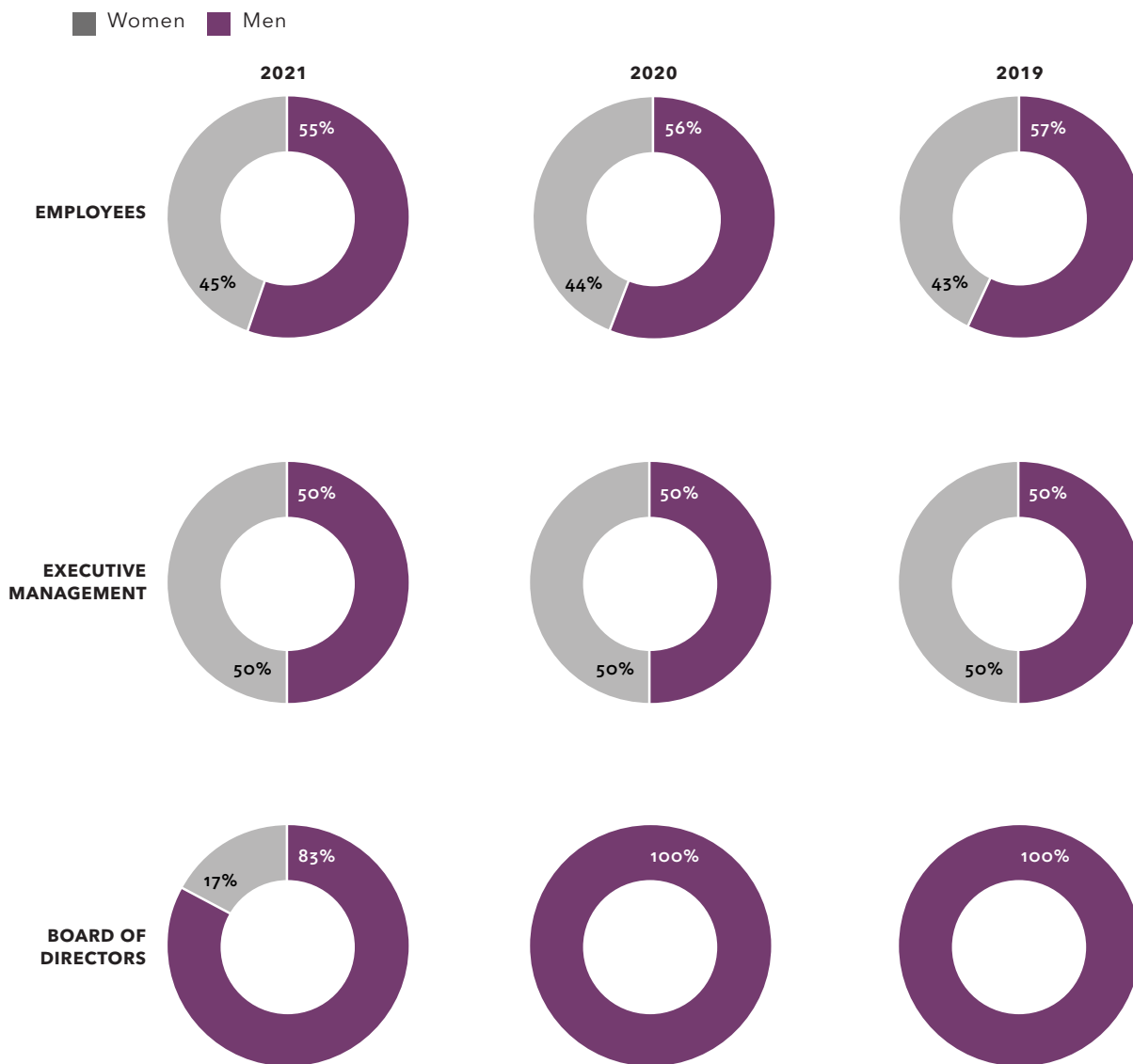
RugVista is a member of Svensk Handel (Swedish Trade Federation) and has signed collective agreements with the trade unions Handelsanställdas Förbund and Unionen.

*"Our goal is to continue creating an inclusive culture based on collaboration, respect, innovation and constant development. Our people vision, To attract, motivate and retain extraordinary individuals, commits us to be an attractive employer that offers potential and existing employees a world-class, multicultural workplace."*

**PATRICIA RAJKOVIC WIDGREN**  
Chief Organization & Sustainability Officer

### GENDER EQUALITY

The average number of employees in 2021 was 82 (69). Of these, 45% were women and 55% men. In the executive management, the corresponding figures were 50% women and 50% men. These are important key figures for us as diversity is a cornerstone of our company and our culture, where a well-balanced gender distribution at all levels is of utmost importance to achieve the best results



#### DEEP DIVE: KPI'S OWN ORGANIZATION

OBJECTIVE	GOAL		RESULTS	
	2030	2025	2021	2020
Training hours per employee	16	12	15	6,8
Absentee rate in fulfillment centers (%)	3%	4%	7.1%	6.7%
Absentee rate in office (%)	3%	3%	3.6%	6.0%
Employee turnover rate (%)	10-20%	10-20%	11%	n/a
Occupational injuries	0	0	5	3

### *The impact of Covid-19*

The guidelines for office employees have been to work from home when possible and RugVista has switched to online communication format to provide for this option. We are aware of the risk of isolation and the negative impact on mental health when working from home and are urging all managers to put systems in place to ensure people feel part of the team. Examples are frequent two-way feedback sessions about work and work-related issues and inclusion in online social activities.

In our warehouses and parts of our office, employees still come to work every day.

To ensure a safe working environment, we conduct additional cleaning and have installed disinfectant dispensers in every room. Protective face masks are distributed and breaks, and break rooms have been adjusted to ensure social distancing. In periods when the level of infection were at its highest, we urged everyone entering our premises to wear a protective face mask and, as far as possible, keep a distance of at least 2 meters.

Appointments with our health care provider were also changed to remote meetings whenever possible, to ensure continuous support of our employees.

When a confirmed case is reported, we act in coordination with the Swedish health authorities' recommendations. The health authorities recommend everyone over 12 years to get vaccinated and to make it easier, we have given all employees the possibility to get the vaccine during paid working hours.

### KEY FOCUS 2022 - PEOPLE

To ensure that RugVista as a company has a positive impact on the people affected by our operations and to continue the work of becoming the region's best employer, we will have the following key focus in 2022:

- All new RugVista suppliers sign the Code of Conduct and are part of the auditing systems before any orders are placed. In this way, RugVista ensures that all suppliers meet at least the minimum requirements in our Code of Conduct.
- In collaboration with the industry initiatives amfori BSCI and Label STEP and with the Chemicals Group, build up the supplier's ability to work in accordance with leading practice on social and environmental issues. The programs include management systems, long-term earnings development, "best practice", and training. This provides a deeper insight into the supplier's operations and contributes to continuous improvements through regular audits, root cause analysis, and continuous improvement.
- All violations of RugVista's code of conduct and policies are investigated. A violation may lead to termination of a business relationship.
- Ensure the process for feedback, competence development and compensation is implemented throughout the organization.
- Employee surveys such as eNPS as well as organizational and social work environment surveys are conducted and followed up on a regular basis.
- We systematically work towards a zero vision for health and safety by promoting a good and inclusive work environment and preventing work-related injuries.





# LEAD.CHANGE FOCUS AREA **BUSINESS**

**TO BE A RESPONSIBLE** company is our foundation. Our values, code of conduct, and our guidelines aim to establish an awareness of the importance of compliance with all our employees and business partners.

OBJECTIVE	GOAL		RESULTS	
	2030	2025	2021	2020
Signed supplier's Code of Conduct	100%	100%	100%	100%
Mapped tier 2 suppliers (as % of RugVista purchase value)	100%	100%	72%	0%
Number of corruption incidents reported	Detect all incidents	Detect all incidents	0	0

### MAINTAIN GOOD CORPORATE GOVERNANCE AND BUSINESS ETHICS

#### Code of conduct and other policies

RugVista's codes of conduct, policy documents and other guidelines form the basis for the company's sustainability work and its related risks. Policies and guidelines are reviewed once a year.

Policy documents and guidelines on sustainability include:

- RugVista's code of conduct for employees
- RugVista's code of conduct for suppliers
- Personnel policy
- Policy for handling employees' personnel data
- Policy for handling personal data including GDPR
- Ownership directive

#### Compliance with rules and regulations

For RugVista, compliance with rules and regulations is essential and in the best way prevent the business from being used for corruption and fraud.

RugVista requires that the company's board, management, and all employees comply with RugVista's code of conduct, policies, guidelines as well as applicable legislation and other relevant rules such as GDPR, government and industry regulations.

All employees must sign the company's Code of Conduct and personnel policy in connection with employment and it is mandatory for all suppliers to sign the code of conduct for suppliers.

#### Prevent corruption

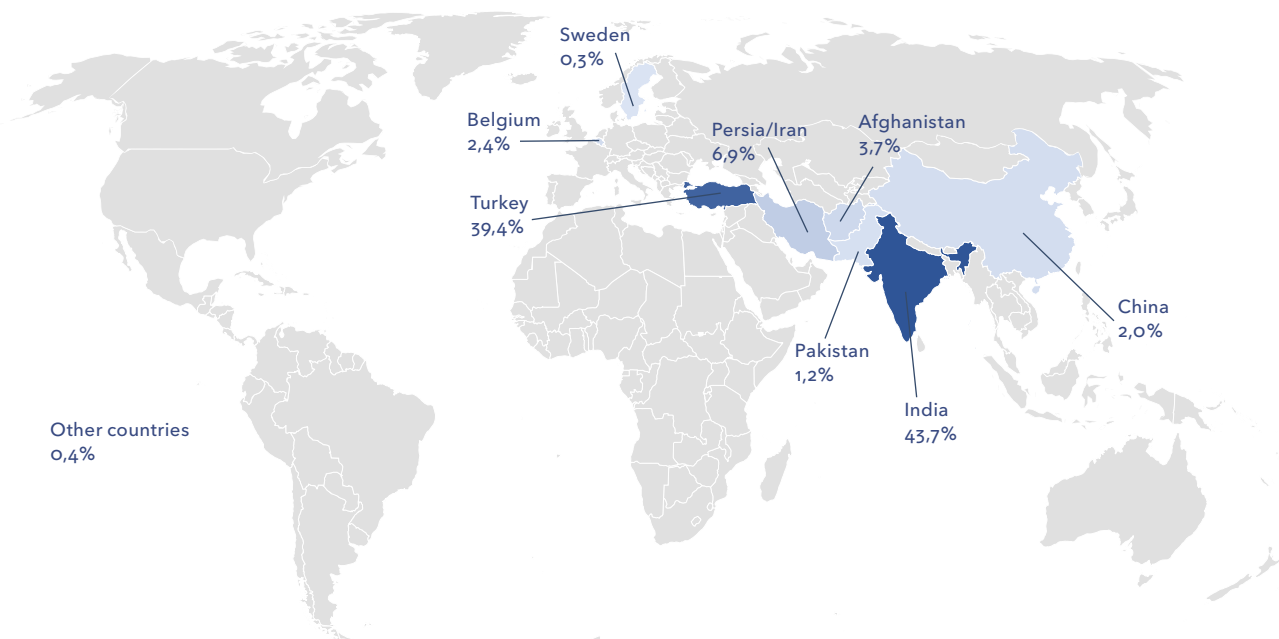
Corruption is a risk in the regions where RugVista's suppliers operate. Acting ethically, with respect and integrity, is a basic rule within the company, and

part of our values. Our personnel policy and codes of conduct describe the expectations that exist for employees and suppliers and that we have zero tolerance for all forms of corruption. In 2020, training was carried out for key people in the company, and in 2022, an updated training will take place.

**Supply chain development**

Supply chain transparency means more than knowing where in the world our rugs are produced - it means knowing who our suppliers are, how they work, and how we can best support them to work in a responsible and efficient manner.

Our network of suppliers and producers extends across several countries and includes 20 suppliers, mainly located in Asia and Europe. We focus on building long-term relationships with our key supply chain partners, where we together develop successful and sustainable business. Before entering a relationship with a potential new supplier, we make an assessment to identify and act upon discovered and potential human rights risks as well as environmental risks. During the onboarding phase we require the disclosure of our suppliers' production sites. In 2021 we extended this to also include tier 2 suppliers. (see *supply chain assessment cycle on page 53*). Our long term goal is a fully transparent supply chain.



**ORIGIN OF RUGS IN STOCK END OF 2021**

83% of the rugs stored in our fulfillment centers are produced in India and Turkey. Rugs made in Persia, Afghanistan, China, Belgium, and Pakistan are purchased from wholesalers in Europe. All production sites are included in the amfori BSCI or LabelStep auditing system.

**KEY FOCUS 2022 - BUSINESS**

Our long-term focus is to maintain good governance and responsible business practices. For 2022 this translates into the following key focuses:

- Continue mapping our tier 2 suppliers and beyond
- Secure the implementation of our / amfori BSCI Code of Conduct for our tier 2 suppliers
- Better detection of corruption in the supply chain, for example through the implementation of our new whistle blowing system.
- Anti-corruption training of key people
- Engage our current and potential investors with our sustainability ambitions and progress.

## ADDRESSING SUSTAINABILITY RISKS

The scope of the rug industry is global, and it affects many people throughout our value chain. Besides the vast opportunities, it also comes with significant risks and responsibilities that we need to manage to safeguard our business and the people we touch upon. Our efforts are focused on identifying the most significant sustainability risks related to the rug industry. These are regularly reviewed and assessed, and we identify what systems, methods and controls that are in place, or needs to be put in place, to minimize any impact of the risks.

Some of the identified risks are risks related to occupational health, safety and corruption in the supply chain, other local human rights risks identified in accordance with the UN Guiding Principles on Business and Human Rights, and the company's climate impact.

Most risks can be managed through internal routines and controls while some risks are more challenging and complex since they might be political, cultural or require fundamental changes throughout the industry. We see long-term partnerships and collaboration with our suppliers being important keys to mitigate these risks.

Some of the main sustainability risks we have identified includes:

### **VIOLATION OF HUMAN RIGHTS AND CORE LABOR RIGHTS**

**Risk:** Throughout the supply chain in most of our production countries there is a risk of violation of core labor rights. These violations mainly concern the rights of freedom of Association and Collective Bargaining, Excessive Overtime, Unhealthy and unsafe working environment, Child labor and Illegal and precarious employments. Depending on the production country the issues differ. While for example excessive overtime and illegal workers is a higher risk in Turkey, unsafe working environment is a higher risk in India. Child labor is fortunately no longer considered a major risk in our supply chain and no cases has been reported

at our suppliers during the last year. Nevertheless, this is a crucial point and qualifies as a zero-tolerance violation if detected.

**Mitigation plan:** Our Code of Conduct for Business partners includes all the core labor rights mentioned above. Through our external audit system and regular follow ups against our Code we manage these risks. This includes examining if there is a well-functioning grievance mechanism in place at our suppliers. In respect of any findings or issues identified through the audits, we engage with our suppliers, either directly or through NGO's we cooperate with, to set a remediation plan that we follow up on to secure progress is being made. While some of these risks haven't been realized to our knowledge, we have through our mitigation efforts been able to identify some issues and together with the supplier improved the production conditions and environment, such as reducing excessive overtime hours amongst suppliers in Turkey.

### **CLIMATE CHANGE**

**Risk:** Increased temperatures, flooding and droughts are some serious examples of climate change that affect our planet. Its occurrence has both direct fatal and huge socio-economic consequences for societies and impact the long-term survival of our planet. Processing of textile has significant environmental impact as e.g., consumption of water, chemicals and energy is high throughout the entire process. Without correct preventive work, severe environmental impact occurs. For us, a company being reliant on a well-functioning supply chain, the climate changes also risk disrupting our production. Climate change is affecting every part of the world, but some countries and regions are at a higher risk, such as India and Pakistan. These are also countries we source from.

**Mitigation plan:** Our focus to manage this risk is two-folded. One of the fundamentals in our sustaina-



bility strategy is to reduce our environmental impact. During 2021 we committed to the *Science Based Target Initiative* as a further step to accelerate our work to reduce our climate footprint. With climate change being a global problem, our work alone will unfortunately not be enough to mitigate the risk of disruption in our supply chain due to climate change. We therefore also continuously review our dependencies on different regions and countries and develop strategies accordingly to spread our risk.

#### RESOURCE SCARCITY

**Risk:** Currently the dominant linear production model we rely on is a big threat with the growing depletion of the world's natural resources. This causes loss of biodiversity, has a negative impact on the climate and lead to food shortage and is expected to have a major impact on global GDP. With a business model currently predominantly depending on virgin materials the consequences can be notable if not managed.

**Mitigation plan:** A cornerstone in the RugVista sustainability strategy is to develop and continuously increase elements of a circular business model. This will allow us to contribute to a positive development for the world but also to better decouple our financial performance from the use of virgin material to stand resilient for the future. The outcome depends on how successful we are in our work to implement the sustainability strategy and our ability to develop an even more sustainable customer offering.

#### PRODUCT SAFETY

**Risk:** Customers need to be able to rely on product safety during the use of our rugs. We have identified that the main risk when it comes to product safety for rugs are related to chemical content in the product.

**Mitigation plan:** All RugVista suppliers must sign the REACH Chemical agreement to confirm they comply with the Chemicals Group's Chemical Restriction List, which complies with EU legislation (REACH, BPR and EU waste legislation) and international chemicals legislation (POPS). Chemical tests are made regularly by the suppliers and are also made by RugVista.

#### UNETHICAL BUSINESS BEHAVIOR

**Risk:** Producing in developing countries with widespread poverty and unstable political situations also

leads to increased risk of corruption. Corruption can take different forms throughout the supply chain e.g., bribery.

**Mitigation plan:** Our Code of Conduct states zero tolerance against any type of corruption and we regularly audit our suppliers against the Code. This includes examining the availability of a well-functioning grievance mechanism at our suppliers. During 2022 we are taking one step further by implementing a global whistle blowing channel available also to people in our supply chain to notify RugVista directly if reason to suspect for example unethical business behavior in RugVista's supply chain.

#### POLITICAL AND SOCIAL INSTABILITY IN PRODUCTION AND SOURCING MARKETS

**Risk:** RugVista offers rugs produced in several countries, of which a few are classified as high-risk from various country risk classification systems. Geopolitical and trade uncertainty may have a significant impact on our business. This can include trade restrictions, war, and increased safeguards for national security purposes. These situations can sometimes arise quickly or develop over time. The most recent example with potential impact on RugVista is the current situation in Afghanistan.

**Mitigation plan:** It's of highest importance that we continuously monitor development in our production and sourcing countries and have processes in place to maintain safe productions in unstable situations. By working together with Label STEP that have presence and well-established networks in high-risk countries, we can continue conducting business according to our high standards and securing compliance against our Code of Conduct as long as the situation allows, both from a legal and ethical perspective but also with respect to the safety situation. To conduct business also in high-risk countries we believe is a way to have a positive impact on its development. Currently we do this both through capacity building activities with our suppliers and by contributing to educational empowerment programs for weavers in these countries through working with organizations like Label STEP.

Another important measure to mitigate this risk is to spread our production between countries and different suppliers.

## COLLABORATIONS

**AS A COMPANY** with the vision to lead the rug industry towards a sustainable future, collaboration and partnerships are an essential component of our sustainability strategy.

We need diversity of perspectives to develop new solutions to the sustainability challenges we face. Each participant in a collaboration brings unique expertise, skills, and resources and when such collaboration is well-orchestrated, its potential to address systemic challenges can be remarkable. That is why we build partnerships with nonprofit organizations and other stakeholders that will enable us to push the bar beyond organizational borders and contribute to sustainable development within the rug industry.

### AMFORI BSCI

RugVista is a member of amfori BSCI, a global initiative for companies striving to improve working conditions in the global supply chain. BSCI brings together more than 2400 companies around a common code of conduct and their main role is to support the network in the work of creating sustainable and ethical supply chains.

### LABEL STEP

To be able to handle the complexity of revisions of rugs woven and knotted by home weavers, RugVista is since 2019 a certified Label STEP Fair Trade partner. Label STEP is a non-profit organization that is committed to the living conditions and well-being of rug weavers in the handmade rug industry. Label STEP works actively for long-term improvements in the rug industry while giving rug weavers the opportunity for training in human rights, health and safety, and economics.

### CARE & FAIR

Since 2018 we have a close collaboration with Care & Fair, an NGO aiming to enable regular schooling for children of rug knotters, provide opportunities for women to learn to read and write as well as provide

free healthcare for the whole family. At present, CARE & FAIR runs 10 schools, 6 adult education centers and 3 healthcare centers in India and Pakistan.

### UNITED NATIONS GLOBAL COMPACT (UNGC)

We have been members of the United Nations Global Compact (UNGC) since 2020. UNGC is a strategic policy initiative for businesses committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labor, environment and anti-corruption. Our Code of Conduct incorporates the UNGC Ten Principles, and we reflect the basic concepts of fairness, honesty and respect for people and the environment that our business touches.

### RISE CHEMICALS GROUP

Since 2019, we have been a member of The Chemical Group, part of the Research Institutes of Sweden (RISE). It is a platform for chemical knowledge in the textile production chain and for communicating chemical requirements to our suppliers. We strive to stay updated on chemical legislation and regulations through our collaboration with RISE Chemicals Group.

### GIAB

Since 2018, we have a collaboration with GIAB, whose business concept is based on the resale of leftover or defective products to consumers. Here we send rugs that are defective or that do not meet our high-quality requirements. In this way, the rugs are used by GIAB's customers instead of being destroyed.

### SWEDISH TRADE FEDERATION (SVENSK HANDEL)

RugVista is a member of the Swedish Trade Federation, the employers' association serving the entire trade and commerce sector. The federation represents commercial enterprises on issues concerning employment and economic policy. The Swedish Trade Federation is tasked with creating the best trading conditions for commercial enterprises both large and small.

### SCIENCE BASED TARGETS INITIATIVE (SBTI)

The *Science Based Targets initiative* (SBTi) drives ambitious climate action in the private sector by enabling companies to set science-based emissions reduction targets. During 2021, RugVista had its emissions reduction targets approved by the *Science Based Targets initiative*, to be consistent with the required levels to meet the goals of the Paris Agreement.



Contact us

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*Chief Organization & Sustainability Officer*

**BEATRICE PERLMAN EWERT**  
*Sustainability Manager*

E-mail: [sustainability@rugvista.se](mailto:sustainability@rugvista.se)



# AUDITOR'S REPORT

## ON THE STATUTORY SUSTAINABILITY STATEMENT

To the general meeting of the shareholders of RugVista Group AB (publ), corporate identity number 559037-7882

### ENGAGEMENT AND RESPONSIBILITY

It is the Board of Directors who is responsible for the statutory sustainability statement for the year 2021 on pages 27–67 and that it has been prepared in accordance with the Annual Accounts Act.

### THE SCOPE OF THE AUDIT

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 *The auditor's opinion regarding the statutory sustainability statement*. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and

generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

### OPINIONS

A statutory sustainability statement has been prepared.

Malmö April 8, 2022  
Ernst & Young AB

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**MARTIN HENRIKSSON**  
Authorized Public Accountant





# ||| CORPORATE GOVERNANCE REPORT

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## CORPORATE GOVERNANCE

RugVista Group AB (publ) is a Swedish public limited liability company listed on Nasdaq First North Premier Growth Market since March 2021. "RugVista Group" or the "Company" refer to, depending on the context, RugVista Group AB (publ) (registration number 559037-7882) or the group of companies in which RugVista Group AB (publ) is the parent company.

The purpose of corporate governance in RugVista Group is to create good conditions for active and responsible ownership, clear division of responsibilities between the corporate bodies, and to prevent conflicts of interest. Proper corporate governance practices are fundamental to maintaining the market's confidence in the Company and creating added value for the Company's stakeholders. The Company's corporate governance model apply to all companies in the group, currently consisting of the Company and its wholly owned subsidiary RugVista AB (registration number 556458-9207). This corporate governance report has been prepared in accordance with the Swedish Annual Accounts Act and the Swedish corporate governance code (the "Code") and have been reviewed by the Company's auditor.

### CORPORATE GOVERNANCE MODEL

The Company's corporate governance model is primarily based on Swedish law, the Company's articles of association, code of conduct and other internal steering documents.

In addition to the rules of the Swedish Companies Act (2005:551), the Swedish Annual Accounts Act (1995:1554), and the Company's articles of association the Company also applies the Nasdaq First North Premier's Rulebook for Issuers, the Code and other applicable laws and regulations. Furthermore, the culture, work practices and values of the Company also constitute a fundamental part of the Company's corporate governance.

### Swedish corporate governance code

The Code is part of the self-regulation of the corporate sector and provides norms for good corporate governance practices. The currently applicable Code is available on the website of the Swedish Corporate Governance Board [www.bolagsstyrning.se](http://www.bolagsstyrning.se). Companies whose shares are listed on a regulated market in Sweden shall apply the Code. The Code shall also be applied by companies whose shares are listed on Nasdaq First North Premier Growth Market.

The Code is based on the "comply or explain principle" meaning that a company applying the Code may deviate from rules in individual cases if other solutions are deemed to better suit the company's circumstances in a particular case. Deviations from the Code is subject to disclosure in the Corporate Governance Report. Such disclosure shall include an explanation describing the reasons for the deviation and the alternative solution. The instances where the Company deviates from specific rules in the Code are presented in the table below:

CODE RULE	DEVIATION AND EXPLANATION/COMMENT
2.4 "...Neither the company chair nor any other member of the board may chair the nomination committee."	<p>According to the Company's instruction for the Nomination Committee the member appointed by the largest shareholder shall be chairperson of the Nomination Committee, unless the Nomination Committee unanimously appoints another member.</p> <p>Following careful consideration, the Nomination Committee resolved to, in accordance with the option in the instruction for the Nomination Committee, unanimously appoint the chairperson of the Company's Board of Directors as chairperson of the Nomination Committee. For the company chair to chair the Nomination Committee entails a deviation from the Code. The Nomination Committee and the Company have carefully considered but not found conflicts of interest or other circumstances making it inappropriate for the Company chair to act as chair of the Nomination Committee.</p> <p>The reason for the deviation is that the Nomination Committee represents all shareholders. The solid knowledge and understanding of the Company, its business, and the Board of Directors that the chairperson of the Board of Directors holds is believed to add significant value, crucial for the work of the Nomination Committee. Furthermore, the other members of the Nomination Committee have been assessed as sufficiently experienced to manage potential risks with the chairperson of the Board of Directors also chairing the Nomination Committee.</p>
7.1 regarding board committees in general.	<p>The Board of Directors have resolved to not establish special committees but to have the entire Board of Directors performing the tasks of such committees.</p> <p>For a further description of the option chosen by the Company please see the section regarding board and board committees.</p>
7.2 regarding audit committee.	<p>The Board of Directors have resolved to not establish an audit committee but to have the entire Board of Directors performing the tasks of such committee.</p> <p>For a further description of the option chosen by the Company please see the section regarding board committees.</p>
7.3 "For companies that do not have a separate internal audit function, the board of directors is to evaluate the need for such a function annually and to explain its decision in its report on internal controls in the company's corporate governance report."	<p>The Board of Directors have resolved to not establish a separate internal audit function. The need for such a function is evaluated annually by the Board of Directors.</p> <p>For a further description of the option chosen by the Company please see the section Internal Audit and also the description of the Company's framework for internal control under the heading RugVista's framework for internal control and risk management.</p>
9.1-9.3 regarding remuneration committee.	<p>The Board of Directors have resolved to not establish a remuneration committee but to have the entire Board of Directors performing the tasks of such committee.</p> <p>For a further description of the option chosen by the Company please see the section regarding board committees.</p>



## THE SHARE AND LARGEST SHAREHOLDERS

The first trading day for the RugVista Group AB (publ) share on Nasdaq First North Premier Growth Market was March 18, 2021. The ISIN code of the share: SE0015659834.

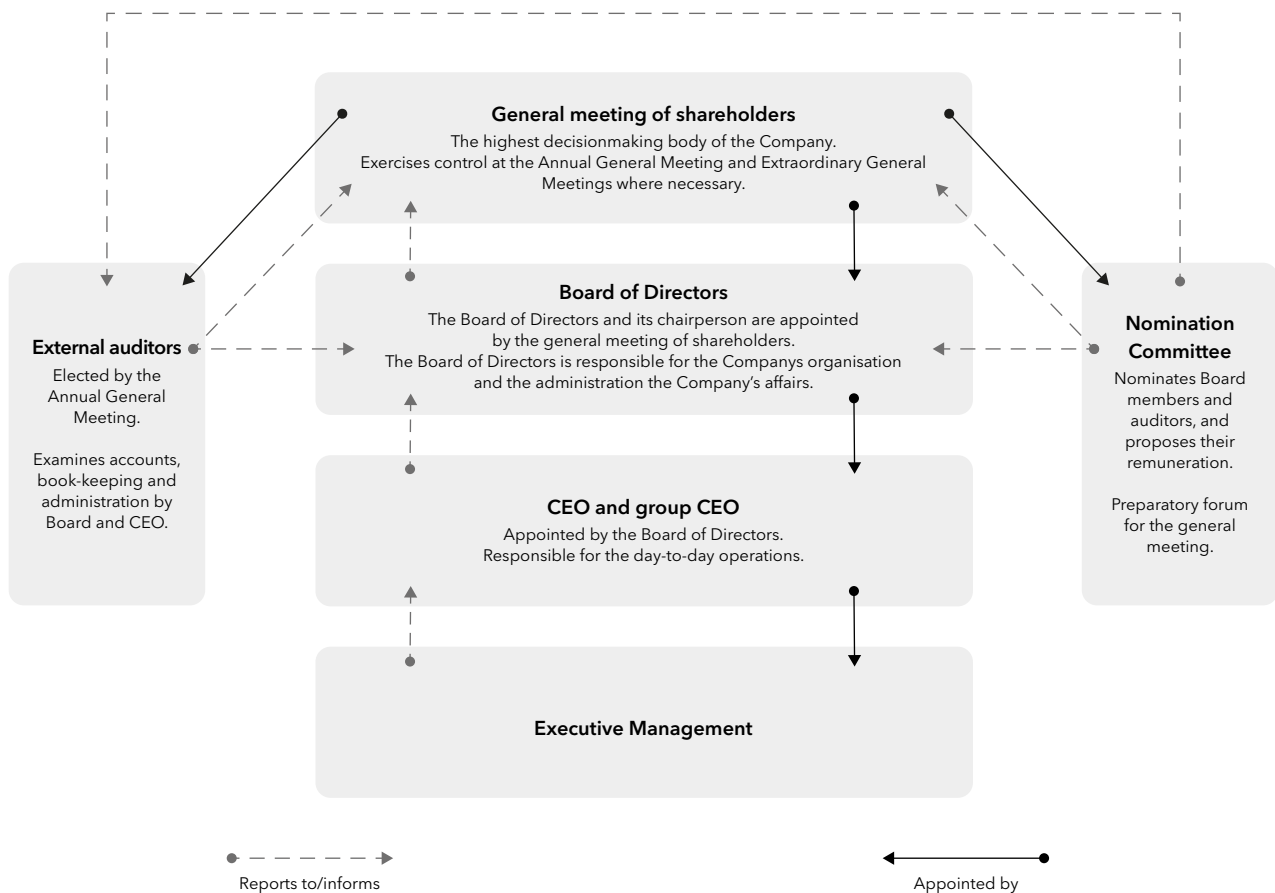
The Company's share register is maintained by Euroclear Sweden AB. On December 31, 2021, the Company had a total of 20 785 140 shares, each share represents one (1) vote.

The 10 largest shareholders as of December 30, 2021:

THE 10 LARGEST SHAREHOLDERS AS OF DECEMBER 30, 2021			
Owner	Number of shares	Share of capital	Share of votes
Litorina IV L.P.	2,813,587	13.5%	13.5%
Futur Pension	1,931,544	9.3%	9.3%
TIN Fonder	1,831,250	8.8%	8.8%
RBC	1,826,764	8.8%	8.8%
Indexon AB	1,485,702	7.1%	7.1%
RoosGruppen AB	1,040,000	5.0%	5.0%
SEB Life International	911,490	4.4%	4.4%
Enter Fonder	847,993	4.1%	4.1%
Goldman Sachs International Ltd	673,183	3.2%	3.2%
Spiltan Fonder	667,397	3.2%	3.2%
Total of the ten largest shareholders	14,028,910	67.5%	67.5%
<b>Total number of outstanding shares</b>	<b>20,785,140</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Euroclear extract per December 30, 2021

## RUGVISTA'S CORPORATE GOVERNANCE STRUCTURE



## GENERAL MEETING

The General Meeting of shareholders is the Company's highest decision-making body and the forum where the shareholders exercise control and voting rights. The Annual General Meeting ("AGM") of RugVista Group is held annually within six (6) months from the end of the financial year. In addition to the AGM, Extraordinary General Meetings may be convened if necessary.

Notice convening a General Meeting shall, according to the Company's articles of association, be issued through announcement in the Swedish Official Gazette as well as at the Company's website. Announcement to the effect that notice convening a General Meeting has been issued shall be made in Dagens Industri. Before a General Meeting the Company publishes a press release with the full notice. According to the Company's articles of association General Meeting of shareholders shall be held in Malmö municipality, where the Company has its registered head office, or in Stockholm.

At the AGM the shareholders resolve on matters such as, the adoption of income statements and balance sheets, disposition of the Company's results, discharging the Board and CEO from liability, the composition of the Nomination Committee, election of Board members (including the Chairperson) and auditor, remuneration to the Board members and auditor, guidelines for remuneration to the CEO and other senior executives. The General Meeting of shareholders may also resolve on other matters of importance to the Company, for example any changes to the Articles of Association.

Any shareholder of the Company who wishes to have a matter dealt with at a General Meeting must submit a written request to the Board of Directors to that effect. The request must normally have been received by the Company no later than seven weeks prior to the General Meeting. The Company's articles of association do not include any specific stipulations concerning the election or dismissal of Board members, limitations to sales of shares or amendments to the articles of association. The articles of association are available on the Company's website [www.rugvistagroup.com](http://www.rugvistagroup.com).

Guidelines regarding remuneration for senior executives are established at least every fourth year. At this point in time there is no authorisation to the Board from the General Meeting to resolve on issue of new shares.

### ANNUAL GENERAL MEETING ("AGM")

The 2021 AGM was held on March 3, 2021. Resolutions passed included:

- Adoption of income statement and balance sheet, and consolidated income statement and consolidated balance sheet
- Resolution on the appropriation of the Company's profit according to the adopted balance sheet entailing that the profits be carried forward
- Resolution on discharge from liability for the Board of Directors and the CEO
- Determination of fees for the Board of Directors and auditor
- Re-election of the Board members Erik Lindgren, John Womack, Magnus Dimert, Ludvig Friberger, Paul Steene and Eva Boding for the period until the next AGM. Erik Lindgren was re-elected as chairperson
- Election of auditor

RugVista Group's next AGM will be held on May 20, 2022. The AGM will be conducted with the possibility of postal voting. For further information regarding 2022 AGM, please see the Company's website [www.rugvistagroup.com](http://www.rugvistagroup.com).

### 2021 EXTRAORDINARY GENERAL MEETINGS

An extraordinary general meeting was held on February 11, 2021, where Magnus Ressel resigned as a member of the Board of Directors and Eva Boding was elected to the Board of Directors. As preparations for the Company's IPO the general meeting further resolved on matters such as, change of limited company category to a public limited company, introduction of record day provision, removal of pre-emption rights, adoption of remuneration guidelines for senior executives and instruction for the Nomination Committee. Furthermore, the meeting resolved on a split of shares entailing a split of each existing share to 20 shares (20:1 split of shares).

On an extraordinary general meeting February 17, 2021, a number of smaller adjustments to the resolutions from the meeting 11 February 2021 were made.

On an extraordinary general meeting March 18, 2021, it was resolved to adopt a new incentive plan (LTIP 2021) intended for existing and future key coworkers. The resolution included issue and following transfer of warrants.

### RIGHT TO ATTEND GENERAL MEETINGS

All shareholders who, on the record date six banking days ahead of the General Meeting, are directly recorded in the Company's share register maintained by Euroclear Sweden and have notified the Company of their intention to attend the General Meeting no later than the date specified in the convening notice, have the right to participate in the General Meeting and vote for the shares they hold.

Shareholders whose shares are nominee registered through a bank or other nominee must, in addition to giving notice of participation, request that their shares be temporarily registered in their own name in the share register kept by Euroclear Sweden (so called voting right registration) in order to be entitled to participate at the General Meeting. The shareholders' register for the General Meeting as of the record date will take into account voting right registrations completed no later than four banking days ahead of the General Meeting. Shareholders concerned must, in accordance with each nominee's routines, request that the nominee makes such voting right registration well in advance of that date.

Shareholders may attend the RugVista Group's General Meeting in person or by proxy and may bring a maximum of two assistants, provided, however, that the shareholder has notified the Company of this in accordance with the above. The articles of associations of the Company contains no limitations in respect of the number of votes that a shareholder can cast at a General Meeting.

## NOMINATION COMMITTEE

### THE WORK OF THE NOMINATION COMMITTEE

The Nomination Committee represents the shareholders of the Company. The tasks of the Nomination Committee are to prepare and present proposals for resolutions regarding i.a. number of board members, election of board members, chairperson, and remuneration to board members. The Nomination Committee also prepares proposal for resolution regarding election of auditor, remuneration of auditor and, the extent necessary, proposal for changes to the instructions for the Nomination Committee. Shareholders may submit proposals to the Nomination Committee in accordance with the instructions provided on the Company's website.

### COMPOSITION OF THE NOMINATION COMMITTEE

The Nomination Committee shall consist of the chairperson of the Board of Directors and one representative of each of the two largest shareholders in RugVista Group in terms of votes based on the share register kept by Euroclear Sweden as of the last banking day in October each year or other reliable ownership information at such time.

The chairperson of the Nomination Committee shall be the member who has been appointed by the largest shareholder in terms of votes, unless the Nomination Committee unanimously appoints another member. The composition of the Nomination Committee, stating which shareholder has appointed each member, shall be announced on the Company's website no later than six months before the Annual General Meeting. The term of office for the Nomination Committee shall be for the period until a new Nomination Committee has been appointed.

If a shareholder who has appointed a member of the Nomination Committee no longer is among the two largest shareholders in terms of votes at a time that occurs no later than three months before the Annual General Meeting, the member appointed by such shareholder shall resign, and the shareholder who then is among the two largest shareholders in terms of votes, may appoint a representative to the Nomination Committee. If such change in ownership occurs later than three months before the Annual General Meeting or only entails marginal changes in the number of votes, the composition of the already formed Nomination Committee shall not be changed. A shareholder that has become one of the two largest shareholders on account of a more significant change in the number of votes held later than three months before the Annual General Meeting shall, however, be entitled to appoint a representative who shall be invited to participate in the Nomination Committee's work as a co-opted member.

In the event that a member leaves the Nomination Committee before its work has been completed, a replacement shall be appointed firstly by the shareholder who appointed the member and secondly by the next largest shareholder in terms of votes who has not appointed a member. A shareholder who has appointed a representative as a member of the Nomination Committee has the right to dismiss such member and appoint a new representative as a member. Changes in the composition of the Nomination Committee are announced immediately on the Company's website.

### NOMINATION COMMITTEE FOR THE 2022 AGM

The Nomination Committee for RugVista's 2022 AGM has been formed in accordance with the company's instructions for the Nomination Committee, as described above and has

the following composition: Andreas Nyberg appointed by the Company's largest shareholder Litorina IV L.P, Klara Tersman appointed by TIN Fonder, and Erik Lindgren chairperson of the Board of Directors of the Company. As presented above the Nomination Committee unanimously appointed Erik Lindgren as chairperson of the Nomination Committee.

The Company applies item 4.1 of the Code as its diversity policy. The Nomination Committee shall apply item 4.1 of the Code and strive for a composition of competencies and experiences that correspond to the requirements of the Board of Directors of the Company as a whole. The Nomination Committee attaches great importance to the matter of diversity and actively works to seek an even gender distribution. The Nomination Committee's proposals to the 2022 AGM are published in the notice to the AGM and available on the Company's website, and in the event of proposal regarding board member election, in a press release once the proposal has been concluded.

## BOARD OF DIRECTORS

Following the General Meeting of shareholders, the Board, is the highest decision-making body of the Company and its highest executive body. The tasks of the Board are primarily governed by the Swedish Companies Act, the articles of association of the Company and the Code. In addition to the above the work of the Board is also governed by the rules of procedure established annually by the Board. The rules of procedures govern matters such as delegation of tasks and responsibilities between the Board and the CEO and includes routines for financial reporting of the CEO. Currently applicable rules of procedure was established January 28, 2021.

The Board is responsible for RugVista Group's organization and the management of the Company's affairs. The Board's tasks include establishing strategies, targets, business plans, budget, interim reports, financial statements, and adoption of steering documents. The Board also monitors the financial performance of the Company and ensures that the Company has good internal control and routines to ensure that routines and controls in respect of the financial reporting are followed and that the financial reporting is prepared in accordance with law and applicable accounting standards and requirements. In addition, the Board shall ensure sufficient control of the Company's compliance with laws and regulations applicable to its operations and the Company's internal steering documents. The Board monitors the business and performance based on targets adopted by the Board. Identifying the sustainability impact on risks and possibilities of the Company is also part of the task of the Board, including to establish appropriate guidelines for the Company's conduct in society to ensure long term value creation by the Company. Furthermore, the Board is responsible for continuously evaluating the work of the CEO. In addition, the Board decides on major investments and organizational and operational changes.

The chairperson of the Board leads and structures the work of the Board to monitor that the Board fulfils its tasks and that the decisions of the board are executed. In close cooperation with the CEO, the chairperson, monitors the Company's earnings, prepares, and leads the meetings of the Board. Furthermore, the chairperson is responsible for an annual evaluation of the board's work, and that the Board continuously are provided with the information needed to fulfil its tasks.



For the purpose of developing the work of the Board and to identify potential needs for additional competencies the chairperson of the Company's Board conducts an annual evaluation of the Board's work in accordance with the rules of procedures. The results of the evaluation, strengths and improvement areas are discussed within the Board and constitutes the basis for the Nomination Committee in the work of assessing the composition of the Board.

#### BOARD COMMITTEES

The Board's overall, ultimate responsibility for matters that can be prepared by board committees can never be delegated. The Board has decided to not establish an audit committee or a remuneration committee but to have the Board in its entirety conduct the tasks of such committees. The Board believes that this works well and entails that the entire Board takes active part and has full insights in these important areas.

Consequently, it is the Board that during 2021 has assessed the routines for internal controls regarding financial reporting. The Board continuously monitors the Company's accounting and financial reporting and have evaluated the Company's accounting and financial reporting routines. The Board has also monitored and evaluated the work and independence of the external auditor.

The Board monitors and evaluates the application of the Company's guidelines for remuneration to senior executives and remuneration structures and levels in the Company. CEO and senior executives are not present when the Board manages and resolves on remuneration related matters to the extent they are affected.

#### BOARD COMPOSITION

Code item 4,1 is applied as the diversity policy of the Company. This entails that the Board shall have a composition appropriate to the Company's operations, phase of development and other relevant circumstances and consist of members with different background, competencies and experiences, and that gender balance shall be sought. According to the Company's articles of association the Board shall consist of no less than three (3) and no more than ten (10) board members. Currently the Board consists of six (6) members of which one is a woman (16,6%).

The table below sets out overall board composition, including attendance on board meetings. For a more detailed presentation of the Board members please see table 1B and the Company's website [www.rugvistagroup.com](http://www.rugvistagroup.com). For information regarding remuneration to Board members please see Note 7 "Salaries and remuneration to employees".

**TABLE 1 A. BOARD COMPOSITION - INDEPENDENCE, ATTENDANCE AND HOLDINGS**

Name	Assignment	Elected	Independent (Company and management)	Independent (Larger shareholders)	Attendance board meetings	Holdings shares (own and closely related parties)	Holdings warrants (own and closely related parties)
Erik Lindgren	Chairperson	2019	Yes	Yes	26/26	268 080	12 500
Eva Boding <sup>1</sup>	Member	2021	Yes	Yes	25/26	1 200	-
Magnus Dimert	Member	2018	Yes	Yes	26/26	162 060	-
Ludvig Friberger	Member	2016	No	No	26/26	1010 726	-
Paul Steene	Member	2015	Yes	No	26/26	-	-
John Womack	Member	2016	No	Yes	26/26	22 000	-
Magnus Ressel <sup>2</sup>	Member	2015	Yes	No	1/26	Not applicable <sup>2</sup>	Not applicable <sup>2</sup>

<sup>1</sup> Eva Boding elected as member of the Board February 2021 and has attended all meetings after the appointment.

<sup>2</sup> Magnus Ressel resigned as member of the Board February 2021. Magnus Ressel was not a member of the Board at the time when the shares on the Company were listed.

TABLE 1 B. BOARD MEMBERS		
Name/ Date of birth	Education and experience	Other material assignments/ positions
Erik Lindgren 1967	Entrepreneur and CEO within online sales, including as founder and former CEO of Discshop Svenska Näthandel AB, former CEO of Babyland Online Nordic AB and co-founder of Apotea AB. Previous assignments/positions include Senior Advisor på EQT Partners, chairperson of the Board of Apotea AB, E-handelsgruppen i Sverige AB, Apotea holding AB and David Andersson Sweden AB. Board member of Eton Group AB, RESIA Travel Group AB, Granngården AB, GG Holding AB, Earl Holding III AB, House of Flowers Sweden AB, IVC Evidensia Ltd, Musti Group Oyj and Top Toy A/S.	Chairperson of the Board of ArtGlass i Malmö AB and Riddermark Bil AB. Board member of Storviksudden AB and Lipadi Hills AB.
Eva Boding 1973	MBA, Stockholm University, Lund University and University of Groningen. Experience from executive positions at international consumer brands such as Gant, Filippa K och L'Oréal. Former CEO of Kasthall Group AB. Previous assignments/positions include board member of Nordic Nest Group AB, House of Dagmar AB, och Association of Swedish Fashion Brands ekonomisk förening.	CEO of Edblad & Co AB and Board member of Boding Health AB
Magnus Dimert 1970	MBA, Gothenburg University's School of Business. Experience from operational positions within online sales and as co-founder within the sector, positions include CEO and co-founder of Adlibris and Evidensa utveckling AB as well as co-founder of Addnature and Eero Aarnio Originals. Previous assignments/positions include Board member of Pierce Holding AB, LGT Group AB and ArtGlass i Malmö AB and deputy Board member of Vilppu Holding AB.	Chairperson of Alerna Systems AB. Board member of GAMBETTA Affärsutveckling AB, Lygna AB, Kusthavet AB, Best Transport Holding AB, RVRC Holding AB, Sub 18 Holding AB, Sofaco Holding ApS and Sofaco International ApS. Board member and CEO of Evidensa utveckling AB. Deputy Board member of Gimbur AB.
Ludvig Friberger 1979	Professional experience in programming, software development, web design and IT architecture. Previous assignments/positions include, chairperson and CEO of SolNord AB. Board member of ArtGlass i Malmö AB. CEO and CTO of RugVista.	Chairperson of the Board of SolNord Vellinge AB, IFSEK - Institutet för solenergi kvalitet AB. Chairperson and CEO of Cutting Edge Construction AB. Board member of Transistormedia AB, Care of Carl AB, Good Measure AB, and Solelgrossisten Sverige AB.
Paul Steene 1973	M.Sc. in mechanical engineering, Lund University. Currently co-owner of Litorina Capital Advisors AB, adviser to Litorina IV L.P. Previous assignments/positions include Board member of Coromatic, Textilia, Pax, Fractal Design and LGT Logistics.	Board member of Embellence Group AB (publ), Layer Group AB, Litorina Capital Advisors AB, Litorina V Holding AB och Litorina V Investment AB.
John Womack 1966	Bachelor in Economics, Lund University. Professional experience within Investor relations, communication, and sustainability, and is currently Senior Advisor at Fogel & Partners AB. Former Head of Investor Relations of Munters Group AB, Bygghemma Group First AB, Alimak Group AB, and Information- and IR Director of Clas Ohlson AB. Previous assignments/positions include Board member of ArtGlass Malmö AB.	CEO and Board member of Womack Investor Relations AB.



Erik Lindgren



Eva Boding



Magnus Dimert



Ludvig Friberger



Paul Steene



John Womack

**THE BOARD'S WORK IN 2021**

During the financial year 2021 the Board held 26 meetings, including inaugural, regular, extraordinary and per capsulam meetings. Regular meetings were held according to a pre-determined board calendar and in accordance with the rules and procedures. In addition to the board meetings the chairperson of the Board and the CEO has a close continuous dialogue regarding the business and management of the company's affairs.

Main items for the Board during the financial year 2021 have included, preparatory work before and in connection with the IPO process, continuous monitoring of the Company's earnings, financial condition and reporting, and strategy, business plans, budget, and organization/governance matters.

**AUDITORS**

Ernst & Young AB (Box 4279 Nordenskiöldsgatan 24, 203 14, Malmö, Sweden) has served as external auditor of the Company since 2015, with Martin Henriksson, authorized public accountant and a member of FAR (the institute for the accountancy profession in Sweden) as the auditor in charge since 2015.

For the financial year 2021 the Company's auditor has reviewed the Q3 report and audited the annual report and the group reporting. The Company's auditor further issues statements regarding the corporate governance report and whether a sustainability report has been prepared and issues a specific statement whether the Company has adhered to the guidelines for remuneration to senior executives. The

Company's auditor reports its observations to the shareholders by way of the auditor's reports presented at the AGM. The auditor has participated on one board meeting during 2021 during which the annual report for 2020 was presented.

For the financial year 2021 Ernst & Young has not conducted any non-audit services to the Company. The Board monitors the independence of the auditor and evaluates the work of the auditors at least annually.

**CEO AND EXECUTIVE MANAGEMENT**

CEO is appointed by and subordinate to the Board. The CEO is responsible for the Company's operational management and its day-to-day business.

The CEO tasks are to be conducted in accordance with applicable law, the articles of association, the Board's rules of procedures, the CEO instruction from the Board and any other instructions or directives from the Board. The CEO is responsible for compiling and collating information from the management before Board meetings and reports and presents information on the Board meetings. The CEO shall ensure that the Board has access to sufficient information to assess the financial condition of the group. CEO appoints the members of the executive management.

Michael Lindskog is CEO for the Company since 2019. As of end of 2021 RugVista Group's executive management team consisted of seven persons in addition to the CEO.

For a more detailed presentation of the CEO and executive management please see table 2 and the Company's website [www.rugvistagroup.com](http://www.rugvistagroup.com).

**TABLE 2. EXECUTIVE MANAGEMENT**

Name/ Date of birth	Role/ Employed since	Education	Previous assignments and experience	Other material assignments	Holdings shares (own and closely related parties)	Holdings warrants (own and closely related parties)
Michael Lindskog 1978	CEO 2019	MBA, Stockholm School of Economics, M.Sc. in marketing, Western Kentucky University, USA	Head of Nordics Zalando. Founder, Board member, and CEO Waizer AB. Managing Director Fashion Connectivity Technologies GmbH. Engagement manager McKinsey & Company	-	287 990	240 000
Henrik Bo Jørgensen 1986	CFO 2021	M.Sc. in economics, University of Copenhagen. Studies in economics, London School of Economics and University of Sydney	Management consultant Boston Consulting Group and Maersk Management Consulting, CFO/COO Nofred, Head of Commercial Development IC Group / Tiger of Sweden	-	-	60 000
Peter Rosenfors 1976	CTO 2021	M.Sc in Engineering, Geographical IT, Luleå University	CTO CDON AB, Engineering Manager Axis Communications, Head of R&D Palette Software, and Head of Development Fordons-Data Nordic AB	-	7 730	15 000



TABLE 2. EXECUTIVE MANAGEMENT

Name/ Date of birth	Role/ Employed since	Education	Previous assignments and experience	Other material assignments	Holdings shares (own and closely related parties)	Holdings warrants (own and closely related parties)
Carin Terins 1964	CDPO 2018	Product developer within garment industry, University of Borås. Digital Marketing, IHM Business School Stockholm	Design and purchasing manager Flash AB	-	112 601	-
Patricia Widgren 1970	COSO 2018	Market economist, IHM Business School Stockholm	Consultant within recruitment and headhunting at Prawia AB and Appointed Sverige AB, CEO Biltema Sweden AB and Century Europé AB	Board member Prawia AB	25 120	25 000
Anders Matthiesen 1983	COO 2021	Economics and Business Administration and Supply Chain Management, Copenhagen Business School	Management consultant Implement Consulting Group, Director POSM Pandora	-	-	30 000
Ulrika Klinkert 1972	CMO 2017	M.Sc. in Engineering, marketing and economics and management studies, Lund University, Karlsruhe Institute of Technology, The Australian National University	Marketing Director Hilding Anders International AB, Head of Marketing Betsson Group AB, Market Manager Kjell & Company	-	75 900	-
Maria Tholin 1980	Head of Legal & Compliance 2021	Master of Laws LL.M., Lund University	Legal Counsel Ikano Bank and senior associate, Mannheimer Swartling law firm.	-	2 530	7 500



Michael Lindskog



Henrik Bo Jørgensen



Peter Rosenfors



Carin Terins



Patricia Rajkovic Widgren



Anders Matthiesen



Ulrika Klinkert



Maria Tholin





### REMUNERATION TO SENIOR EXECUTIVES

On the extraordinary General Meeting held on February 11, 2021 the Company's guidelines for remuneration to senior executives were adopted. Senior executives of RugVista Group, which consists of individuals who from time to time are part of the Company's executive management, fall within the provisions of these guidelines. To the extent that a member of the Board of Directors performs work for the Company in addition to the Board assignment, these guidelines shall also apply to any other remuneration (e.g., consultancy fees) for such work. These guidelines do not apply to any remuneration decided or approved by the General Meeting.

Remuneration to senior executives may consist of fixed remuneration, pension benefits, and other benefits that can include inter alia life insurance, medical insurance and company car to a total not exceeding 15 % of the fixed annual cash salary. The fixed salary shall be based on the responsibility, authority, competence, and experience of the individual. Other details regarding remuneration that the Company provides are presented in Note 7 "Salaries and remuneration to employees" and in the Company's Remuneration Report available on the Company's website.

### RUGVISTA'S FRAMEWORK FOR INTERNAL CONTROL AND RISK MANAGEMENT

The work with internal control is an important part of the Company's ongoing work with corporate governance matters. The Company continuously works with establishing a, for the Company appropriate and effective framework, for internal control including management of risks that arises in the business.

A clear division of work and responsibilities both between the Board and the CEO, and within the organization is an important part of internal control within RugVista. Responsibility for internal control in the business is delegated to appointed co-workers with functional responsibility for each area. Key elements of the Company's risk management are identification, evaluation, planning of risk response and monitoring. CEO reports on material risks to the Board and the Board's monitoring of risks also includes potential observations from the Company's auditors.

The Board has established a number of policies that together with applicable external regulations form the overarching framework for the governance and control of the business. In addition to policies the Company's internal framework also consist of additional guidelines and process descriptions/instructions.

Furthermore, the Company considers its corporate culture and values to be a central part of shaping a responsible business. The starting point is that operational controls and guidelines for risk management shall be anchored in the targets and requirements of the Company's values (*Focus on Impact, Stay True, Be Entrepreneurs*), and code of conduct.

### INTERNAL CONTROL REGARDING FINANCIAL REPORTING

The key elements of the Company's process to ensure quality in the financial reporting are described below:

#### *Framework for internal control*

The Company's overarching framework for internal control with a clear division of work and responsibility both between the Board and the CEO and within the organization is an important part of internal control within RugVista. The need for policies and guidelines is continuously evaluated by management and the Board. Steering documents together with process descriptions for the financial reporting are available to and know by relevant co-workers.

#### *Risk assessment and internal controls*

Risk assessment includes identification and analysis of material risks that affect internal control regarding the financial reporting. Controls are both of a preventive nature, meaning that they are measures intended to prevent losses or misstatements in the reporting, and of a detective nature. Furthermore, the controls shall ensure that any misstatements are corrected.

The Finance function, which compiles the reports, works in accordance with carefully prepared accounts and standardized working procedures with controls to ensure that the financial reporting is in accordance with law, applicable accounting standards and other applicable requirements. The Company's control measures include the involvement of the Board, management, and other co-workers. The Board receives information regarding the Company's financial condition prior to each regular Board meeting.

#### *Information and communication*

Information to and involvement of management is ensured inter alia in connection with regular management meetings which the CFO participates in as a member. The Board receives regular reports including financial position and CEO and managements comments to the business.

Findings and observations from the auditors are also shared with the Board through audit reports. In addition to the reports the Company's auditors participates on one board meeting per year where the Board has the opportunity to ask questions to the auditors.

#### *Review and follow up*

The Company continuously evaluates its internal control regarding financial reporting and effective reporting to the Board. The Board annually decides on significant risk areas and evaluates the internal control.

### INTERNAL AUDIT

The Company has a non-complex legal and operational structure. CEO and co-workers with functional responsibilities are responsible for internal control for the respective areas. The Board follows up on and evaluates the Company's assessment of internal control inter alia by the Company's reporting of significant risks and via observations and reports from the Company's auditors. The Board has chosen to not establish a separate internal audit function and the need for such a function is evaluated annually.



# AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

To the general meeting of the shareholders of RugVista Group AB (publ), corporate identity number 559037-7882

## ENGAGEMENT AND RESPONSIBILITY

It is the Board of Directors who is responsible for the corporate governance statement for the year 2021 on pages 69–79 and that it has been prepared in accordance with the Annual Accounts Act.

## THE SCOPE OF THE AUDIT

Our examination has been conducted in accordance with FAR's standard RevR 16 *The auditor's examination of the corporate governance statement*. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

## OPINIONS

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Malmö April 8, 2022  
Ernst & Young AB

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**MARTIN HENRIKSSON**  
Authorized Public Accountant





# IV DIRECTORS' REPORT

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## GENERAL INFORMATION ABOUT THE BUSINESS

RugVista Group is one of the leading European direct-to-consumer online platforms within carpet and rug sales through its online stores, available in 20 different languages, using the RugVista and CarpetVista brands. The company was founded in 2005 and offers a broad and relevant range of quality design and traditional carpets and rugs. RugVista Group offers its EU based customers free deliveries and returns free of charge. The Group's operations are divided into three segments: B2C, B2B, and Marketplaces & Other (MPO). The B2C segment represents the consumer market and is the Company's core segment.

RugVista Group AB (publ) has been listed on Nasdaq First North Premier Growth Market since 18 March 2021.

## EMPLOYEES

At the end of December 2021, the RugVista Group had 84 employees (66). The average number of employees in the Group was 82 (69), whereof 44% women (44%). More information on RugVista's employees and culture are presented in the Sustainability Report in the PEOPLE section on page 50.

## FINANCIAL REVIEW AND POSITION

### NET REVENUE

Group net revenue during the period was SEK 705.0 (561.9) million representing an increase of 25.5% (33.0%) and organic net revenue growth was 34.0%. The difference between the reported net revenue growth and the organic net revenue growth is driven by the divestment of ArtGlass i Malmö AB in December 2020, which contributed to 3.6% of net revenue during the period in 2020, as well as the appreciation of the SEK against primarily the EUR and currencies tied to the EUR such as the DKK.

Net revenue within the B2C segment, the Group's largest, was SEK 622.1 (479.2) million representing an increase of 29.8% (33.8%). Net revenue within the segment was primarily driven by the DACH region with a growth rate of 42.8% (31.3%).

Net revenue within the B2B segment was SEK 63.9 (49.7) million representing an increase of 28.6% (14.9%). The demand continues to be somewhat lower compared to before the Covid-19 pandemic, but a noticeable activity increase within the interior design customer segment has been observed during the second half of the year in particular.

Net revenue within the Marketplaces & Other (MPO) segment was SEK 19.0 (12.8) million representing an increase

of 48.1% (113.7%). The segment continued its positive development during the period driven by implemented enhancement actions.

### PROFIT AND MARGINS

Gross margin was 64.6% (61.7%). The gross margin increase was driven by category mix effects and a lower average sales discount rate compared to last year.

Other external expenses as a share of net revenue were 35.9% (33.6%). The increase was primarily driven by higher investments into marketing efforts to drive growth during the last three quarters of the year in addition to the costs related to the IPO process during the first quarter.

Personnel expenses as a share of net revenue were 9.0% (8.5%).

Other operating expenses were SEK -2.9 (-1.3) million. The line-item includes the net of FX effects on transactions and cash balances during the period.

Depreciation and amortization were SEK -8.4 (-7.8) million and mainly consists of amortization of right-of-use assets.

EBIT was SEK 127.7 (104.2) million representing an EBIT margin of 18.1% (18.5%).

Adjusted EBIT was SEK 137.6 (109.2) million representing an adjusted EBIT margin of 19.5% (19.4%). Adjustments of SEK 9.9 (5.0) million were all related to the IPO process during the first quarter.

Net financial expenses were SEK -0.9 (-3.6) million with the decrease driven by the Group no longer carrying any loans from credit institutions.

Taxes during the period was SEK -26.9 (-20.6) million while profit for the period was SEK 99.9 (80.0) million representing a profit margin of 14.2% (14.2%).

### CASH FLOWS

Cash flow from operating activities was SEK 104.8 (185.4) million during the period. The lower cash flow from operating activities was a consequence of the efforts to rebuild the inventory position during 2021.

Cash flow from investing activities was SEK -2.4 (1.2) million during the period and relates to investments in tangible assets. Last year, cash flow from the divestment of subsidiary ArtGlass i Malmö AB amounted to SEK 3.2 million.

Cash flow from financing activities was SEK -23.8 (-92.6) million during the period. The cash outflow was mainly driven by the winding down of the historical long-term incentive programs (LTIP2017, LTIP2018, and LTIP2019) in conjunction with the listing on NASDAQ First North Premier Growth Market including repurchase of warrants worth SEK 38.1 million and issuance of new shares amounting to SEK 11.4 million. During the end of 2020, loans totaling SEK 88.0 million to credit institutions were fully amortized.



**FINANCIAL POSITION**

Inventory value at the end of the period was SEK 146.6 (91.0) million and inventory value as a share of LTM net sales was 20.8% (16.2%). The 20.8% value is in-line with the mid-term ambition to keep the ratio between 17.5% to 22.5%. Efforts within the purchasing department to secure inventory ahead of the peak-season as well as re-stocking best-selling articles were successfully executed in collaboration with our supplier

base despite ongoing challenges in the supply chain related to the Covid-19 pandemic as well as the ongoing global freight challenges.

Net financial indebtedness was SEK -189.6 (-109.6) million with the SEK 80.0 million improvement primarily driven by strong cash generation from operating activities coupled with low investment need.

Cash and cash equivalents were SEK 218.1 (139.5) million.

**MULTI-YEAR OVERVIEW**

<i>SEK thousand if not stated otherwise</i>	2021	2020	2019	2019 - 2021 CAGR
Operating income	706,527	564,045	425,283	28.9%
Net revenue	704,984	561,883	422,479	29.2%
Net revenue, excluding divested operations <sup>1</sup>	704,984	541,712	407,292	31.6%
Gross profit	455,698	346,950	253,190	34.2%
Gross margin, %	64.6%	61.7%	59.9%	
EBIT	127,658	104,153	46,908	65.0%
EBIT margin, %	18.1%	18.5%	11.1%	
Adjusted EBIT margin, % <sup>1</sup>	19.5%	19.4%	12.0%	
Profit for the period	99,851	79,983	33,757	72.0%
Profit margin, %	14.2%	14.2%	8.0%	
Solvency, % <sup>1</sup>	69.3%	69.8%	62.8%	
Return on equity <sup>1</sup>	25.5%	24.3%	12.9%	
Cash flow from operating activities	104,806	185,356	47,340	48.8%
Average FTEs	82	69	68	

1. see page 129 for definitions and motivations for alternative performance measures

**NON-FINANCIAL KPIS**

	1 Jan 2021 31 Dec 2021	1 Jan 2020 31 Dec 2020	Change
Number of website visits, million	39.8	33.4	19.1%
Number of orders, thousand	273.0	206.1	32.5%
Number of new customers, thousand	197.2	149.3	32.1%
Average order value, SEK	3,636	3,755	-3.2%
Average NPS value	67	67	-0.4%
Average TrustPilot value	4.8	4.8	-0.4%
Average return rate, %	16.0%	15.8%	0.2pp

**COMMENTS ON NON-FINANCIAL KPIS**

The NPS value was 67 (67) and the TrustPilot value was 4.8 (4.8). The continued strong customer satisfaction ratings (NPS and TrustPilot) were a result of overall stable operational performance during the period.

Web-shop visits reached 39.8 (33.4) million representing a 19.1% (25.2%) increase.

Order count was 273.0 (206.1) thousand representing a 32.5% (35.2%) increase while 197.2 (149.3) thousand new customers were acquired representing a 32.1% (39.4%) increase.

Average order value amounted to SEK 3,636 (3,755) representing a -3.2% (0.7%) decrease. The decrease was driven by category mix effects.

## SEGMENT DEVELOPMENT

RugVista Group's operations are divided into three segments: Business-to-Consumer ("B2C"), Business-to-Business ("B2B"), as well as Marketplaces & Other ("MPO"). The B2C segment represents the consumer market and is our core segment making up 88% of net revenue in 2021.

### B2C

B2C net revenue during the period was SEK 622.1 (479.2) million representing an increase of 29.8% (33.8%). Net revenue within the segment was primarily driven by the DACH region, which grew by 42.8% (31.3%).

Gross profit was SEK 399.1 (297.8) million representing an increase of 34.0% (39.1%) and a gross margin of 64.1% (62.1%). The gross margin increase was driven by category mix effects and decreased discount rates.

Marketing cost as a share of net revenue was 32.0% (29.3%). The marketing cost ratio increase was driven by the increased cost for marketing activities during the last three quarters of the year.

Segment earnings were SEK 200.2 (157.2) million representing an increase of 27.4% (56.4%) and the segment margin was 32.2% (32.8%).

### B2B

B2B net revenue during the period was SEK 63.9 (49.7) million representing an increase of 28.6% (14.9%). The demand continued to be somewhat lower compared to before the Covid-19 pandemic, but a noticeable activity increase within the interior design customer segment has been observed during the second half of the year especially.

Gross profit was SEK 42.4 (32.0) million representing an increase of 32.4% (15.5%) and a gross margin of 66.4% (64.5%). The gross margin increase was driven by category mix effects and decreased discount rates.

Marketing cost as a share of net revenue was 13.4% (13.7%).

Segment earnings were SEK 33.8 (25.2) million representing an increase of 34.2% (15.7%) and the segment margin was 52.9% (50.7%) with the increase having been driven by the improved gross margin and reduced marketing cost ratio.

### MARKETPLACES & OTHER (MPO)

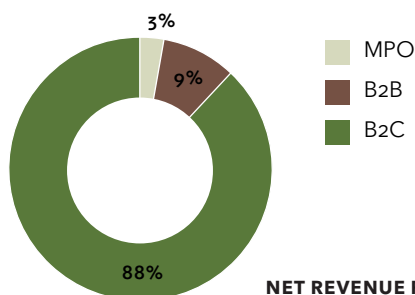
MPO net revenue during the period was SEK 19.0 (12.8) million representing an increase of 48.1% (113.7%). The implemented initiatives to drive growth on the Amazon marketplace continued to be effective.

Gross profit was SEK 12.7 (8.3) million representing an increase of 52.7% (122.4%) and the gross margin was 66.8% (64.8%). The gross margin increase was driven by category mix effects and decreased discount rates.

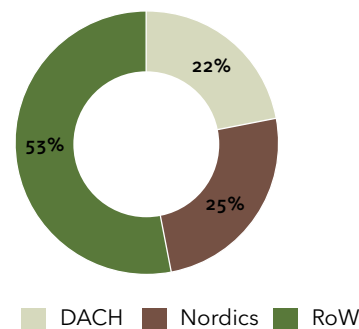
Marketing cost as a share of net revenue was 27.6% (23.3%). The marketing cost ratio increase was driven by intensified marketing efforts on the Amazon platform to drive sales.

Segment earnings were SEK 7.4 (5.3) million representing an increase of 39.7% (126.8%) and a segment margin of 39.2% (41.5%) with the decrease driven by higher marketing investments.

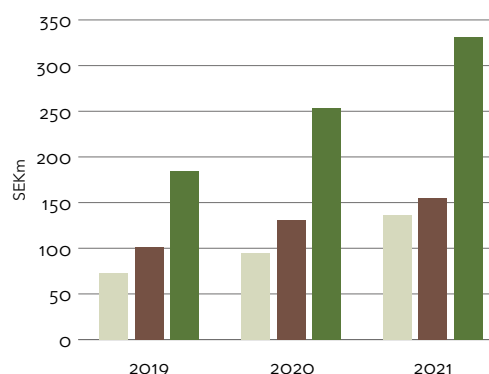
### NET REVENUE PER SEGMENT



### NET REVENUE REGION



### NET REVENUE SEK M



## SIGNIFICANT EVENTS DURING THE YEAR

### SHARE SPLIT

On February 11, an extra shareholder meeting was held where new Articles of Association were adopted and a share split approved in the ratio of 20 new shares to each existing share.

### CHANGES IN THE BOARD OF DIRECTORS

On February 11, an extra shareholder meeting was held where Eva Boding was elected as a new board member and Magnus Ressel declined re-election and thereby left the board.

### LISTING ON NASDAQ FIRST NORTH PREMIER GROWTH MARKET

On February 17, an extra shareholder meeting was held where it was decided to change the Articles of Association, which included to change the company's type from private to public, remove the consent requirement, and to register the Group's shares with Euroclear AB (per Swedish law 1998:1479) from

February 26. On February 24, the company published its intent to list its shares on NASDAQ First North Premier Growth Market. On March 3, the Annual General Meeting of the shareholders was held. On March 9, the company published an offer to the public to purchase shares in RugVista Group AB (publ). On March 18, the Group's shares became listed on NASDAQ First North Premier Growth Market.

On May 12, RugVista Group's first interim report as a listed company was published.

#### **CHANGE TO LONG TERM INCENTIVE PROGRAMS ("LTIP")**

On March 18, the board decided to repurchase a total of 18,859 outstanding warrants from series LTIP2017, LTIP2018, and LTIP2019. The Board assessed that the repurchase offering was compatible with the requirements per law (2005:551) 17th chapter and paragraphs 3 and 4. In connection with the termination of historical incentive programs a stock emission was executed, which added MSEK 11.4 of capital to the Group. In addition, it was decided to establish a new long-term incentive program (LTIP2021), which included issuing 860,000 warrants to RugVista AB (subsidiary), which can be sold to selected current and future key employees of the Group.

#### **SALE OF LTIP2021 SERIES WARRANTS**

During the year, the Group sold 496,981 warrants of the LTIP 2021 series to key individuals who took up employment within the Group.

#### **CHANGES IN THE EXECUTIVE MANAGEMENT TEAM**

In May, Henrik Bo Joergensen started as the Group's new Chief Financial Officer (CFO). In August, Maria Tholin joined as Head of Legal & Compliance in a newly created role. In September, Peter Rosenfors joined the company as Head of Technology and was in December promoted to Chief Technology Officer (CTO). Lastly, in October, Anders Matthesen started as Chief Operating Officer (COO). All named hires joined the Executive Management Team of RugVista Group AB.

#### **EXPANSION OF WAREHOUSE SPACE**

In July, an additional warehouse space of approximately 1,400 sqm was added to the existing capacity at the warehouse facility in Frihamnen, Malmö.

#### **APPOINTMENT OF NOMINATION COMMITTEE**

The Nomination Committee of RugVista Group AB (publ) was formed in accordance with the company's "Instruction for appointing the Nomination Committee" as adopted by the Annual General Meeting. The Nomination Committee appointed for RugVista Group's 2022 Annual General Meeting has the following composition:

- Andreas Nyberg (representative of Litorina IV L.P).
- Klara Tersman (representative of TIN Fonder).
- Erik Lindgren (chairperson of the RugVista Group Board and the Nomination Committee).

### **EVENTS AFTER THE REPORTING DATE**

#### **D-AWARD**

RugVista is one of three companies that have been nominated for the D-Award. The winner will be announced at D-Congress on April 28, 2022. D-Award nominates the e-commerce company that has contributed most to the development of e-commerce in Sweden over the past year. The D-Award was started in 2019

by Svensk Digital Handel and the winner is chosen every year at D-Congress, Sweden's largest e-commerce event.

#### **WAR IN UKRAINE**

On the morning of February 24, 2022, Vladimir Putin announced that Russia was initiating a "special military operation" in the Donbas region and launched a full-scale invasion of the Ukraine.

As a result, RugVista Group has deactivated its Russian web shops for both the RugVista and CarpetVista brands to make a clear stance that we do not find violation of borders of a sovereign state acceptable. The order volume on the Russian web shops was limited and will thus not have a significant impact on RugVista Group's financial performance.

Additional consequences of the invasion on RugVista Group's business are so far not known. However, the uncertain global environment that the war has created could lower consumer confidence, which in combination with the recent increase in cost of utilities and other basic necessities could negatively impact consumer demand in the short- to mid-term. Some of RugVista Groups input prices could also increase moving forward because of the uncertain global environment and the increase in multiple commodities experienced globally in previous months, e.g., product costs, etc.

#### **CHANGE TO THE REPORTED ORGANIC GROWTH**

After submitting the 2021 year-end report it has come to the management's attention that an error was made in the calculation of currency effects on the full year 2021 net revenue. The correct organic growth for 2021 was 34.0% and not 36.4% as previously communicated.

### **PARENT COMPANY**

RugVista Group AB (publ), Corp. Id. No. 559037-7882, is the parent company of the Group. RugVista Group AB (publ) is incorporated and registered in Sweden.

Since March 18, 2021, RugVista Group AB (publ) has been listed on Nasdaq First North Premier Growth Market.

Net revenue of the parent company amounted to SEK 3.4 million (2.4) during the quarter and SEK 12.1 million (8.5) for the year. The parent company has invoiced fees for management services in accordance with the Group's intra company agreements to other Group companies during the quarter. Costs for the period are mainly related to salaries and for part of Group Management and remuneration to the Board of Directors. Group contribution of SEK 61.7 million (103.0) has been received from group companies.

The result for the year was 62.1 million (28.1). The parent company has a Group internal receivable on the subsidiary within the Group, which together with shares in the subsidiary RugVista AB and equity constitutes the majority of the financial position of the Company.

### **RISKS**

RugVista Group is exposed to a number of risks attributable to the business and related to the execution of our strategy. The risk factors that are currently deemed to be significant for RugVista Group are described and presented in more detail in the respective subsections below. The materiality of the risk factors has been assessed on the basis of the probability that they



will occur and the expected extent of their negative impact. For a description of all relevant risk factors reference is also made to the description of risks in the prospectus from March 2021.

**MACROECONOMIC AND GEOPOLITICAL RISKS**

RugVista Group offers online sales of rugs through its online stores, available in 20 different languages, using the RugVista and CarpetVista brands. RugVista Group's operations is divided into three segments: Business-to-Consumer ("B2C"), Business-to-Business ("B2B"), as well as Marketplaces & Other ("MPO"). The B2C segment represents the consumer market and is the Company's core segment, representing 88 per cent of RugVista Group's net revenue during 2021. The demand for the products that the Company offers depends on a number of different factors that are affected by the macroeconomic climate as well as consumers' disposable incomes and consumption capability, such as market interest rates, and tax rate levels, employment rates and other macroeconomic factors. Rugs are examples of products that consumers can disregard in a recession that results in actual or feared deteriorations in consumer disposable incomes and consumption capability. A recession or general downturn in economic activity on one or more of RugVista Group's markets may thus have a material adverse effect on the demand for the products offered by RugVista Group as well as on RugVista Group's possibilities to maintain profitable pricing.

Further, the global economy has been adversely affected by tariffs and other trade-restricting measures introduced by the United States, EU, and China. Of the rugs sold by RugVista Group, a sizeable share is sourced from directly or indirectly in countries with elevated geopolitical risks such as Turkey, Iran and Afghanistan. This means that RugVista Group is also subject to risks related to geopolitical uncertainty in the Middle East. Most recently in connection with the Taliban's takeover of Afghanistan, which so far has not resulted in disruptions in the country's supply. Such uncertainty may, for example, involve risks related to RugVista Group's access to carpets if the supply of the wholesalers from which the Company buys carpets were to decrease or disappear, if the factories where RugVista Group's carpets were manufactured were affected by production disruptions, or trade sanctions were imposed on any jurisdiction. A negative geopolitical development can thus have a significant negative impact on RugVista Group's operations and operating profit.

At present, the uncertainty in the macroeconomic outlook due to the current energy crisis in Europe, rising core inflation and expected interest rate hikes by US and European central banks, as well as the geopolitical turmoil surrounding the situation between Ukraine and Russia, could lead to lower consumer confidence and thus lower consumption and higher commodity and product prices in the short term.

**SEASONALITY RISKS**

The Group's sales typically fluctuate through the seasons where the first and fourth quarters tend to be the strongest.

**RISKS FROM COMPETITION**

RugVista Group's competitors primarily comprise traditional resellers, multi-channel home interior retailers, online-based rug resellers, and online-based department stores. Important competition factors with respect to rug sales online include price and quality of the product, ability to attract prevailing customer and market preferences with design and material choices, delivery, and payment terms (including conditions for customer

returns) as well as user-friendliness on websites. Companies that currently focus, to a greater or lesser extent, on other types of products, services, customer segments, or geographic markets, such as IKEA, Amazon, Google, Zalando, Zara/Inditex, and Hennes & Mauritz or traditional physical rug sellers, may come to increase or commence online sales of rugs to RugVista Group's target groups. In addition, wholesalers through whom RugVista Group purchases rugs may themselves begin to engage in sales of rugs directly to end customers. There is thus a risk that RugVista Group will encounter new competitors who may, for example, have greater financial resources than the Company and may be able to utilize economies of scale to a greater degree than the Company. There is thus a risk that these parties will succeed in meeting the customers' preferences to a greater extent than the Company. Increased competition may lead to RugVista Group losing market shares and result in reduced net revenue. In order to respond to increased competition, RugVista Group may, for example, be forced to lower the prices for its products or increase its investments in marketing measures, which risks leading to lower margins and/or increased costs for the Company.

**RISKS RELATED TO SUSTAINABILITY AND THE ENVIRONMENT**

RugVista Group strives to be an industry leader in regards to sustainability and our ability to conduct long-term profitable operations are largely dependent on us succeeding in addressing the sustainability-related risks to which the Company is exposed. For a detailed description of risks related to sustainability and the environment, see the risk section in the sustainability report.

**RISKS RELATED TO SUPPLIERS AND PARTNERS**

RugVista Group does not manufacture any carpets or rugs itself. Instead, RugVista Group's entire sales are dependent on purchases from wholesalers within the EU (primarily for traditional rugs) or suppliers in India and Turkey. RugVista Group is thus subject to risks associated with, among other things, changes in production prices, increased transportation costs, and lack of delivery capability as well as production quality.

In addition, the Company cooperates with payment service providers, staffing agencies, transport and logistics companies for freight of products to and from the customers, as well as other external parties within the scope of its operations. The Company is dependent on external parties performing their contractual obligations in terms of quality and delivery time and satisfying RugVista Group's guidelines and other industry standards in terms of environment, working environment, anticorruption, human rights, and business ethics. There is a risk that such parties fail to deliver on time or in accordance with the cost structure or quality which they have undertaken, or that they fail to fulfill applicable guidelines and industry standards. The ability of suppliers to perform their obligations may also be affected by external circumstances, where, for example, the ongoing COVID-19 pandemic has adversely affected certain suppliers.

**IT AND CYBER SECURITY**

RugVista Group's sales are entirely online based and take place almost exclusively through RugVista Group's online stores, and accordingly, RugVista Group's possibilities to continue to conduct its business and maintain and increase its customer base and sales volumes are, to a large extent, dependent on RugVista Group's IT system constantly being developed, functioning well, and having good accessibility.

There is a risk that the Company's IT systems may prove to be under-dimensioned or function incorrectly, particularly if traffic on the Company's websites were to increase faster than the Company has anticipated. RugVista Group is primarily dependent on high accessibility on systems which allow the online stores to be constantly available to potential customers. RugVista Group is thus subject to risks related to outages and disruptions in its IT infrastructure, which among other things may be caused by computer viruses, power outages, sabotage as well as human or technical errors. IT attacks, errors, and damage to IT systems, operational disruptions and incorrect or insufficient deliveries of IT services from RugVista Group's IT providers, such as Amazon Web Services, may lead to significant outages or disruptions on the Company's online stores and other systems, which in turn may adversely affect RugVista Group's operations.

Cyber security risks within RugVista Group's operations arise primarily in relation to important and sensitive information that the Company possesses, e.g. product information, customer registers, data which is used to generate forecasts for demand, marketing, and customer engagement, as well as on-site data which is used to understand how RugVista Group's customers use the Company's online stores and to analyze customer behavior.

#### FINANCIAL RISKS

The following financial risks have been identified and are further described in note 16 in the financial statements section:

- Liquidity and financing risks
- Currency risks
- Risk of goodwill impairment
- Interest rate risks

#### THE SHARE

The RugVista Group AB (publ) share is listed on Nasdaq First North Premier Growth Market under the ticker code RUG and ISIN-code SE0015659834. The market capitalization of RugVista Group AB (publ) at the last day of trading (December 30, 2021) in 2021 was SEK 2.6 billion with a closing price of SEK 126.20.

At the end of the reporting period, the number of shares issued was 20,785,140, all of which were ordinary shares. During the period, 860,000 warrants were issued by the Group. Of these, 496,981 have been sold to key employees in the Group. For more information on the long-term incentive programs, see note 22 in the financial statements section.

#### THE TEN LARGEST SHAREHOLDERS AS OF DECEMBER 30, 2021

Owner	Number of shares	Share of capital	Share of votes
Litorina IV L.P.	2,813,587	13.5%	13.5%
Futur Pension	1,931,544	9.3%	9.3%
TIN Fonder	1,831,250	8.8%	8.8%
RBC	1,826,764	8.8%	8.8%
Indexon AB	1,485,702	7.1%	7.1%
RoosGruppen AB	1,040,000	5.0%	5.0%
SEB Life International	911,490	4.4%	4.4%
Enter Fonder	847,993	4.1%	4.1%
Goldman Sachs International Ltd	673,183	3.2%	3.2%
Spiltan Fonder	667,397	3.2%	3.2%
Total of the ten largest shareholders	14,028,910	67.5%	67.5%
<b>Total number of outstanding shares</b>	<b>20,785,140</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Euroclear extract per December 30, 2021

#### GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES

Please refer to Note 7 "Salaries and remuneration to employees". The Board of Directors does not propose any changes regarding the guidelines for remuneration to senior executives for the year 2022.

#### SUSTAINABILITY REPORT

Please refer to the Sustainability Report on page 27.

#### CORPORATE GOVERNANCE REPORT

Please refer to the Corporate Governance Report on page 69.

#### DIVIDEND

RugVista Group targets to invest resources into growth and developing the business. In addition, The Company aims to pay out up to 50 percent of annual net profits in dividends to its shareholders.

For the financial year 2021, the Board of Directors proposes to the Annual General Meeting that a cash dividend of SEK 2.50 (0,00) per share equivalent to SEK 52.0 million (0,0) be paid to the shareholders. The proposed record date to receive dividends is May 24, 2022. Assuming the general meeting accepts the dividend proposal, the tentative date to receive dividends is May 30, 2022.

## PROPOSED APPROPRIATION OF PROFITS

The Board of Directors proposes that the profits at the disposal of the Annual General Meeting:

Retained earnings	305,303,235
Profit for the period	62,105,137
<b>Total unrestricted equity</b>	<b>367,408,372</b>

will be appropriated as follows:

Dividend 2.5 SEK per share to the shareholders	51,962,850
Profit carried forward	315,445,522
<b>Total</b>	<b>367,408,372</b>

The parent company's and the group's income statement and balance sheets will be subject to approval at the Annual General Meeting on May 20, 2022.





# V FINANCIAL REPORTING

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<b>CONSOLIDATED INCOME STATEMENT</b>			
<i>SEK thousand if not stated otherwise</i>	<i>Note</i>	<b>1 Jan 2021 31 Dec 2021</b>	<b>1 Jan 2020 31 Dec 2020</b>
Net revenue	3,4	704,984	561,883
Other income	6	1,543	2,161
<b>Total operating income</b>		<b>706,527</b>	<b>564,045</b>
Goods for resale	3,4,15	-250,829	-217,094
Other external expenses	5	-253,178	-188,538
Personnel expenses	7	-63,566	-47,602
Amortization & Depreciation	11,13,14	-8,360	-7,809
Profit from divesting share in subsidiaries		-	2,402
Other operating expenses	6	-2,936	-1,251
<b>Total operating expenses</b>		<b>-578,868</b>	<b>-459,892</b>
<b>Operating profit (EBIT)</b>		<b>127,658</b>	<b>104,153</b>
<i>Financial income and expenses</i>			
Financial income	8	-	0
Financial expenses	8	-910	-3,557
<b>Net financial items</b>		<b>-910</b>	<b>-3,557</b>
<b>Profit/loss before tax</b>		<b>126,749</b>	<b>100,595</b>
Income tax	9	-26,898	-20,612
<b>Profit/loss for the year</b>		<b>99,851</b>	<b>79,983</b>
<b>Attributable to</b>			
Parent company's shareholders		99,851	79,983
Earnings per share before dilution (SEK)	10	4.80	3.94
Earnings per share after dilution (SEK)	10	4.80	3.84

<b>CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME</b>			
<i>SEK thousand</i>	<i>Note</i>	<b>1 Jan 2021 31 Dec 2021</b>	<b>1 Jan 2020 31 Dec 2020</b>
<b>Profit/loss for the year</b>		<b>99,851</b>	<b>79,983</b>
<i>Items that can later be reclassified to the income statement</i>			
Translation differences		-	20
<b>Other comprehensive income</b>		<b>-</b>	<b>20</b>
<b>Total comprehensive profit/loss for the year</b>		<b>99,851</b>	<b>80,003</b>
<b>Attributable to</b>			
Parent company's shareholders		99,851	80,003

<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>			
<i>SEK thousand</i>	<i>Note</i>	<b>31 Dec 2021</b>	<b>31 Dec 2020</b>
<b>ASSETS</b>			
<i>Non-current assets</i>			
Goodwill	12	299,949	299,949
Intangible assets	11	-	-
Tangible assets	13	4,150	2,773
Right-of-use assets	14	27,533	28,884
Deferred tax assets	9	236	176
<b>Total non-current assets</b>		<b>331,868</b>	<b>331,782</b>
<i>Current assets</i>			
Inventory	15	146,559	90,997
Accounts receivables		148	-
Other receivables	16	19,772	28,803
Prepaid expenses	18	921	1,598
Cash and cash equivalents	17	218,116	139,508
<b>Total current assets</b>		<b>385,516</b>	<b>260,906</b>
<b>TOTAL ASSETS</b>		<b>717,384</b>	<b>592,688</b>
<b>EQUITY AND LIABILITIES</b>			
<i>Equity</i>			
	21		
Share capital		1,039	1,014
Other contributed capital		227,784	244,229
Retained earnings, including profit for the year		268,076	168,225
<b>Equity attributable to the parent company's shareholders</b>		<b>496,899</b>	<b>413,468</b>
<i>Non-current liabilities</i>			
Deferred tax liabilities	9	107	13,722
Leasing debt	14	20,070	23,231
<b>Total non-current liabilities</b>		<b>20,177</b>	<b>36,953</b>
<i>Current liabilities</i>			
Accounts payable	16	95,334	70,646
Current tax liabilities	9	48,126	16,320
Other current liabilities		26,290	28,570
Current leasing debt	14	8,419	6,651
Prepaid income and accrued expenses	20	22,139	20,081
<b>Total current liabilities</b>		<b>200,308</b>	<b>142,268</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>717,384</b>	<b>592,688</b>



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

<i>SEK thousand</i>	<i>Note</i>	<b>Share capital</b>	<b>Other contributed capital</b>	<b>Retained earnings, including profit for the year</b>	<b>Total equity</b>
<b>Opening balance 1 Jan 2020</b>	21,22	1,011	242,632	88,221	331,865
Profit for the year				79,983	79,983
Other comprehensive income				20	20
<b>Total comprehensive profit for the year</b>		-	-	80,003	80,003
<i>Transactions with shareholders</i>					
<i>Warrants</i>					
New share issue		3	1,597		1,600
<b>Closing balance 31 Dec 2020</b>		1,014	244,229	168,225	413,468
Profit for the year				99,851	99,851
Other comprehensive income				-	-
<b>Total comprehensive profit for the year</b>		-	-	99,851	99,851
<i>Transactions with shareholders</i>					
Warrants, issue			10,201		10,201
Warrants, repurchase			-38,069		-38,069
New share issue		25	11,423		11,449
<b>Closing balance 31 Dec 2021</b>	21,22	1,039	227,784	268,076	496,899

<b>CONSOLIDATED STATEMENT OF CASH FLOWS</b>			
<i>SEK thousand</i>	<i>Note</i>	<b>1 Jan 2021 31 Dec 2021</b>	<b>1 Jan 2020 31 Dec 2020</b>
<b>Operating activities</b>			
Operating profit (EBIT)		127,658	104,153
<i>Adjustments for items not included in cash flow</i>			
Amortization & Depreciation		8,360	7,809
Profit from divesting shares in subsidiary		-	-2,402
Interest received		-	0
Interest paid		-910	-3,557
Income tax paid		-8,767	-4,724
<b>Cash flow from operating activities before changes in working capital</b>		<b>126,342</b>	<b>101,279</b>
<b>Changes in working capital</b>			
Change in inventory		-55,562	44,978
Change in operating receivables		9,560	-20,208
Change in operating liabilities		24,466	59,308
<b>Cash flow from operating activities</b>		<b>104,806</b>	<b>185,356</b>
<b>Investing activities</b>			
Divesting of shares in subsidiaries		-	3,195
Acquisition of tangible assets		-2,358	-2,061
Sale of tangible assets		-	22
<b>Cash flow from investing activities</b>		<b>-2,358</b>	<b>1,156</b>
<b>Financing activities</b>			
New shares issue	21	11,449	1,600
Warrants, issue	21	10,201	-
Warrants, repurchase	21	-38,069	-
Amotization of leasing debt	16	-7,422	-6,205
Amotization of loans		-	-88,000
<b>Cash flow from financing activities</b>		<b>-23,841</b>	<b>-92,605</b>
<b>Cash flow for the year</b>		<b>78,607</b>	<b>93,906</b>
<b>Cash and cash equivalents at start of year</b>		<b>139,508</b>	<b>45,582</b>
Translation differences in cash and cash equivalents		-	20
<b>Cash and cash equivalents at year-end</b>		<b>218,116</b>	<b>139,508</b>

## NOTES

**Note 1 COMPANY INFORMATION**

RugVista Group AB is a limited liability company with its registered office in Malmö. The company is the parent company of a Group that includes 100% of RugVista AB, 556458-9207

(Malmö). The Group sells rugs and carpets via online stores under the RugVista and CarpetVista brand names.

The Group's company address is: RugVista Group AB, Ringugnsгатan 11, 216 16 Limhamn, Sweden.

**Note 2 BASIC ACCOUNTING PRINCIPLES****REGULATIONS APPLIED**

The consolidated financial statements of RugVista Group AB have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The Swedish Annual Accounts Act and RFR 1 'Supplementary accounting rules for Groups' have also been applied.

**BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements have been prepared in accordance with the purchase method for subsidiaries.

Preparing financial statements in compliance with IFRS requires that management make some estimates for accounting purposes. The areas that involve a high level of assessment, that are complex or where the assumptions and estimates are of material importance to the consolidated financial statements are indicated under the summary of important accounting policies. These estimates and assumptions are based on historical experience and other factors deemed reasonable under the circumstances. Actual outcomes may differ from estimates made if estimates made change or other conditions exist.

Gross accounting is consistently applied to the recognition of assets and liabilities except where both a receivable and a liability exist for the same counterparty and they can be legally offset, and it is intended to do so. Gross accounting is also applied to income and expenses unless stated otherwise.

**CLASSIFICATION OF ASSETS AND LIABILITIES**

Non-current assets, long-term liabilities and provisions are expected to be recovered or be due for payment later than twelve months after the balance sheet date. Current assets and current liabilities are expected to be recovered or be due for payment within less than twelve months after the balance sheet date.

**SUMMARY OF IMPORTANT ACCOUNTING POLICIES****CONSOLIDATED FINANCIAL STATEMENTS***Subsidiaries*

Subsidiaries are companies in which the Group is entitled to a variable return on its holding and has the opportunity to influence the return in a manner usually associated with a shareholding of more than 50% of the voting rights. Subsidiaries are consolidated from the date on which controlling influence is achieved and are deconsolidated from the date on which the controlling influence ceases.

*Acquisition of subsidiaries/business combinations*

Business combinations are recognised in accordance with the purchase method. The purchase price represents the fair value of the assets and liabilities transferred and shares issued. The purchase price also includes the fair value of any assets or liabilities resulting from the agreed contingent consideration. Expenses relating to acquisitions are expensed as they are incurred. Identifiable assets acquired and liabilities taken over are initially measured at fair value on the acquisition date. The excess of the purchase price, any non-controlling interests and the fair value of previous shareholdings over the fair value of the Group's interest in identifiable net assets acquired is recognised as goodwill. Goodwill is not amortized. It is tested for impairment at least annually.

Intra-Group transactions, balance sheet items and unrealised gains and losses on transactions between Group companies are eliminated.

**TRANSLATION OF FOREIGN CURRENCY****FUNCTIONAL AND REPORTING CURRENCIES**

The financial statements of the individual entities in the Group are measured using the currency that is predominantly used in the economic area in which the entity operates (functional currency). Foreign currency is a currency other than the functional currency of the entity concerned. The consolidated financial statements are prepared in SEK, which is both the functional currency and the presentation currency of the parent company. The Group's subsidiaries have SEK as their functional currency.



**TRANSACTIONS AND BALANCE SHEET ITEMS**

Transactions in foreign currency are translated to the functional currency at the rate on the transaction date. Foreign exchange gains or losses resulting from the translation of monetary items denominated in foreign currency at the closing day rate are recognised in other operating expenses or other operating income.

**TANGIBLE ASSETS**

Tangible assets are recognised at cost less accumulated depreciation and any impairment. Tangible assets are measured at cost and depreciated on a straight-line basis over their estimated useful lives.

Tangible assets are derecognised from the balance sheet when they are disposed of or if they are not expected to generate future economic benefits from either use or sale. Gain and loss are calculated as the difference between the sales price and the carrying amount of the asset. Gains or losses are recognised in the income statement in the accounting period in which the asset is disposed of as other expenses or other income.

The residual value, useful life and depreciation method of assets are reviewed at the end of each financial year and adjusted, if necessary, on a future-oriented basis at the end of each accounting period. Normal maintenance and repair expenses are expensed as they are incurred, but expenditure on major renewals and improvements is recognised in the balance sheet and amortized over the remaining useful life of the underlying asset.

Depreciation is calculated as follows:  $\text{Number of years}$   
*Equipment, tools, fixtures and fittings* 3–10 years

**INTANGIBLE ASSETS****GOODWILL**

Goodwill is measured at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment or when there is an indication that an impairment may be required. Goodwill represents the difference between cost and fair value of assets acquired, liabilities assumed and any contingent liabilities. The factors that make up the goodwill recognised are mainly various forms of synergies, employees, know-how, customer contacts of strategic importance and market leadership positions in selected markets.

**AMORTIZATION PRINCIPLES**

Amortization is recognised in the profit for the year on a straight-line basis over the estimated useful lives of amortizable intangible assets unless such useful lives cannot be determined. Goodwill has an indeterminable useful life and is tested for impairment annually or as soon as there are indications that the asset in question has declined in value. Intangible assets with determinable useful lives are amortized from the date on which they are available for use.

**IMPAIRMENT OF NON-FINANCIAL ASSETS**

Assets with indeterminable useful lives are not amortized. They are tested for impairment annually. The assets are allocated to identified cash-generating units and their value in use is calculated and compared with their carrying amounts. Assets that are continuously amortized must be tested for impairment whenever events or changes in conditions indicate that the carrying amount may not be recoverable.

An impairment is the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value, less any selling expenses, and its value in use. For the purpose of evaluation of impairment, assets are grouped on the basis of the lowest level on which there are separate identifiable cash flows (cash-generating units). Assets other than financial assets and goodwill, which were previously impaired are tested at every balance sheet date to determine whether the impairment should be reversed.

**INVENTORY**

Inventory is measured at the lower of cost and net realisable value with cost being calculated in accordance with the FIFO (first-in, first-out) principle. The net realisable value is defined as the sales price less selling expenses. Adjustment to net realisable value includes assessments of obsolescence.

**FINANCIAL INSTRUMENTS**

A financial instrument is any form of contract that gives rise to a financial asset in one company and a financial liability or an equity instrument in another company. Recognition depends on how the financial instruments have been classified.

A financial asset or a financial liability is recognised in the balance sheet when RugVista becomes a party to a contract. Receivables are recognised in the balance sheet when a customer has chosen to use a payment intermediary and the company's right to payment is unconditional. See also the section on revenue recognition principles. A liability is recognised when the counterparty has completed its undertaking and a contractual obligation to pay exists, even if no invoice has yet been received. Accounts payable are recognised when the invoice has been received.

A financial asset, or part of a financial asset, is derecognised from the balance sheet when the rights are realised or expire or the Group loses control over them. A financial liability, or part of a financial liability, is derecognised from the balance sheet when the obligation is fulfilled or is extinguished in some other way. A financial asset and a financial liability are only offset and recognised at a net amount in the balance sheet when the company is legally entitled to offset their amounts and the company intends to settle the items with a net amount or simultaneously realise the asset and settle the liability.

Gains and losses from derecognition from the balance sheet and modification are recognised in profit or loss.

## FINANCIAL ASSETS

Debt instruments: the classification of financial assets that are debt instruments is based on the Group's business model for management of assets and the nature of the asset's contractual cash flows.

Instruments are classified at: *accrued acquisition value* Financial assets that are debt instruments consist of other receivables and cash and cash equivalents. These assets are classified at accrued acquisition value and recognised net of gross value and provisions for bad debts. Changes in the provisions for bad debts are recognised in profit or loss.

Financial assets classified at accrued acquisition value are initially measured at fair value plus transaction costs. Other receivables are initially recognised at invoiced value. After initial recognition, the assets are measured according to the effective interest method. Assets classified at accrued acquisition value are held according to the business model to cash in contractual cash flows that are only payments of principal and interest on the outstanding principal.

The Group does not hold any financial assets that are debt instruments measured at fair value through other comprehensive income, nor any debt instruments measured at fair value through profit or loss.

### IMPAIRMENT OF FINANCIAL ASSETS

The Group's financial assets are subject to impairment for expected credit losses. Impairment for credit losses in accordance with IFRS 9 is forward-looking, and a provision for bad debts is made when there is exposure to credit risk. Expected credit losses reflects the present value of all deficits in cash flows attributable to default either for the next 12 months or for the expected remaining term of the financial instrument, depending on the asset type and on credit deterioration since initial recognition. See also Note 16.

## FINANCIAL LIABILITIES

Financial liabilities are classified at accrued acquisition value. Financial liabilities recognised at accrued acquisition value are initially measured at fair value, including transaction costs. After initial recognition, they are measured at accrued acquisition value according to the effective interest method. The Group has accounts payable which are recognised at accrued acquisition value, and previously also a credit to a credit institution.

## EMPLOYEE BENEFITS

### PENSIONS

Employee benefits consist of salaries, pensions and other benefits. With regard to pensions, the Group has defined contribution pension plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions to a separate legal entity. The Group has no legal or informal obligations to pay further contributions if this legal entity does not hold sufficient assets to pay all benefits to employees relating to employee service in the current or prior periods. The Group's contributions to defined contribution pension plans are charged to the income statement in the year to which they relate.

## LEASES

### AMELIORATION RULES

The Group has chosen not to apply the amelioration rules for short-term leases and low-value leases and not to segregate non-lease components.

### THE GROUP AS LESSEE

When entering into a contract, the Group establishes whether it is or contains a lease, based on the substance of the contract. A contract is or contains a lease if it transfers a right, during a specific term, to determine the use of an identified asset in exchange for payment.

### RIGHT-OF-USE ASSETS

The Group recognises right-of-use assets in the statement of financial position at the date of commencement of the lease (i.e. the date on which the underlying asset is available for use). Right-of-use assets are measured at cost less accumulated depreciations and any impairment, and adjusted for remeasurement of the lease liability. The cost of right-of-use assets includes the initial value that is recognised for the attributable lease liability, initial direct expenses and any advance payments made at or before the date of commencement of the lease, less any discounts, etc. received in connection with signing the lease. Provided that the Group is not reasonably certain that it will assume the title to the underlying asset at the end of the lease term, the right-of-use asset is amortized on a straight-line basis over the lease term. The Group's lease portfolio consists of premises, trucks and other Cars. Premises are depreciated in accordance with the current lease over 3-6 years. Cars and trucks are depreciated in accordance with the current lease over 3-5 years.

### LEASING DEBT

At the date of commencement of a lease, the Group recognises a leasing debt equivalent to the present value of the lease payments to be made during the lease term. The lease term is defined as the non-terminable period plus periods for renewing or terminating the lease if the Group is reasonably certain to exercise the options. The lease payments include fixed payments (less any discounts, etc. to be received in connection with signing the lease), variable lease payments based on an index or a price and amounts that are expected to be paid under residual value guarantees. The lease payments also include the exercise price for an option to buy the underlying asset or penalties paid on termination in accordance with a termination option, if the Group is reasonably certain to exercise such options. Variable lease payments that are not based on an index or a price are recognised as an expense in the period to which they are attributable.

To calculate the present value of lease payments, the Group uses the implicit interest rate in the lease if it can easily be determined, and the Group's marginal borrowing rate at the date of commencement of the lease is used in other cases. After the date of commencement of a lease, the leasing debt increases to reflect the interest on the leasing debt and decreases as lease payments are made. The value of the leasing debt is also remeasured as a consequence of modifications,

changes in the lease term, changes in lease payments or changes in an assessment to buy the underlying asset.

## REVENUES

The Group sells goods via websites to both consumers and businesses. The terms of the contracts are similar, whether the end customer is a consumer or a business. Revenue from contracts with customers is recognised when control over the product has been transferred to the customer in an amount that reflects the payment to which the Group expects to be entitled in exchange for the goods. Payment is made when ordering goods via the website. Payment is made directly via card payment or bank transfer, or the customer uses the option to pay via payment intermediaries who also offer financing. The receivables arising are therefore from the payment intermediaries with which the Group works. The average maturity of receivables from payment intermediaries is 3-5 days. Incoming payments from payment intermediaries are reduced by the payment provider's fees, which are recognised as part of the selling expenses.

The Group identifies a performance obligation in its contracts with customers, which consists of the sale of goods. Income is recognised when control of the goods has been transferred to the relevant freight company, which has thus assumed the risk of delivery to the customer as agreed.

Revenue is recognised at the fair value of what was received or will be received. The Group's policy is to sell goods to end customers with a right of return. The right of return applies for 100 days. The right of return is taken into account when determining the transaction price, and revenue is reduced by the sales price of the products expected to be returned and recognised as a refund liability. A right-of-return asset is recognised, corresponding to the right to recover the product from the customer. Historical data is used as a starting point to assess the risk of returns at the time of sale. The return risk reserve is calculated so that there is no material risk of reversal of the revenue recognised in the subsequent accounting period, based on an average of actual returns during the 12 months prior to the current accounting period.

## INCOME TAX

Tax expenses for the period comprise current and deferred tax.

### CURRENT INCOME TAX

Current tax assets and liabilities for current and prior periods are measured at the amount expected to be recovered from or paid to the Swedish Tax Agency. The tax rates and tax laws used to calculate the amount are those enacted or advised at the balance sheet date. Current income tax attributable to items/transactions recognised in equity and in other comprehensive income is recognised in equity and in other comprehensive income and not in the income statement.

### DEFERRED INCOME TAX

Deferred tax is recognised at the balance sheet date in accordance with the balance sheet method for temporary differences between the tax bases of assets and liabilities and their carrying amounts for accounting purposes. However, if the deferred tax arises as a consequence of a transaction that represents initial recognition of an asset or liability, that is not a business combination and that, at the time of the transaction, had no impact on either net profit or taxable profit, it is not recognised.

Deferred tax liabilities in the Group mainly relate to estimated tax on untaxed reserves in the subsidiary.

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences may be used.

The value of deferred tax assets is assessed at each balance sheet date and adjusted to the extent that it is no longer probable that sufficient profits will be generated to allow all or part of the deferred tax asset to be used. Deferred tax assets and liabilities are measured at the tax rates that apply to the period in which the asset is realised or the liability is settled, based on tax rates (and legislation) that have been enacted or advised at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if there is a legal right to offset current tax assets against current tax liabilities and the deferred tax is attributable to the same entity in the Group and the same tax authority.

## DIVIDEND

Dividends paid to the company's shareholders are classified as a liability from the date on which the dividend is adopted at the Annual General Meeting.

## NEW AND FUTURE STANDARDS

### NEW AND AMENDED STANDARDS

None of the new and amended standards and interpretations to be applied from 1 January 2022 are expected to have a material impact on the Group's or parent company's financial statements.

No new or amended IFRS were applied prematurely.

### FUTURE STANDARDS

A number of new and amended IFRS have not yet entered into force and were not applied prematurely in the preparation of the Group's and parent company's financial statements. No new or amended standards or interpretations published by the IASB are expected to have any impact on the Group's or parent company's financial statements.



### **SIGNIFICANT ACCOUNTING ASSESSMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of financial statements in conformity with accounting policies requires the Board of Directors and the CEO to make certain estimates and assumptions that affect the carrying amount of assets, liabilities, income and expenses. The areas in which estimates and assumptions are highly significant to the Group and may affect the income statement and balance sheet, if changed, are described below:

#### **IMPAIRMENT TESTING OF GOODWILL**

The sources of uncertainty in estimates that entail a significant risk that the value of assets or liabilities may need to be adjusted materially during the next financial year are impairment testing of goodwill. When testing goodwill for impairment, a number of key assumptions and assessments need to be considered to calculate the value in use of the cash-generating unit. These assumptions and assessments relate to expected future discounted cash flows. Forecasts of future cash flows are based on best possible assessments of future income and operating expenses based on historical performance, general market conditions, industry trends and forecasts, and other available information. The assumptions are made by management and reviewed by the Board of Directors. For more information on the impairment testing of goodwill, see note 12 Goodwill.

#### **MEASUREMENT OF INVENTORY**

Inventory is valued at the lower of acquisition cost and net realisable value with acquisition cost being calculated in accordance with the FIFO (first-in, first-out) principle. The net realisable value is defined as the sales price less selling expenses. Adjustment to net realisable value includes assessments of obsolescence.

#### **PROVISIONS FOR RETURNS**

A right-of-return asset is recognised corresponding to the right to recover the product from the customer. Historical data is used to assess the risk of returns at the time of sale. The provision for returns is calculated so that there is no material risk of reversal of the revenue recognized in the subsequent accounting period, based on an average of actual returns during the 12 months prior to the current accounting period.

<b>Note 3 NET REVENUE</b>		<i>SEK thousand</i>	
	<b>2021</b>	<b>2020</b>	
Sweden	57,813	49,202	
Nordic region, excluding Sweden	97,151	81,271	
DACH (Germany, Austria, Switzerland)	135,968	95,247	
Rest of world	331,176	253,478	
<b>Total</b>	<b>622,109</b>	<b>479,199</b>	
<b>Business customers segment (B2B)</b>			
Revenue from agreements with customers	63,877	49,683	
<b>Marketplaces and other segment (MPO)</b>			
Revenue from agreements with customers	18,998	12,830	
<b>Divested operations</b>			
Revenue from agreements with customers	-	20,172	
<b>Total net revenue</b>	<b>704,984</b>	<b>561,883</b>	

<b>Note 4 SEGMENT INFORMATION</b>		<i>SEK thousand</i>	
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The Group reports parts of the income statement in three segments. The segmentation is driven by each segment having a different business model and generating related revenue and expenses largely independently of each other. The Group manages and monitors the performance of these three segments.

**SEGMENT: BUSINESS-TO-CONSUMER (B2C)**

The B2C segment includes all revenue and expenses for goods for resale and marketing where the end customer is a physical individual. All sales take place through the Group's own web shops.

**SEGMENT: BUSINESS-TO-BUSINESS(B2B)**

The B2B segment includes all revenue and expenses for goods for resale and marketing where the end customer has identified itself as a legal entity or closely-held company. These sales take place primarily through the Group's own web shops, but some also take place through direct contact with customers.

**SEGMENT: MARKETPLACES & OTHER (MPO)**

The MPO segment includes all revenue and expenses for goods for resale and marketing where the Group's goods are sold through a third-party sales channel or web shop. The segment also includes sales and related expenses through other sales channels.

Reporting of operating segments follows the measure reported by the Group to the chief operating decision maker. The chief operating decision maker is the CEO. Segment performance is evaluated based on segment earnings, which follow the same accounting policies as the corresponding earnings recognised in the income statement. Centrally incurred expenses are not allocated to the segments as these expenses are followed at a Group level. The same applies to financing expenses and income tax.

There are no transactions between the segments.

<b>Note 4 SEGMENT INFORMATION (CONTINUED)</b>						<i>SEK thousand</i>
<b>2021</b>	<b>Business customers</b>	<b>Private individuals</b>	<b>Marketplaces &amp; Other</b>	<b>Divested operations</b>	<b>Segment total</b>	
<i>Revenue</i>						
Net revenue	63,877	622,109	18,998	-	704,984	
Net revenue growth, %	28.6%	29.8%	48.1%	-	25.5%	
<i>Expenses</i>						
Goods for resale	-21,469	-223,050	-6,309	-	-250,829	
<b>Gross profit</b>	<b>42,408</b>	<b>399,058</b>	<b>12,689</b>	<b>-</b>	<b>454,155</b>	
Marketing costs	-8,588	-198,834	-5,249	-	-212,671	
<b>Segment earnings</b>	<b>33,821</b>	<b>200,224</b>	<b>7,440</b>	<b>-</b>	<b>241,484</b>	
<b>2020</b>						
<i>Revenue</i>						
Net revenue	49,683	479,199	12,830	20,172	561,883	
Net revenue growth, %	14.9%	33.8%	113.7%	32.8%	33.0%	
<i>Expenses</i>						
Goods for resale	-17,640	-181,392	-4,515	-13,548	-217,094	
<b>Gross profit</b>	<b>32,043</b>	<b>297,807</b>	<b>8,315</b>	<b>6,624</b>	<b>344,789</b>	
Marketing costs	-6,825	-140,622	-2,985	-3,503	-153,935	
<b>Segment earnings</b>	<b>25,218</b>	<b>157,185</b>	<b>5,330</b>	<b>3,121</b>	<b>190,854</b>	

**OTHER INFORMATION***Adjustment and elimination*

Only net revenue, goods for resale and marketing costs are allocated to the respective segments. Other income and expenses are not allocated at segment level as these items relate to Group operations.

<b>Reconciliation of earnings</b>	<b>2021</b>	<b>2020</b>
<b>Segment earnings</b>	<b>241,484</b>	<b>190,854</b>
Other operating income	1,543	2,161
Other external expenses, excluding marketing expenses	-40,506	-34,603
Personnel expenses	-63,566	-47,602
Profit from divestment of subsidiaries	-	2,402
Other operating expenses	-2,936	-1,251
Amortization & Depreciation	-8,360	-7,809
Financial expenses	-910	-3,557
<b>Profit/loss before tax</b>	<b>126,749</b>	<b>100,595</b>



**Note 5 REMUNERATION TO AUDITORS** *SEK thousand*

<b>Ernst &amp; Young AB</b>	<b>2021</b>	<b>2020</b>
Audit engagement*	641	195
Accounting activities apart from audit engagement	50	20
Other services	22	672
<b>Total</b>	<b>713</b>	<b>886</b>

\* Audit engagement refers to the audit of the annual accounts and bookkeeping as well as administration for the Board of Directors and other audit tasks that are the responsibility of RugVista Group AB (publ)'s auditor.

**Note 6 OTHER OPERATING INCOME AND OPERATING EXPENSES** *SEK thousand*

<b>Other operating income</b>	<b>2021</b>	<b>2020</b>
Employment contribution	1,446	1,492
Marketing contribution	-	548
Other income	97	121
<b>Total</b>	<b>1,543</b>	<b>2,161</b>
<b>Other operating expenses</b>		
Exchange rate fluctuations - net	2,936	1,243
Loss on disposal of equipment	-	7
<b>Total</b>	<b>2,936</b>	<b>1,251</b>

<b>Note 7 SALARIES AND REMUNERATION TO EMPLOYEES</b>		<i>SEK thousand</i>		
	<b>2021</b>	<b>2020</b>		
Salaries and other remuneration	43,226	47,602		
Pension expenses, defined contribution pension plans	4,770	3,130		
Other social security contributions	15,050	10,544		
<b>Total</b>	<b>63,046</b>	<b>61,276</b>		
<b>Average number of employees during the year</b>				
	<b>2021</b>	<b>2020</b>		
Group total	82	69		
Of whom men, %	56%	56%		
<b>Total</b>	<b>82</b>	<b>69</b>		
The company hires external staff; these costs are recognised as consultancy expenses under other external expenses.				
<b>Board members and senior executives</b>				
Number of Board members at the balance sheet date	6	6		
Of whom men, %	83%	100%		
CEO and other senior executives at balance sheet date	8	6		
Of whom men, %	50%	33%		
<b>Total</b>	<b>14</b>	<b>12</b>		
	<b>2021</b>		<b>2020</b>	
<b>SALARIES AND OTHER REMUNERATION TO THE BOARD OF DIRECTORS AND OTHER EMPLOYEES</b>	<b>Salaries and other benefits (of which bonuses)</b>	<b>Social security contributions (of which pension expenses)</b>	<b>Salaries and other benefits (of which bonuses)</b>	<b>Social security contributions (of which pension expenses)</b>
Board of Directors and CEO and other senior executives	11,286 (-)	7,742 (2,695)	7,967 (-)	3,839 (2,016)
Other employees	31,941 (-)	12,078 (2,075)	39,635 (-)	9,836 (1,115)
<b>Group</b>	<b>43,226</b> (-)	<b>19,820</b> (4,770)	<b>47,602</b> (-)	<b>13,675</b> (3,130)

**Note 7 SALARIES AND REMUNERATION TO EMPLOYEES (CONTINUED)**

SEK thousand

**SALARIES AND OTHER REMUNERATION TO BOARD OF DIRECTORS, CEO AND OTHER SENIOR EXECUTIVES**

<b>2021</b>	Base salary/ Board fee	Variable remuneration	Other benefits	Pension expense	<b>Total</b>
<b>Board of Directors</b>					
Erik Lindgren (Chair)	400				<b>400</b>
Magnus Dimert	175				<b>175</b>
John Womack	175				<b>175</b>
Eva Boding	175				<b>175</b>
Paul Steene	175				<b>175</b>
<b>CEO and other senior executives</b>					
Michael Lindskog (CEO)	2,049		134	533	<b>2,716</b>
Other senior executives	8,137		175	2,162	<b>10,475</b>
<b>Total</b>	<b>11,286</b>	<b>-</b>	<b>309</b>	<b>2,695</b>	<b>14,291</b>

<b>2020</b>	Base salary/ Board fee	Variable remuneration	Other benefits	Pension expense	<b>Total</b>
<b>Board of Directors</b>					
Erik Lindgren (Chair)	200				<b>200</b>
Magnus Dimert	150				<b>150</b>
John Womack	150				<b>150</b>
<b>CEO and other senior executives</b>					
Michael Lindskog (CEO)	1,614		151	340	<b>2,105</b>
Other senior executives	5,645	100	18	1,676	<b>7,439</b>
<b>Total</b>	<b>7,759</b>	<b>100</b>	<b>169</b>	<b>2,016</b>	<b>10,044</b>



**Note 7 SALARIES AND REMUNERATION TO EMPLOYEES (CONTINUED)**

SEK thousand

**REMUNERATION TO SENIOR EXECUTIVES***Principles*

The Annual General Meeting decides on fees payable to the Chair and members of the Board of Directors.

*Board of Directors and CEO*

At the Annual General Meeting on 3 March 2021, it was resolved that a fee of SEK 1,100,000 would be paid to the Board of Directors for the period until the Annual General Meeting in 2022. There are no pension expenses or pension commitments for the Board of Directors. A total of SEK 2,049,000 in salaries and benefits was paid to the CEO of the parent company (2020: SEK 1,614,000). The Board of Directors decides on the principles for remuneration of senior executives in terms of both fixed and variable remuneration in the company. Remuneration to other senior executives consists of basic salary.

*Severance compensation*

In the event of the termination of the CEO, the company must observe a notice period of six months and the CEO a notice period of six months. In the event of termination by the company, the CEO may be placed on garden leave.

**GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES**

On an extra shareholders meeting in February 2021 the General Meeting resolved to adopt the following guidelines for remuneration to senior executives in RugVista Group.

Senior executives of RugVista Group, which consists of individuals who from time to time are part of the company's executive management, fall within the provisions of these guidelines. The guidelines are forward-looking, i.e. they are applicable to remuneration agreed, and amendments to remuneration already agreed, after the guidelines have become effective in accordance with the General Meeting's resolution. These guidelines do not apply to any remuneration decided or approved by the General Meeting.

To the extent that a member of the Board of Directors performs work for the company in addition to the Board assignment, these guidelines shall also apply to any other eventual remuneration (e.g. consultancy fees) for such work.

*The guidelines' promotion of the company's business strategy, long-term interests and sustainability*

The company's business vision is to become the center of gravity of the European rug industry. This vision will be achieved by offering potential customers Europe's best online shopping experience for rugs and closely related products. A prerequisite for a successful implementation of the company's business strategy and safeguarding of its long-term interests, including its sustainability work, is that the company can recruit and retain qualified personnel. The company's employer vision is to "attract, motivate and retain exceptional individuals" and constitutes the platform for keeping the company's most important asset, its employees, motivated and happy to be part of the organization. To this end, it is necessary that the company offers competitive remuneration. These guidelines enable the company to offer the executive management a competitive total remuneration.

Share-related incentive plans based on warrants have previously been implemented in the company. Such plans have been resolved by the General Meeting and are therefore excluded from these guidelines. Any future share-related incentive plans will be resolved by the General Meeting.

*Types of remuneration, etc.*

The remuneration shall be on market terms and may consist of the following components: fixed remuneration, pension benefits and other benefits. Additionally, the General Meeting may - irrespective of these guidelines - resolve on, among other things, share-related or share price-related remuneration.

**Note 7 SALARIES AND REMUNERATION TO EMPLOYEES (CONTINUED)**

SEK thousand

**Fixed remuneration**

Fixed cash salary shall be based on market level conditions and shall be determined with regard to the individual executive's responsibility, authority, competence and experience.

**Pension benefits**

Pension benefits, including health insurance, for the CEO shall be premium defined and the pension premiums shall amount to a maximum of 30 percent of the CEO's fixed annual cash salary. Other senior executives shall be covered by ITP1 in accordance with the applicable collective agreement, or similar pension benefit. For executives covered by ITP1, the insurance premiums shall be based on executives' fixed annual cash salary and other pensionable covered income in accordance with ITP1. ITP1 means that the company pays a premium of 4.5 percent of the executive's pensionable covered income up to 7.5 income base amounts and 30 percent over 7.5 income base amounts. In addition, other senior executives may receive an additional premium defined pension provision in the form of a fixed monthly amount, which can amount to a maximum of 6 percent of the current fixed monthly cash salary when determining such provision for pension.

**Other benefits**

Other benefits may include, for example, life insurance, medical insurance and company cars. Such benefits may not exceed more than 15 per cent of the fixed annual cash salary.

**Extraordinary remuneration**

Additional cash remuneration may be awarded in extraordinary circumstances, provided that such extraordinary arrangements are limited in time and only made on an individual basis, either for the purpose of recruiting or retaining executives, or as remuneration for extraordinary performance beyond the individual's ordinary tasks. Such remuneration may not exceed an amount corresponding to 50 per cent of the fixed annual cash salary and may not be paid more than once each year per individual. Any resolution on such remuneration shall be made by the Board of Directors.

**Remuneration to members of the Board of Directors**

In cases where a member of the Board of Directors performs services for the company in addition to the Board assignment, a special remuneration may be paid for this (consultancy fee) provided that such services contribute to the implementation of the company's business strategy and the safeguarding of the company's long-term interests, including its sustainability. The annual consulting fee must be on market terms and be put in relation to the benefit it brings to the company and may never exceed three times the applicable Board remuneration for each member of the Board of Directors. Remuneration to a member of the Board of Directors, as well as other conditions, is decided by the Board of Directors.

**Termination of employment**

Upon termination of employment, the period of notice may not exceed six months, unless otherwise is provided by mandatory law or collective agreement. Fixed cash salary during the period of notice and severance pay may together not exceed an amount equivalent to the fixed cash salary for fifteen months. The period of notice may not to exceed six months without any right to severance pay when termination is made by the executive.

Additionally, remuneration may be paid for non-compete undertakings. Such remuneration shall compensate for loss of income and shall only be paid in so far as the previously employed executive is not entitled to severance pay. The remuneration shall amount to not more than 60 per cent of the fixed cash salary at the time of termination of employment, unless otherwise provided by mandatory collective agreement provisions, and be paid during the time the non-compete undertaking applies, however not for more than twelve months following termination of employment.

**Salary and employment conditions for employees**

In the preparation of the Board of Directors' proposal for these remuneration guidelines, salary and employment conditions for employees of RugVista Group have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the Board of Directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable.

**The decision-making process to determine, review and implement the guidelines**

The Board of Directors shall prepare a proposal for new guidelines at least every fourth year and submit it to the General Meeting. The guidelines shall be in force until new guidelines are adopted by the General Meeting. The Board of Directors shall also monitor and evaluate programs for variable remuneration for the executive management, the application of the guidelines for executive remuneration as well as the current remuneration structures and compensation levels in the company. The CEO and other members of the executive management do not participate in the Board of Directors' processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

**Derogation from the guidelines**

The Board of Directors may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the company's long-term interests, including its sustainability, or to ensure the company's financial viability.

<b>Note 8 FINANCIAL INCOME AND EXPENSES</b>		<i>SEK thousand</i>	
<b>Financial income</b>		<b>2021</b>	<b>2020</b>
Interest income using the effective interest rate method		-	0
<b>Total</b>		<b>-</b>	<b>0</b>
All interest income relates to financial items measured at accrued acquisition value.			
<b>Financial expenses</b>			
Interest expenses using the effective interest rate method		-910	-3,557
<b>Total</b>		<b>-910</b>	<b>-3,557</b>
All financial expenses relate to financial items measured at accrued acquisition value.			

<b>Note 9 INCOME TAX</b>		<i>SEK thousand</i>	
The main components of tax expenses for the financial year are as follows:			
<b>Consolidated income statement</b>		<b>2021</b>	<b>2020</b>
Current tax		-40,543	-17,106
Change in deferred tax relating to temporary differences		13,645	-3,506
<b>Total tax recognised</b>		<b>-26,898</b>	<b>-20,612</b>
<b>Reconciliation of effective tax rate</b>		<b>2021</b>	<b>2020</b>
Profit/loss before tax		126,749	100,595
Tax on net profit at current rate, 20.6% (21.4%)		-26,110	-21,527
Tax effect of:			
Non-taxable income		-	905
Non-deductible expenses		-164	-521
Loss carry forwards for which no deferred tax claim is reported		-	-
Effect of change in tax rate		-623	532
<b>Reported tax</b>		<b>-26,898</b>	<b>-20,612</b>
Effective tax rate		-21.2%	-20.5%

Deferred income tax is attributable to:	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Temporary differences	31 Dec 2021	31 Dec 2021	31 Dec 2020	31 Dec 2020
Tangible assets	236	-	176	-
Tax allocation reserves	-	107	-	13,693
<b>Total</b>	<b>236</b>	<b>107</b>	<b>176</b>	<b>13,693</b>

Recognised as follows in the Statement of Financial Position:	31 Dec 2021	31 Dec 2020
Deferred tax assets	236	176
Deferred tax liabilities	-107	-13,693
<b>Total</b>	<b>129</b>	<b>-13,516</b>
<b>Reconciliation of deferred tax</b>	<b>31 Dec 2021</b>	<b>31 Dec 2020</b>
<b>Opening balance</b>	<b>-13,516</b>	<b>-10,011</b>
Tax expense/income recognised in the income statement	13,645	-3,506
<b>Closing balance</b>	<b>129</b>	<b>-13,516</b>



**Note 10 EARNINGS PER SHARE**

SEK thousand

Earnings per share before dilution are calculated by dividing the profit for the year attributable to the parent company's shareholders by the weighted average number of ordinary shares outstanding during the period.

For the purpose of calculating earnings per share after dilution, the potential ordinary shares to which the outstanding warrants correspond are added to the extent that they give rise to a dilutive effect. This is the case if the issuance of the shares under the terms of the program would result in an issue at a price lower than the average price of the ordinary shares outstanding during the period.

	2021	2020
Profit for the year	99,851	79,983
Adjustments	-	-
<b>Profit for the year for calculation before and after dilution</b>	<b>99,851</b>	<b>79,983</b>
Average number of ordinary shares before dilution, thousand	20,785	20,281
Dilution effect, warrants	-	557
<b>Weighted number of ordinary shares after dilution, thousand</b>	<b>20,785</b>	<b>20,837</b>
Earnings per share before dilution, SEK	4.80	3.94
Earnings per share after dilution, SEK	4.80	3.84

**Note 11 INTANGIBLE ASSETS**

SEK thousand

Website	31 Dec 2021	31 Dec 2020
<b>Accumulated acquisition value, opening balance</b>	-	930
Acquisitions	-	-
Disposals	-	-930
<b>Acquisition value, closing balance</b>	-	-
<b>Accumulated amortization, opening balance</b>	-	-500
Sale	-	521
Amortization for the year	-	-21
<b>Accumulated amortization, closing balance</b>	-	-
<b>Net carrying amount at end of year</b>	-	-

<b>Note 12 GOODWILL</b>		<i>SEK thousand</i>	
	<b>2021</b>	<b>2020</b>	
Accumulated acquisition values, opening balance	299,949	299,949	
<b>Accumulated acquisition values, closing balance</b>	<b>299,949</b>	<b>299,949</b>	
<b>Net carrying amount at end of year</b>	<b>299,949</b>	<b>299,949</b>	

**GOODWILL**

Goodwill of SEK 299.9 million relates to the subsidiary RugVista AB. Goodwill is not amortized, but instead tested for impairment annually at the lowest level at which there are separate identifiable cash flows (cash-generating units). An impairment test was carried out for RugVista AB and it was found that there is no need to impair the carrying amount as the analysis resulted in the value of the asset being equal to or greater than the book value; even when taking into account several scenarios for RugVista AB's future development.

The carrying amounts of goodwill are tested for impairment by calculating their recoverable amount based on value-in-use calculations. These calculations are based on estimated future cash flows for the next 5 years. Cash flows beyond the five-year period have been extrapolated at an estimated growth rate of 2% per annum in line with general expectations of GDP growth.

The annual growth rate of the cash-generating unit over the forecast period has been assessed to be the single most important assumption. The growth rate has been assessed based on the historical and expected future growth of the online market for the Group's products.

The discount rate used is indicated before tax and reflects specific risks that apply to the cash-generating unit.

*Significant assumptions used for calculation of values in use:*

Constant growth rate*	2.0% (2.0)
Discount rate before tax**	8.5% (14.2)

A number of sensitivity analyses have been carried out to assess whether any adverse changes would lead to impairment. The analysis focused on four specific scenarios:

- 1) a deterioration in annual income growth over the forecast period,
- 2) an increased COGS to net income ratio,
- 3) elevated levels of marketing expenses and
- 4) higher discount rates on cash flow.

The impairment test, including sensitivity analyses, did not indicate a need for impairment.

\* Growth rate used to extrapolate cash flows beyond the 5-year forecast period

\*\* Pre-tax discount rate used in present value calculation of estimated future cash flows

<b>Note 13 TANGIBLE ASSETS</b>		<i>SEK thousand</i>	
<b>Equipment</b>	<b>31 Dec 2021</b>	<b>31 Dec 2020</b>	
Accumulated acquisition value, opening balance	7,003	4,987	
Acquisitions during the year	2,357	2,061	
Sales/disposals	-	-44	
<b>Acquisition value, closing balance</b>	<b>9,360</b>	<b>7,003</b>	
Accumulated depreciation	-4,230	-3,304	
Sales/disposals	-	13	
Depreciation for the year	-980	-939	
<b>Accumulated depreciation, closing balance</b>	<b>-5,210</b>	<b>-4,230</b>	
<b>Net carrying amount at end of year</b>	<b>4,150</b>	<b>2,773</b>	

**Note 14 LEASES**

SEK thousand

The Group's lease portfolio consists mainly of leases for premises. In addition, the company has leases for cars and trucks. Leases for premises generally have a lease term of between 3 and 6 years while leases for cars and trucks generally have a lease term of between 3 and 5 years.

Most of the Group's leases contain options for renewal or premature termination. These options are exercised by the Group to allow flexibility in the lease portfolio and to adapt to its operations. When the Group is reasonably certain of exercising an option, this is taken into account in the calculation of the lease liability and the right-of-use asset's value.

**RIGHT-OF-USE ASSETS**

Depreciation is calculated as follows:	Number of years
Rights of use for premises	3-6 years
Rights of use for cars	3-5 years
Rights of use for trucks	3-5 years

The table below shows the book value and depreciation of the rights of use by asset class and the additional rights of use for the financial year:

2021	Premises	Cars and trucks	Total
Depreciation	-7,053	-327	-7,380
<b>Closing balance, 31 December 2021</b>	<b>24,496</b>	<b>3,036</b>	<b>27,533</b>

Additional right-of-use assets added during the 2021 financial year amounted to a total of SEK 6.0 million.

2020	Premises	Cars and trucks	Total
Depreciation	-6,732	-117	-6,848
<b>Closing balance, 31 December 2020</b>	<b>28,817</b>	<b>67</b>	<b>28,884</b>

Additional right-of-use assets added during the 2020 financial year amounted to a total of SEK 0 million.

**Leasing debt**

The table below shows the amounts recognised as leasing debt in the consolidated balance sheet.

	31 Dec 2021	31 Dec 2020
Long-term leasing debt	20,070	23,231
Current leasing debt	8,419	6,651
<b>Total</b>	<b>28,489</b>	<b>29,882</b>

The table below presents a maturity analysis of the contractual undiscounted payments of the lease liabilities.

	31 Dec 2021	31 Dec 2020
Cash flow within 1 year	9,951	7,469
Cash flow within 2-5 years	26,549	24,509
Cash flow after 5 years	-	-
<b>Total</b>	<b>36,500</b>	<b>31,978</b>

**Reported expenses attributable to leases**

The table below shows the amounts attributable to leases recognised in the consolidated income statement during the year.

Expenses	31 Dec 2021	31 Dec 2020
Depreciation of right-of-use assets	7,380	6,848
Interest expenses on leasing debt	889	1,026
<b>Total</b>	<b>8,269</b>	<b>7,874</b>

The Group's total cash outflow for leases amounted to:



**Note 15 INVENTORY** SEK thousand

	31 Dec 2021	31 Dec 2020
Goods for resale	129,470	89,635
Goods in transit	15,812	-
Right of return stock	1,277	1,363
<b>Total</b>	<b>146,559</b>	<b>90,997</b>

Inventory is measured at the lower of the acquisition value and net realizable value with acquisition value being calculated in accordance with the FIFO (first-in, first-out) principle. Purchased goods are measured at acquisition value. The net realisable value is defined as the sales price less selling expenses. Adjustment to net realisable value includes assessments of obsolescence. The purchasing department's efforts to ensure peak season stock levels and replenishment of best-selling items, in collaboration with our suppliers, were successful despite continued supply challenges due to the Covid-19 pandemic and ongoing global freight challenges.

The right of return is calculated when the transaction price is established and revenue is reduced by the sales price of the products expected to be returned and recognised as a refund liability. A right of return asset is recognised corresponding to the right to recover the product from the customer. Historical data is used to assess the risk of returns at the time of sale. The return risk reserve is calculated so that there is no material risk of reversal of the revenue recognised in the subsequent accounting period, based on an average of actual returns during the 12 months prior to the current accounting period.

**Note 16 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT** SEK thousand

Financial assets and liabilities by category

<b>Financial assets valued at accrued acquisition value</b>	<b>31 Dec 2021</b>	<b>31 Dec 2020</b>
<i>Financial assets in the balance sheet</i>		
Other receivables	5,057	7,926
Cash and cash equivalents	218,116	139,508
<b>Total</b>	<b>223,172</b>	<b>147,434</b>

The maximum credit risk of the assets consists of the carrying amounts in the table above. The Group has not received any pledged securities in respect of the financial net assets.

Other receivables consist mainly of receivables from the payment intermediaries with whom the Group co-operates to offer payment and financing solutions to end customers and various short-term receivables.

The book value corresponds in all essential respects to the fair value.

<b>Other financial liabilities valued at accrued acquisition value</b>	<b>31 Dec 2021</b>	<b>31 Dec 2020</b>
<i>Financial liabilities in the balance sheet</i>		
Accounts payable	95,334	70,646
Other liabilities	2,823	2,874
Accrued expenses	20,508	18,765
Leasing debt	28,489	29,882
<b>Total</b>	<b>147,154</b>	<b>122,167</b>

The fair value of financial liabilities is deemed to correspond to the carrying amount.

**FINANCIAL RISK MANAGEMENT**

RugVista Group AB is exposed to a number of financial risks such as currency risk, interest rate risk, credit risk and liquidity risk. The Group's overall risk management strategy focuses on managing the uncertainty of the financial markets and aims to minimize potential unfavourable effects on the Group's financial results. The main financial risks are described below.

**CURRENCY RISK**

The Group's operations are based in Sweden and the functional currency is SEK. The majority of the Group's sales are denominated in EUR and purchases are also mainly denominated in EUR and to a lesser extent in USD. As most payment flows are in EUR, the currency risk is relatively low. The RugVista Group does not actively hedge estimated foreign currency flows.

**INTEREST RATE RISK**

Since the Group has repaid all its debts to credit institutions the only interest remaining is due to IFRS 16. Consequently, the interest rate risk is low.

**Note 16 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)** SEK thousand**CREDIT RISK**

Credit risk is the risk of losses as a consequence of counterparties being unable to perform their contractual obligations. The Group offers its customers payment and financing solutions via payment intermediaries, the risk of which is mainly linked to receivables from these payment intermediaries. When a customer buys on credit, the Group is therefore not exposed to any credit risk. Receivables from payment intermediaries are usually settled within 3-5 days. The Group does not recognise a provision for expected credit losses as the risk is deemed to be immaterial.

**LIQUIDITY RISK**

The Group has some seasonal variation in cash flow. The Group forecasts cash flow to ensure a satisfactory margin of liquidity.

The table below shows the contractual remaining maturities (undiscounted values) of the financial liabilities.

Financial liabilities	1 year	2-5 years	After 5 years	Expected cash flow 2022
Leasing debt	9,951	26,549	-	9,951
Accounts payable	95,334	-	-	95,334
Other liabilities	2,823	-	-	2,823
Accrued expenses	20,508	-	-	20,508
<b>Total</b>	<b>128,616</b>	<b>26,549</b>	<b>-</b>	<b>128,616</b>

Financial liabilities	1 year	2-5 years	After 5 years	Expected cash flow 2021
Liabilities to credit institutions	-	-	-	-
Leasing debt	7,469	24,509	-	7,469
Accounts payable	70,646	-	-	70,646
Other liabilities	2,874	-	-	2,874
Accrued expenses	18,765	-	-	18,765
<b>Total</b>	<b>99,754</b>	<b>24,509</b>	<b>-</b>	<b>99,754</b>

Expected cash flow includes interest and repayments of principal.

**RISK MANAGEMENT OF CAPITAL**

The Group's capital structure must be kept at a level that ensures the ability to continue as a going concern to generate returns for shareholders and benefits for other stakeholders, while maintaining an optimum structure to reduce the cost of capital.

**Change in financial liabilities**

	1 Jan 2021	Cash flows	Not affecting cash flow	31 Dec 2021
			Additional lease liabilities	
Leasing debt	29,882	-7,422	6,029	28,489
<b>Total</b>	<b>29,882</b>	<b>-7,422</b>	<b>6,029</b>	<b>28,489</b>

	1 Jan 2020	Cash flows	Not affecting cash flow	31 Dec 2020
			Additional lease liabilities	
Liabilities to credit institutions	88,000	-88,000	-	-
Leasing debt	35,925	-6,043	-	29,882
<b>Total</b>	<b>123,925</b>	<b>-94,043</b>	<b>-</b>	<b>29,882</b>

**Note 17 CASH AND CASH EQUIVALENTS** *SEK thousand*

	31 Dec 2021	31 Dec 2020
Available balances	218,116	139,508
<b>Total</b>	<b>218,116</b>	<b>139,508</b>

**Note 18 PREPAID EXPENSES** *SEK thousand*

	31 Dec 2021	31 Dec 2020
Prepaid rental expenses	-	1,024
Prepaid insurance premiums	57	47
Other prepaid expenses	864	527
<b>Total</b>	<b>921</b>	<b>1,598</b>

**Note 19 ASSETS PLEDGED FOR OWN LIABILITIES AND CONTINGENT LIABILITIES** *SEK thousand*

<i>Liabilities to credit institutions</i>	31 Dec 2021	31 Dec 2020
Collateral charges	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**Note 20 DEFERRED INCOME AND ACCRUED EXPENSES** *SEK thousand*

	31 Dec 2021	31 Dec 2020
Accrued salaries and personnel expenses	8,269	6,822
Provision for returns	7,215	6,275
Other accrued expenses	6,656	6,983
<b>Total</b>	<b>22,139</b>	<b>20,081</b>

**Note 21 EQUITY**

SEK thousand

Number of shares	31 Dec 2021	31 Dec 2020
<b>Opening balance</b>	<b>1,014,028</b>	<b>1,011,353</b>
Share split 1:20	20,280,560	
New share issue	504,580	2,675
<b>Closing balance</b>	<b>20,785,140</b>	<b>1,014,028</b>
Quotient value in SEK	0.05	1

**Dividend**

RugVista Group AB (publ) has not paid any dividend.

**Share capital**

The share capital of the parent company consists solely of fully paid-up ordinary shares with a nominal value (quotient value) of SEK 0.05 per share.

The company has 20,785,140 ordinary shares.

**OTHER CONTRIBUTED CAPITAL**

This category includes shareholder contributions, warrant premiums and share premium reserve. All market valuations are made according to the Black & Scholes model.

*Historical incentive programs*

Date of issuance	Maturity	Number of warrants before split	After split	Subscribed for	Contributed capital, KSEK
16/03/2017	16/03/2022	13,140	262,800	-	-
13/04/2018	13/04/2023	14,580	291,600	231,180	5,816
24/10/2019	22/10/2024	16,368	327,360	273,400	5,632
		<b>44,088</b>	<b>881,760</b>	<b>504,580</b>	<b>11,449</b>
<i>New incentive program</i>					
18/03/2021	15/06/2024	-	860,000	-	16,796
		-	<b>860,000</b>	-	<b>16,796</b>

See also notes 7 and 10

Following a decision by the Extraordinary General Meeting on 11 February 2021, the company carried out a share split with a ratio of 1:20.

In connection with the listing on NASDAQ First North Premier Growth Market, the historical long-term incentive programs LTIP2017, LTIP2018 and LTIP2019 were phased out.

On 18 March 2021, a new share issue was carried out raising SEK 25,000 in share capital.

At the Extraordinary General Meeting of 18 March 2021, a decision was made to implement a new warrant programme, LTIP TO 2021/2024.



**Note 22 SHARE-BASED REMUNERATION**

SEK thousand

The company had three historical warrant programs; series 2017/2022, series 2018/2023 and 2019/2024. The programs were allocated to the CEO and other senior executives. In connection with the company stock market flotation, all historical warrant programs were terminated.

During the year, the company implemented a new warrant program, LTIP 2021/2024, consisting of a total of 860,000 warrants.

Each warrant entitles the holder to subscribe for one (1) share in the company during the exercise period at a price of SEK 162.50, which corresponds to 130% of the issue price of the share. The warrants may be exercised during the period 15 April to 15 June 2024. The warrant transfer price was determined by PricewaterhouseCoopers on the basis of an estimated market value of the warrants at the time of the transfer using the Black & Scholes valuation model.

**CHANGES IN OUTSTANDING WARRANTS DURING THE YEAR**

2021

<b>Outstanding on 1 January</b>	<b>44,088</b>
Share split 1:20	881,760
Subscribed for during the year	-504,580
Warrants repurchased	-377,180
Issued during the year	860,000
<b>Outstanding on 31 December</b>	<b>860,000</b>
Exercisable at year-end	-

**INCENTIVE PROGRAM LTIP 2021/2024**

LTIP 2021/24

Average fair value of the share at the valuation date, SEK	135.35
Exercise price, SEK	162.50
Weighted average price at issuance, SEK	20.53
Program duration, years	3.0
Program duration until maturity, years	2.46
Expected volatility	35%
Risk-free interest rate	-0.20%
Fair value on 31 December, SEK	16.00
Number of options outstanding	363,019
Number of options allocated	496,981
Fair value of options allocated, SEK million	8.0

The expected volatility is based on the assumption that the historical volatility over a period corresponding to the term of the warrants is also indicative of future trends, which will not necessarily be the outcome.

**Note 23 CONTINGENT LIABILITIES**

SEK thousand

	31 Dec 2021	31 Dec 2020
Counter-guarantee for bank guarantee to Swedish Customs	1,305	956
<b>Total</b>	<b>1,305</b>	<b>956</b>

**Note 24 RELATED PARTY TRANSACTIONS**

SEK thousand

The following business relationships were conducted subject to normal market terms and requirements ("at arm's length"), and the table below lists the companies deemed to be closely related parties:

Closely related persons:	Relationship	ownership in %
Senior executives	Senior executives	2.5%
<b>Other closely related companies</b>		
Womack Investor Relations AB	Board member, partner	0.1%
Transistormedia AB, Cutting Edge Construction AB	Board member, partner	4.9%
Lygna AB	Board member, partner	0.8%
Storviksudden AB	Board Chairman, partner	1.3%

The following table shows the total value of the transactions entered into with closely related parties during the relevant financial year. All transactions were conducted on market terms.

Sales to/acquisitions from related parties	Closely related persons and other closely related companies			
	Senior executives/CEO		Other closely related companies	
	2021	2020	2021	2020
Purchases from closely related parties	-	-	213	607
Sales of subsidiaries to closely related parties	-	-	-	3,240
Liabilities to closely related parties	-	-	-	83
Warrants, repurchased	-10,042	-	-2,760	-
Warrants, new	7,727	-	-	-
New share issue	9,412	1,100	-	500

Purchases from related parties relate to consultancy assignments.

**Note 25 SIGNIFICANT EVENTS AFTER THE REPORTING DATE****D-AWARD**

RugVista is one of three companies that have been nominated for the D-Award. The winner will be announced at D-Congress on April 28, 2022. D-Award nominates the e-commerce company that has contributed most to the development of e-commerce in Sweden over the past year. The D-Award was started in 2019 by Svensk Digital Handel and the winner is chosen every year at D-Congress, Sweden's largest e-commerce event.

**WAR IN UKRAINE**

On the morning of February 24, 2022, Vladimir Putin announced that Russia was initiating a "special military operation" in the Donbas region and launched a full-scale invasion of the Ukraine.

As a result, RugVista Group has deactivated its Russian web shops for both the RugVista and CarpetVista brands to make a clear stance that we do not find violation of borders of a sovereign state acceptable. The order volume on the Russian web shops was limited and will thus not have a significant impact on RugVista Group's financial performance.

Additional consequences of the invasion on RugVista Group's business are so far not known. However, the uncertain global environment that the war has created could lower consumer confidence, which in combination with the recent increase in cost of utilities and other basic necessities could negatively impact consumer demand in the short- to mid-term. Some of RugVista Groups input prices could also increase moving forward because of the uncertain global environment and the increase in multiple commodities experienced globally in previous months, e.g., product costs, etc.

**CHANGE TO THE REPORTED ORGANIC GROWTH**

After submitting the 2021 year-end report it has come to the management's attention that an error was made in the calculation of currency effects on the full year 2021 net revenue. The correct organic growth for 2021 was 34.0% and not 36.4% as previously communicated.

<b>PARENT COMPANY INCOME STATEMENT</b>			
<i>SEK thousand</i>	<i>Note</i>	<b>1 Jan 2021 31 Dec 2021</b>	<b>1 Jan 2020 31 Dec 2020</b>
Net revenue	30	12,088	8,493
Other external expenses	31	-12,848	-9,259
Personnel expenses	32	-8,073	-5,611
Other operating expenses		-8	-1
<b>Operating profit (EBIT)</b>		<b>-8,841</b>	<b>-6,378</b>
Financial income and expenses			
Profit from participations in Group companies	33	-	-27,264
Financial expenses	33	-15	-2,484
		<b>-15</b>	<b>-29,748</b>
<b>Profit/loss after financial items</b>		<b>-8,856</b>	<b>-36,125</b>
<i>Year-end appropriations</i>			
Provision to tax allocation reserve		-	-23,500
Reversal of tax allocation reserve		25,687	-
Group contributions		61,700	103,000
<b>Profit before tax</b>		<b>78,531</b>	<b>43,375</b>
Tax	34	-16,426	-15,310
<b>Profit for the year</b>		<b>62,105</b>	<b>28,065</b>

The profit for the year is in line with the comprehensive income of the parent company.

<b>PARENT COMPANY FINANCIAL POSITION</b>			
<i>SEK thousand</i>	<i>Note</i>	<b>31 Dec 2021</b>	<b>31 Dec 2020</b>
<b>ASSETS</b>			
<i>Non-current assets</i>			
Financial assets			
Participations in Group companies	35	321,271	321,271
<b>Total non-current assets</b>		<b>321,271</b>	<b>321,271</b>
<i>Current assets</i>			
Receivables from Group companies	36	62,921	915
Other receivables	36	329	1,222
Prepaid expenses		98	68
		<b>63,348</b>	<b>2,206</b>
Cash and cash equivalents	36	17,437	4,674
<b>Total current assets</b>		<b>80,785</b>	<b>6,880</b>
<b>TOTAL ASSETS</b>		<b>402,056</b>	<b>328,151</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<i>Restricted equity</i>			
Share capital		1,039	1,014
<i>Non-restricted equity</i>			
Retained earnings		305,303	249,019
Profit for the year		62,105	28,065
<b>Total equity</b>		<b>368,448</b>	<b>278,098</b>
<b>Untaxed reserves</b>		<b>-</b>	<b>25,687</b>
<i>Non-current liabilities</i>			
Liabilities to credit institutions		-	-
<b>Total non-current liabilities</b>		<b>-</b>	<b>-</b>
<i>Current liabilities</i>			
Current portion of non-current liabilities		-	-
Accounts payable	36	614	5,315
Liabilities to Group companies		-	16
Current tax liabilities	34	30,364	16,320
Other current liabilities	36	502	124
Prepaid income and accrued expenses	36, 37	2,128	2,590
<b>Total current liabilities</b>		<b>33,608</b>	<b>24,366</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>402,056</b>	<b>328,151</b>



<b>PARENT COMPANY CHANGES IN EQUITY</b>			
<i>SEK thousand</i>	<i>Restricted equity</i> <b>Share capital</b>	<i>Non-restricted equity</i> <b>Accumulated profit or loss</b>	<b>Total equity</b>
<b>Opening balance, 1 Jan 2020</b>	<b>1,011</b>	<b>247,422</b>	<b>248,434</b>
<i>Transactions with owners:</i>			
Warrants	-	-	-
New share issue	3	1,597	1,600
Profit for the year	-	28,065	28,065
<b>Closing balance, 31 Dec 2020</b>	<b>1,014</b>	<b>277,084</b>	<b>278,098</b>
<i>Transactions with owners:</i>			
Warrants	-	16,796	16,796
New share issue	25	11,423	11,449
Profit for the year	-	62,105	62,105
<b>Closing balance, 31 Dec 2021</b>	<b>1,039</b>	<b>367,408</b>	<b>368,448</b>

<b>PARENT COMPANY CASH FLOW</b>		
<i>SEK thousand</i>	<b>1 Jan 2021 31 Dec 2021</b>	<b>1 Jan 2020 31 Dec 2020</b>
<b>Operating activities</b>		
Operating profit (EBIT)	-8,841	-6,378
<i>Adjustments for items not included in cash flow</i>		
Tax paid	-2,383	-514
Interest paid	-15	-2,484
<b>Cash flow from operating activities before changes in working capital</b>	<b>-11,238</b>	<b>-9,376</b>
<b>Changes in working capital</b>		
Change in operating receivables	-61,142	-1,561
Change in operating liabilities	-4,801	-45,116
<b>Cash flow from operating activities</b>	<b>-77,182</b>	<b>-56,053</b>
<b>Investing activities</b>		
Profit from participations in Group companies	-	8,305
<b>Cash flow from investing activities</b>	<b>-</b>	<b>8,305</b>
<b>Financing activities</b>		
New share issue	11,449	1,600
Warrants	16,796	-
Loans raised	-	-
Repayment of liabilities	-	-53,000
Group contribution received	61,700	103,000
<b>Cash flow from financing activities</b>	<b>89,944</b>	<b>51,600</b>
<b>Cash flow for the year</b>	<b>12,763</b>	<b>3,851</b>
Cash and cash equivalents at start of year	4,674	823
Cash and cash equivalents at year-end	17,437	4,674

## PARENT NOTES

### Note 26 COMPANY INFORMATION

RugVista Group AB is the parent company of a Group that includes 100% of RugVista AB, 556458-9207. The Group sells rugs and carpets through the RugVista and CarpetVista websites. The company has its registered office in Malmö.

### Note 27 BASIS OF PREPARATION OF THE ANNUAL REPORT

#### RULES AND REGULATIONS APPLIED

The parent's annual report has been prepared in accordance with the Swedish Annual Accounts Act and RFR 2 Accounting for legal entities issued by the Swedish Financial Reporting Board. This means that IFRS is applied with the exemptions and additions set out below.

#### BASIS OF PREPARATION OF THE ANNUAL REPORT

Preparing financial statements in compliance with IFRS requires that management make some estimates for accounting purposes. The areas that involve a high level of assessment, that are complex or where the assumptions and estimates are of material importance to the financial statements are indicated in Note 29. These estimates and assumptions are based on historical experience and other factors deemed reasonable under the circumstances. Actual outcomes may differ from estimates made if estimates made change or other conditions exist.

#### SHARES IN SUBSIDIARIES

Participations in subsidiaries are recognised in the parent at cost less any impairment. If the carrying amount of the participations exceeds their fair value, the value is impaired to fair value. Impairment tests are performed when there is an indication of impairment. The impairment is recognised in the income statement. Where the impairment is no longer required, the impairment is reversed through the income statement.

#### FINANCIAL INSTRUMENTS

The parent applies the exemption not to recognise financial instruments under IFRS 9 in legal entities. Financial instruments are measured in accordance with the Swedish Annual Accounts Act on the basis of cost. In the Parent, therefore, financial non-current assets are measured at cost and financial current assets at the lower of cost and net realisable value, subject to impairment for expected credit losses according to IFRS 9 for assets that are debt instruments. For other financial assets, impairment is based on market values.

#### RECOGNITION OF GROUP CONTRIBUTIONS

Group contributions made or received are recognised as appropriations.

### Note 28 CAPITAL STRUCTURE AND MANAGEMENT

RugVista Group AB has no specific objectives related to capital management in the parent company. All capital management is at Group level. See Note 16 in the Group.

### Note 29 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Preparing financial statements in accordance with RFR 2 requires that management make judgments, estimates and assumptions that affect the application of the accounting policies and the carrying amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

#### SUBSIDIARIES

Participations in subsidiaries are recognised in the parent using the cost method. See Note 27 for a more detailed description.

### Note 30 REVENUE

The parent's revenue consists of management fees, which are services provided by the parent to RugVista AB on an ongoing basis at a fixed margin. The performance obligations in these contracts consist of the provision of administrative services. Revenue is recognised when control over the services has been transferred to RugVista AB in an amount that reflects the payment to which the parent expects to be entitled in exchange for the service. Revenue from these services is recognised over time as the customer simultaneously receives and consumes the benefits provided by the company's performance in meeting its obligations.

<b>Note 31 REMUNERATION TO AUDITORS</b>		<i>SEK thousand</i>	
<b>Payment to auditors</b>	<b>2021</b>	<b>2020</b>	
Ernst & Young AB			
Audit engagement	135	60	
Audit activities apart from audit engagement	50	20	
Other services	-15	672	
<b>Total</b>	<b>170</b>	<b>752</b>	

<b>Note 32 SALARIES AND REMUNERATION TO EMPLOYEES AND OTHER FEES</b>		<i>SEK thousand</i>	
	<b>2021</b>	<b>2020</b>	
Salaries and other benefits	5,617	3,568	
Pension expense, defined contribution plans	1,374	767	
Other social security expenses	2,371	1,320	
<b>Total</b>	<b>9,362</b>	<b>5,656</b>	
<b>Average number of employees during the year</b>			
Sweden	2.6	2.0	
Of whom men, %	64%	50%	
<b>Total</b>	<b>2.6</b>	<b>2.0</b>	

For information on remuneration to senior executives and gender distribution among senior executives, see Note 7 in the consolidated financials section.

<b>Note 33 FINANCIAL INCOME AND EXPENSES</b>		<i>SEK thousand</i>	
<b>Financial income</b>	<b>2021</b>	<b>2020</b>	
Other financial income	-	-	
<b>Total</b>	<b>-</b>	<b>-</b>	
<b>Financial expenses</b>			
Profit from participations in Group companies, divested	-	-31,068	
Profit from participations in Group companies, dividend	-	3,805	
Interest expenses	-15	-2,484	
<b>Total</b>	<b>-15</b>	<b>-29,748</b>	

**Note 34 INCOME TAX**

SEK thousand

The main components of tax expenses for the financial year are as follows:

	2021	2020
Current tax on profit for the year	-16,426	-15,310
Change in deferred tax relating to loss carryforwards	-	-
<b>Tax expenses recognised in the income statement</b>	<b>-16,426</b>	<b>-15,310</b>
<b>Reconciliation of effective tax rate</b>	2021	2020
Pre-tax profit	78,531	43,375
Tax on net profit at current rate 20.6% (21.4%):	-16,177	-9,282
<i>Tax effect of:</i>		
Non-taxable income	-	814
Non-deductible expenses	-249	-6,842
<b>Tax recognised</b>	<b>-16,426</b>	<b>-15,310</b>
Average effective tax rate	-20.9%	-35.3%

**Note 35 PARTICIPATIONS IN GROUP COMPANIES**

SEK thousand

	31 Dec 2021	31 Dec 2020
Opening cost	321,271	356,839
<b>Closing accumulated cost</b>	<b>321,271</b>	<b>356,839</b>
Sales/disposals	-	-35,568
<b>Closing carrying amount</b>	<b>321,271</b>	<b>321,271</b>

Subsidiaries within the Group are listed in the table below

Subsidiary	Share of equity	Share of voting power	Number of participations	Book value
RugVista AB	100%	100%	105,000	321,271



<b>Note 36 FINANCIAL INSTRUMENTS</b>				<i>SEK thousand</i>	
<b>31 Dec 2021</b>					
<b>Assets in the balance sheet</b>	<b>Financial assets valued at accrued acquisition value</b>	<b>Financial assets measured at fair value through profit for the year</b>	<b>Total</b>	<b>Fair value</b>	
Receivables from Group companies	62,921	-	62,921	62,921	
Other receivables	329	-	329	329	
Cash and cash equivalents	17,437	-	17,437	17,437	
<b>Total</b>	<b>80,688</b>	<b>-</b>	<b>80,688</b>	<b>80,688</b>	
<b>31 Dec 2021</b>					
<b>Liabilities in the balance sheet</b>	<b>Financial liabilities valued at accrued acquisition value</b>	<b>Financial liabilities measured at fair value through profit for the year</b>	<b>Total</b>	<b>Fair value</b>	
Accounts payable	614	-	614	614	
Liabilities to Group companies	-	-	-	-	
Accrued expenses	2,012	-	2,012	2,012	
<b>Total</b>	<b>2,625</b>	<b>-</b>	<b>2,625</b>	<b>2,625</b>	
<b>31 Dec 2020</b>					
<b>Assets in the balance sheet</b>	<b>Financial assets valued at accrued acquisition value</b>	<b>Financial assets measured at fair value through profit for the year</b>	<b>Total</b>	<b>Fair value</b>	
Receivables from Group companies	915	-	915	915	
Other receivables	1,222	-	1,222	1,222	
Cash and cash equivalents	4,674	-	4,674	4,674	
<b>Total</b>	<b>6,812</b>	<b>-</b>	<b>6,812</b>	<b>6,812</b>	
<b>31 Dec 2020</b>					
<b>Liabilities in the balance sheet</b>	<b>Financial liabilities valued at accrued acquisition value</b>	<b>Financial liabilities measured at fair value through profit for the year</b>	<b>Total</b>	<b>Fair value</b>	
Accounts payable	5,315	-	5,315	5,315	
Liabilities to Group companies	16	-	16	16	
Accrued expenses	2,503	-	2,503	2,503	
<b>Total</b>	<b>7,834</b>	<b>-</b>	<b>7,834</b>	<b>7,834</b>	

**Note 37 ACCRUED EXPENSES** SEK thousand

	31 Dec 2021	31 Dec 2020
Accrued salaries and personnel expenses	1,933	1,293
Other accrued expenses	195	1,297
<b>Total</b>	<b>2,128</b>	<b>2,590</b>

**Note 38 PLEDGED ASSETS AND CONTINGENT LIABILITIES** SEK thousand

<b>Assets pledged for liabilities to credit institutions</b>	31 Dec 2021	31 Dec 2020
Participations in Group companies	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**Contingent liabilities**

There are no known contingent liabilities in the parent.

**Note 39 SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR**

No significant events have occurred beyond what is stated in the Group notes.

**Note 40 PROPOSED APPROPRIATION OF PROFIT** SEK

The following funds are at the disposal of the Annual General Meeting:

	31 Dec 2021
Accumulated profit or loss, SEK	305,303,235
Profit for the year, SEK	62,105,137
<b>Total</b>	<b>367,408,372</b>
<b>The Board of Directors proposes that:</b>	
A dividend of 2.50 per share be paid to shareholders, SEK	51,962,850
be carried forward, SEK	315,445,522
<b>Total</b>	<b>367,408,372</b>

## THE BOARD OF DIRECTORS' REASONED STATEMENT REGARDING PROPOSED ALLOCATION OF PROFITS

The Board of Directors has proposed that the 2022 Annual General Meeting resolve on an appropriation of profits under which the shareholders will receive a dividend of SEK 2.50 per share. The dividend corresponds to a total of SEK 51,962,850. The proposal for distribution of profits has been prepared based on the Company's goal to, in addition to investing resources into growth and developing the business, pay out up to 50 percent of annual net profits in dividends to shareholders.

The Board of Directors of RugVista Group AB (publ) hereby makes the following statement in accordance with Chapter 18, Section 4 of the Swedish Companies Act regarding why the proposed dividend is justifiable under Chapter 17, Section 3, second and third paragraph of the Swedish Companies Act.

The Board of Directors notes that the Company's restricted equity will be fully covered following the distribution of the dividend, and that the Company's and the Group's liquidity position will remain healthy following the distribution of the proposed dividend.

The Company's and the Group's financial condition remains strong following the proposed distribution of dividend, and it is the Board of Directors' assessment that the equity of the Company and the Group, after the distribution of the dividend, will be sufficient in relation to the nature, scope and risks of the business. The Board of Directors has also considered the Company's and the Group's financial position and the Company's

and the Group's prospects of fulfilling their commitments in the short and long term, and the Board of Director's assessment is that the equity will be sufficient to ensure the Company's and the group's ability to meet their obligations as well as make possible necessary investments. In this context, the Board of Directors has considered factors such as the Company's and Group's historical development, budgeted development, and the cyclical situation. The Board of Directors further believes that the Company and the Group, also after the dividend, will be in a good position to meet future business risks as well as withstand possible losses, and are well prepared to respond to any changes in liquidity as well as unexpected events.

In addition to the above, the Board of Directors has considered other known circumstances that may materially affect the Company and the Group's financial condition. No circumstance has arisen that makes the proposed distribution appear unjustifiable.

With reference to the above, the Board of Directors is of the opinion that the proposed dividend is justifiable considering the requirements that the nature, scope and risks of the operations impose on the size of the Company's and the Group's equity as well as the Company's and the Group's consolidation requirements, liquidity and position in general.

It is proposed that the record day for the dividend shall be May 24, 2022, and it is estimated that the dividend will be disbursed on May 30, 2022.

Limhamn April 8, 2022  
**RugVista Group AB (publ)**  
 The Board of Directors

## SIGNATURES

The Board of Directors and the CEO certify that the consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act and International Financial Reporting Standards (IFRS) as adopted by the EU and give a true and fair view of the Group's and Parent Company's financial position and results. In addition, the Directors' Report provides a fair review of the Group's and Parent Company's operations, financial positions and results, and describes significant risks and uncertainty factors that the Group and Parent Company face.

Limhamn April 8, 2022

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**ERIK LINDGREN**  
Chairman of the Board

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**MAGNUS DIMERT**  
Board member

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**PAUL STEENE**  
Board member

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**EVA BODING**  
Board member

---

**LUDVIG FRIBERGER**  
Board member

---

**JOHN WOMACK**  
Board member

---

**MICHAEL LINDSKOG**  
Chief Executive Officer



# AUDITOR'S REPORT

To the general meeting of the shareholders of RugVista Group AB (publ), corporate identity number 559037-7882

## REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

### OPINIONS

We have audited the annual accounts and consolidated accounts of RugVista Group AB (publ) except for the corporate governance statement on pages 69–79 and the statutory sustainability report on pages 27–67 for the year 2021. The annual accounts and consolidated accounts of the company are included on pages 81–125 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2021 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2021 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 69–79 and the statutory sustainability report on pages 27–67. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company, and the income statement and statement of financial position for the group.

### BASIS FOR OPINIONS

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for

accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### OTHER INFORMATION THAN THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–26, 27–67 and 129–132.

The remuneration report for the financial year 2021 also constitutes other information. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the

group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

#### AUDITOR'S RESPONSIBILITY

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors [and the Managing Director].
- Conclude on the appropriateness of the Board of Directors' [and the Managing Director's] use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as

to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

#### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

##### OPINIONS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of RugVista Group AB (publ) for the year 2021 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

**BASIS FOR OPINIONS**

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

**RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR**

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

**AUDITOR'S RESPONSIBILITY**

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

Malmö April 8, 2022  
Ernst & Young AB

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**MARTIN HENRIKSSON**  
Authorized Public Accountant

## DEFINITIONS OF METRICS AND KEY PERFORMANCE INDICATORS

Measure	Definition	Explanation
Adjusted EBIT	Operating income less operating costs adjusted for non-recurring items before net financial income and taxes.	A measure that demonstrates the operational profits excluding effects from non-recurring items
Adjusted EBIT margin	Adjusted EBIT divided by net revenue.	A measure that demonstrates the profitability for the operations excluding effects from non-recurring items.
Average NPS value	The average value for customer responses on the NPS (Net Promotor Score) questionnaire for orders received during the period. The maximum value is 100.	A measure that is used to measure customer satisfaction and established broadly across multiple industries.
Average order value	The average value, including VAT, of orders after cancellations during the period, divided by the number of orders during the period.	A measure that provides an indication of how much each customer is willing to pay for the Company's products.
Average TrustPilot value	The average value for customer responses on the TrustPilot platform during the period. The maximum value is 5.0.	A number which is used to measure customer satisfaction.
Earnings per share	Comprehensive profit for the period attributable the parent company's shareholders divided by the average number of outstanding shares.	The aim is to distribute the company's profit to each share.
Gross margin	Gross profit divided by the net revenue.	A measure that demonstrates profitability after costs for goods for resale.
Gross profit	Operating income less the cost for goods for resale.	A measure that demonstrates what is left to finance other costs after the goods for resale have been paid for.
Inventory as % of LTM net revenue	Inventory value divided by the sum of net revenue during the past 12 months (LTM)	A measure that provides an indication of whether there is sufficient inventory on hand to support demand.
Items affecting comparability	Items that are not related with the operations and are the type of items that are not expected to re-occur often or regularly and are of significant value.	A measure that isolates events that cannot be characterized as normal operational costs.
Marketing costs as a share of net revenue	The costs for marketing activities carried out during the period, divided by net revenue during the period.	A measure that demonstrates how much is invested in marketing in relation to net revenue.
Net financial indebtedness / net cash	Interest bearing liabilities less cash and cash equivalents.	A measure that displays the cash and cash equivalent available after having theoretically settled all interest-bearing liabilities; be it current or non-current.
Net revenue growth	Percent change in the period's net revenue compared to the previous period.	A measure that demonstrates the growth rate of net revenue.
Number of new customers	Number of orders from first time customers, before cancellations or returns.	A measure that provides an indication of how well the Company succeeds in attracting new customers with its offering.
Number of orders	Number of orders placed by customers during the period, before cancellations or returns.	A measure that provides an indication of the Company's level of activity towards customers. Also used to calculate unit-based metrics.



## DEFINITIONS OF METRICS AND KEY PERFORMANCE INDICATORS

Measure	Definition	Explanation
Number of web-shop visits	Number of visits to the Company's online stores during the period.	A measure that provides an indication of the Company's ability to attract potential customers to its online stores.
Operating margin (EBIT margin)	Operating profit (EBIT) divided by net revenue.	A measure that demonstrates the profitability for the operations.
Operating profit (EBIT)	Operating income less operating costs before net financial income and taxes.	A measure that demonstrates the operational profits.
Organic net revenue growth	Percent change in the period's net revenue excluding divested operations with adjustment made for currency effects compared to the previous period.	A measure that demonstrates the growth rate of net revenue for ongoing operations excluding currency effects.
Profit margin	Profit for the period after taxes, divided by total income.	A measure that demonstrates the profitability after taxes.
Return on equity	Profit after financial items as a percentage of average adjusted equity (equity and untaxed reserves less deferred tax)	A measure that shows the business' "return" during the year on the owners' invested capital and can be compared with the current bank interest rate or return from alternative investments.
Return rate in percent	The value of returns (actual and expected) divided by the sales during the period.	A measure that provides an indication of the Company's customers are satisfied with the products they have ordered.
Segment earnings	Net revenue less the cost for goods for resale and marketing costs for the segment.	A measure that demonstrates the segment's profit contribution.
Segment margin	Segment earnings divided by net revenue for the segment.	A measure that demonstrates the segment's profitability.
Solvency, %	Adjusted equity (equity and untaxed reserves less deferred tax) as a percentage of total assets	A measure that shows the extent to which the Group's assets are financed by capital owned by the Group's shareholders

## GLOSSARY

Acronym	Explanation
B2B	Business-to-Business, i.e., segment representing sales to other businesses.
B2C	Business-to-Consumer, i.e., segment representing sales to private individuals (consumers).
MPO	Marketplaces & Other, i.e., segment representing sales via third party platforms like Amazon.
DACH	The markets where German is the primary language, i.e., Germany, Austria, and Switzerland.
Nordics	The Nordic markets including Sweden, Denmark, Norway, Finland, but also the smaller Nordic countries such as Iceland.
Rest of World	All other markets that the Group serves which are not included in either the DACH or Nordic regions.
pp	Percentage point(s).
LTM	Last Twelve Months

# RECONCILIATION WITH FINANCIAL STATEMENTS ACCORDING TO IFRS

	2021-01-01 2021-12-31	2020-01-01 2020-12-31
Total operating income (A)	706,527	564,045
Goods for resale (B)	-250,829	-217,094
<b>Gross profit (A) + (B)</b>	<b>455,698</b>	<b>346,950</b>
Net revenue (C)	704,984	561,883
<b>Gross margin, % ((A) + (B)) / (C)</b>	<b>64.60%</b>	<b>61.70%</b>
Operating profit (EBIT) (A)	127,658	104,153
Items affecting comparability (B)	9,900	5,044
<b>Adjusted EBIT (A) + (B)</b>	<b>137,558</b>	<b>109,196</b>
Net revenue (C)	704,984	561,883
<b>Adjusted EBIT margin, % ((A) + (B)) / (C)</b>	<b>19.50%</b>	<b>19.40%</b>
Inventory (A)	146,559	90,997
Net revenue, last twelve months (LTM) (B)	704,984	561,883
<b>Inventory as % of LTM net revenue (A) / (B)</b>	<b>20.80%</b>	<b>16.20%</b>
Cash and cash equivalents (A)	-218,116	-139,508
Interest bearing liabilities (current and non-current) (B)	-	-
Interest bearing leasing debt (current and non-current) (C)	28,489	29,882
<b>Net debt (+) / net cash (-) (A) + (B) + (C)</b>	<b>-189,627</b>	<b>-109,626</b>
Last year's net revenue (A)	561,883	
Net revenue divested operations (B)	20,172	
<b>Last year's net revenue, excluding divested operations (A)-(B)=(C)</b>	<b>541,712</b>	
This year's net revenue (D)	704,984	
This year's net revenue divested operations (E)	-	
<b>This year's net revenue, excluding divested operations (D)-(E)=(F)</b>	<b>704,984</b>	
FX impact on this year's net revenue (G)	-21,082	
<b>This year's net revenue, excluding divested operations and FX impact (F)-(G)=(H)</b>	<b>726,066</b>	
<b>Organic net revenue growth, % (H)/(C)-1</b>	<b>34.0%</b>	



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