



|| SUSTAINABILITY REPORT

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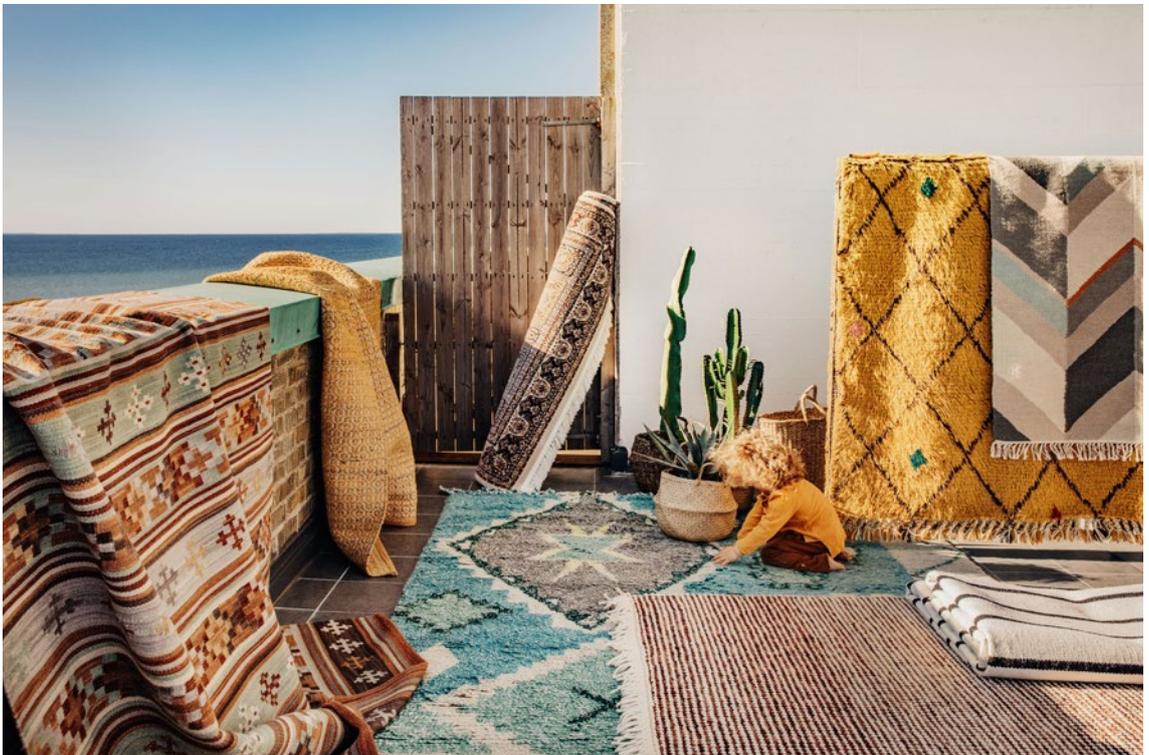
ABOUT THIS REPORT

THE PURPOSE OF THIS SUSTAINABILITY REPORT 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

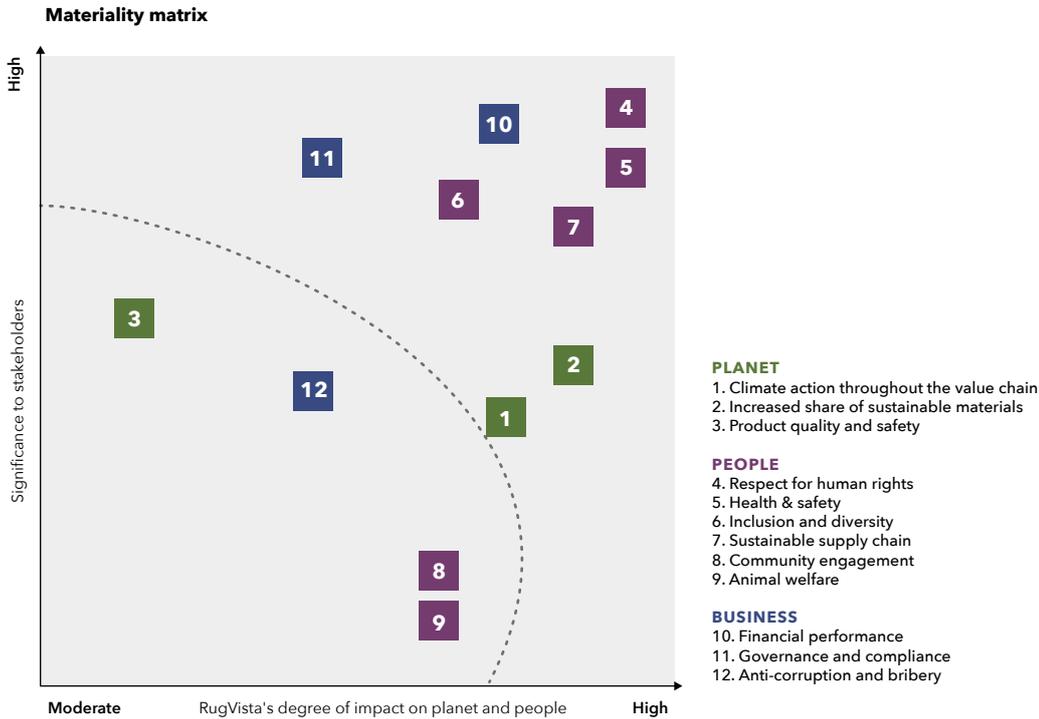
Chief Organization & Sustainability Officer

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

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

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

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 CO₂ 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.



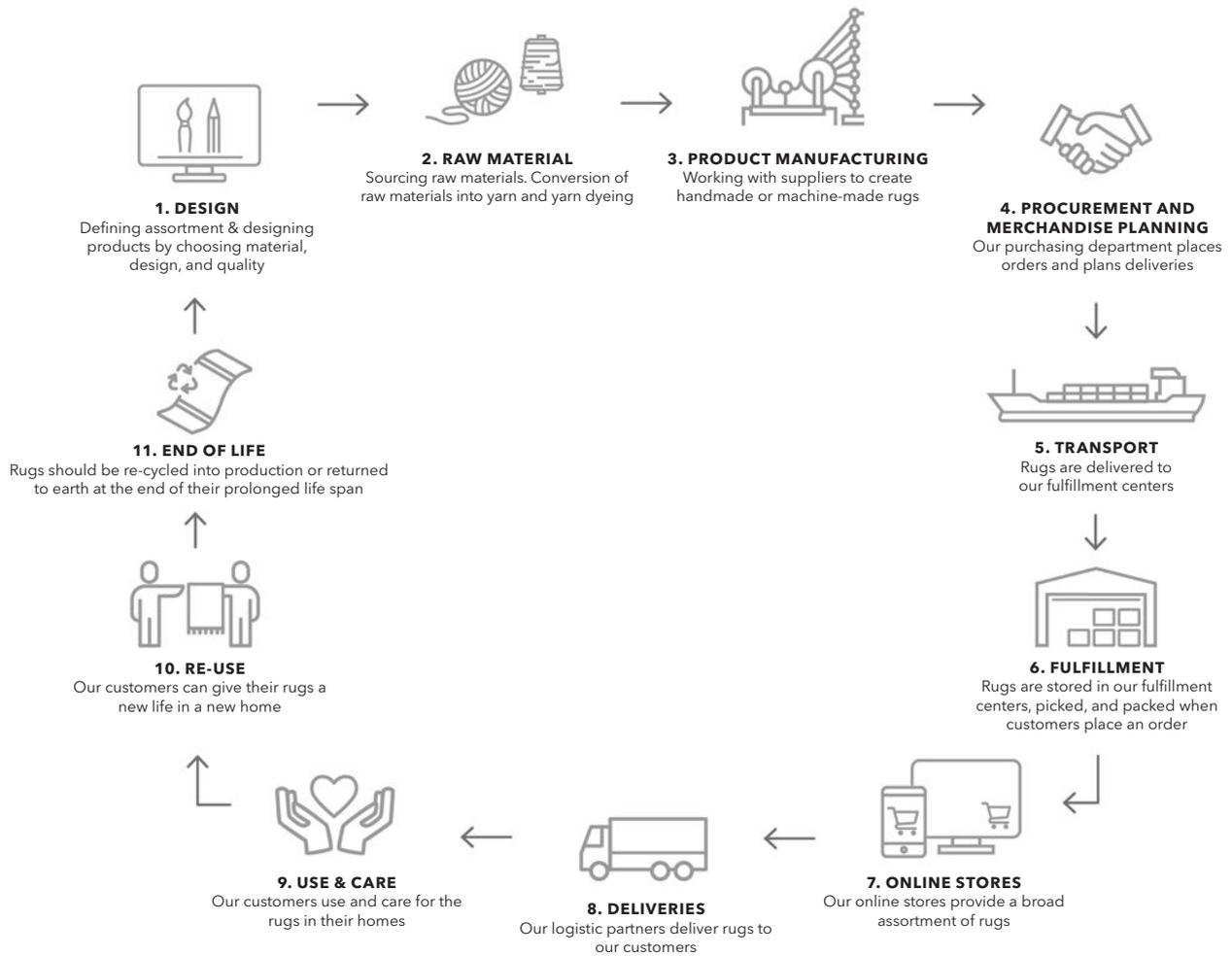
SDG 17: PARTNERSHIPS FOR THE GOALS

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.¹ 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

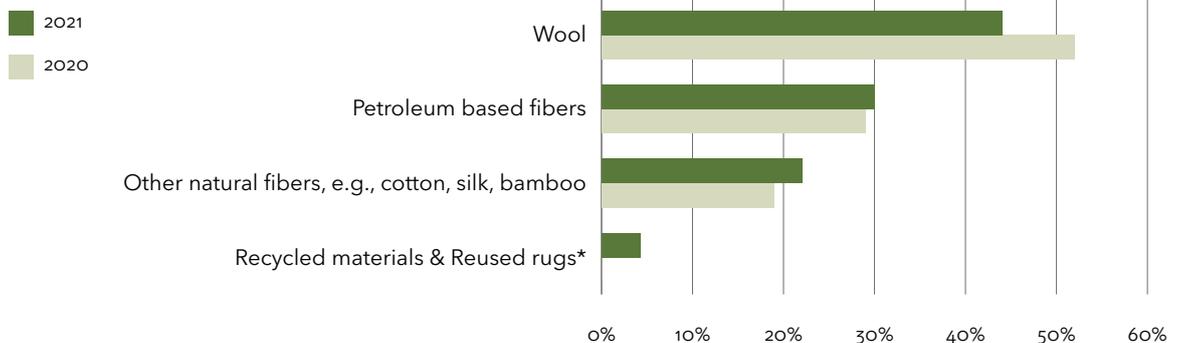
Jute is a subtropical plant with soft, shiny plant fiber that can be spun into rough, strong threads. Jute rugs have a long lifespan and is a natural recyclable material. Jute is being used in both the pile and the warp of our rugs.

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.² 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

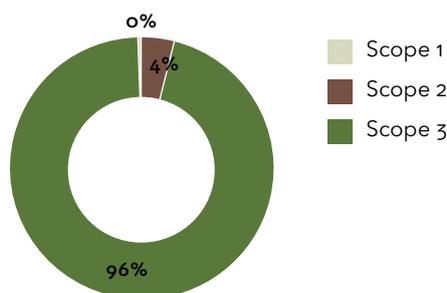
We are currently measuring the carbon footprint in *scope 1, 2* and parts of *scope 3*. Our total CO2 emission in 2021 was 3470 tonnes CO2, which is an increase compared to previous year. The main reason for the change is improved accuracy for calculating our CO2, such as more specific emission factors, 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 CO₂ footprint according to the GHG protocol and use the approach of calculating CO₂ 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 CO₂ 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 CO₂ decrease during 2022.

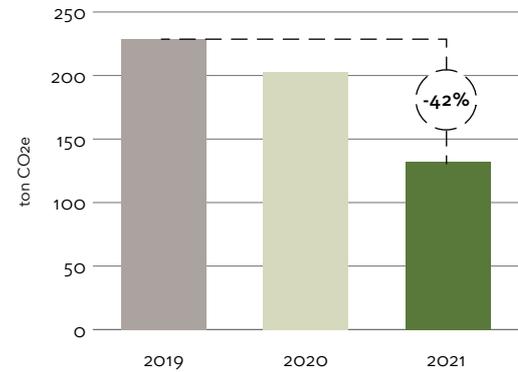
SCOPE 3 EMISSIONS - TOWARDS MORE SUSTAINABLE LOGISTICS AND SUPPLIER PERFORMANCE

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.

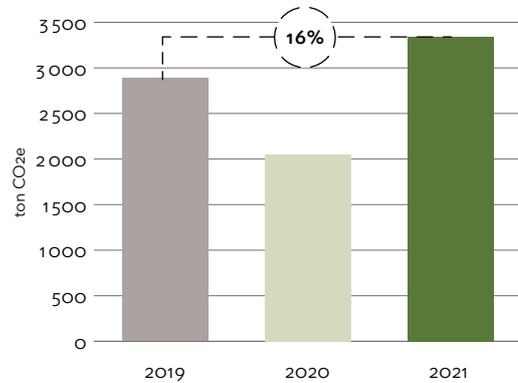
Suppliers

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

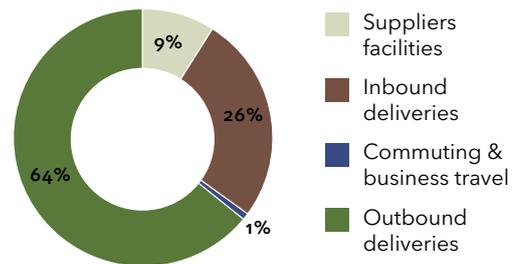
CO₂ EMISSIONS FROM RUGVISTA SCOPE 1+2



CO₂ EMISSIONS FROM RUGVISTA SCOPE 3



% OF CO₂ EMISSIONS PER CATEGORY IN SCOPE 3, 2021



was estimated to 298 ton CO₂. 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 CO₂ compared to 47.4 ton CO₂ 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.

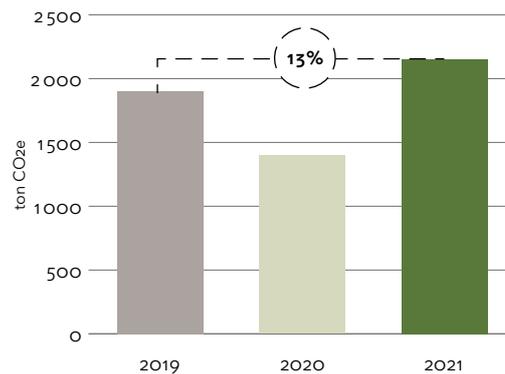
Our inbound and outbound transports emitted 3016 ton CO₂ during 2021. Due to improved methodology, we can currently not compare the 2021 inbound transports with 2020. For the outbound transport our CO₂ emissions increased by 54%. Part of the change is due to incorrect figures from 2020. The increase 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 CO₂ 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 CO₂ 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%).

CO₂ 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.³ 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.⁴ 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.

3. 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>

4. 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.

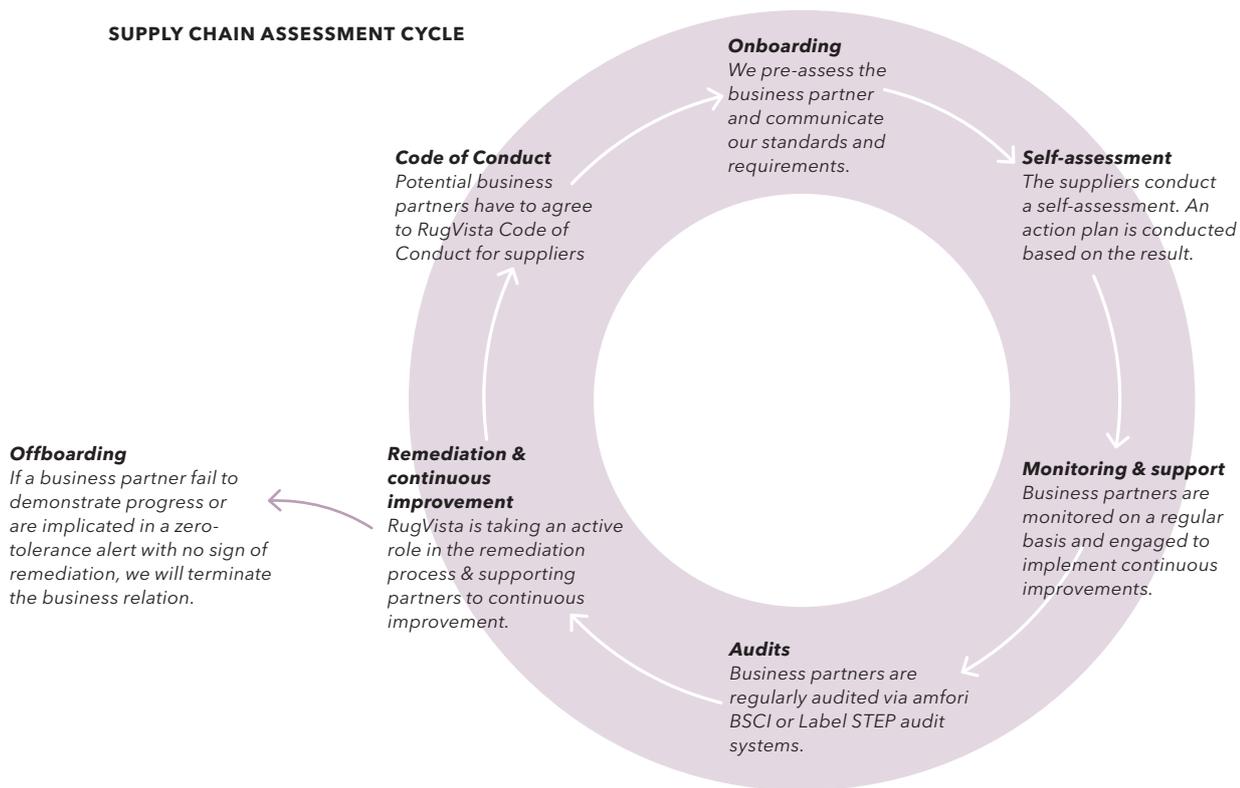
Remuneration and benefits: A central point in the strategy for fair working conditions is the principle that people working in the supply chain should have equal and fair remuneration for equal work. We work to improve wages and other conditions throughout the value chain, which will provide sufficient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

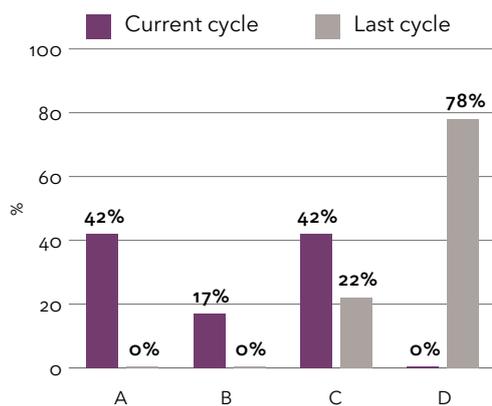
Through our membership with Label STEP, we have been able to uphold audits in Afghanistan despite the critical situation and monitor the wellbeing of the workers, mainly female home weavers, that are involved in the production of our rugs. With the current humanitarian crises, it's of even higher importance 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.

2021 AMFORI AUDIT RESULTS PER GRADING
- ALL SUPPLIERS

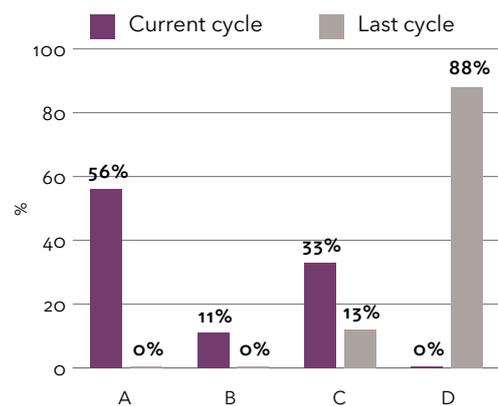


The most common issues identified through the amfori audits are:

- 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
- 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.

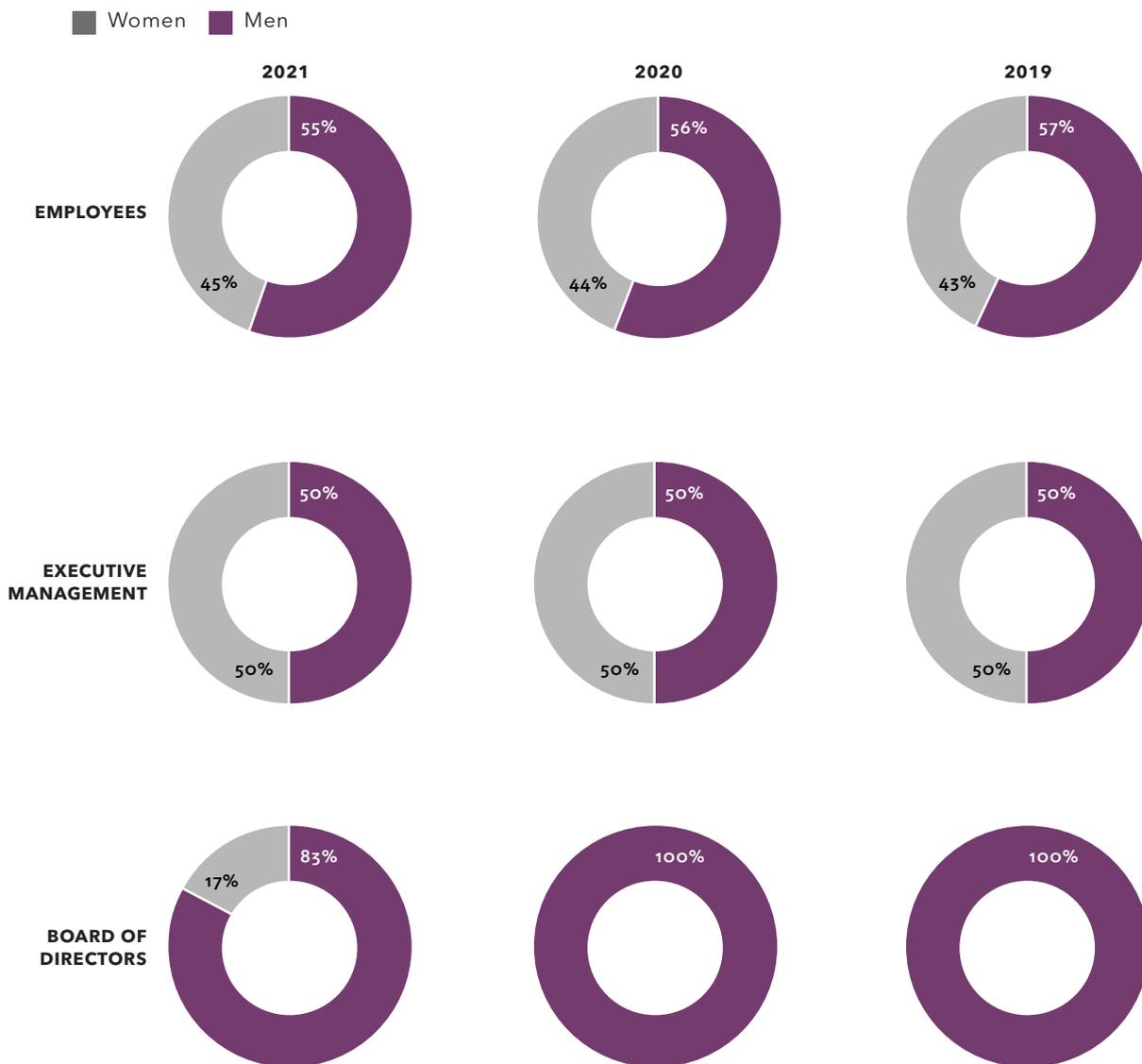
RugVista is a member of Svensk Handel (Swedish Trade Federation) and has signed collective agreements with the trade unions Handelsanställdas Förbund and Unionen.

"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.

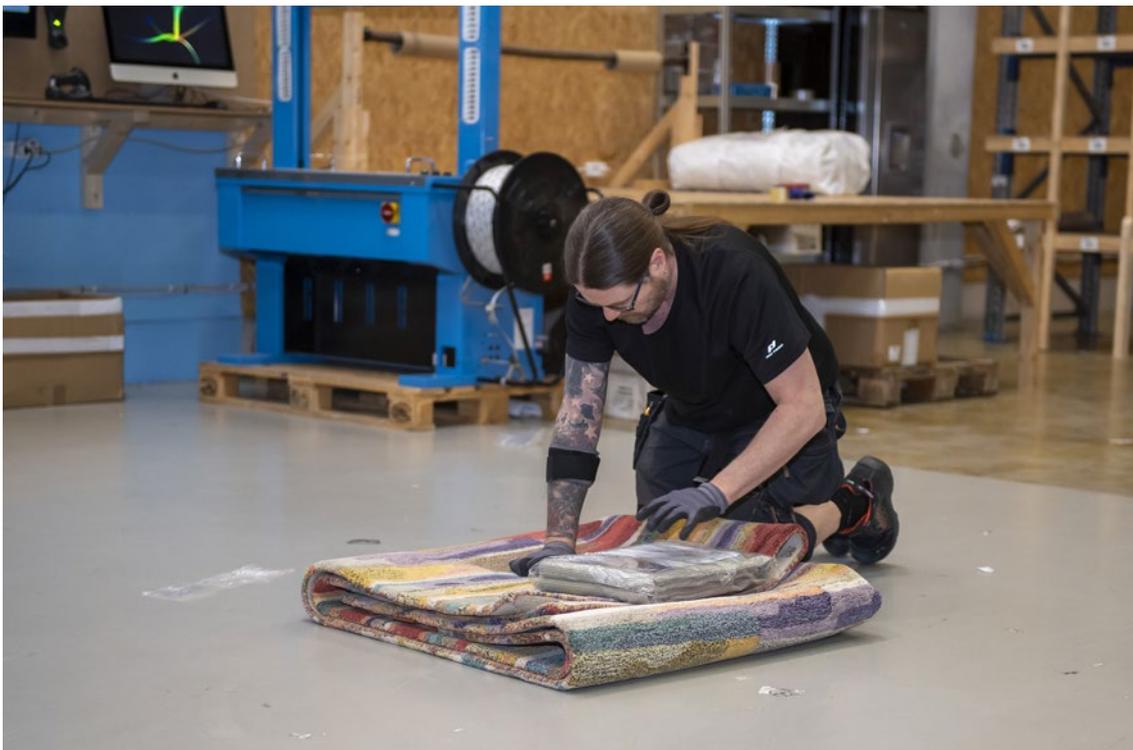
Appointments with our health care provider were also changed to remote meetings whenever possible, to ensure continuous support of our employees.

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

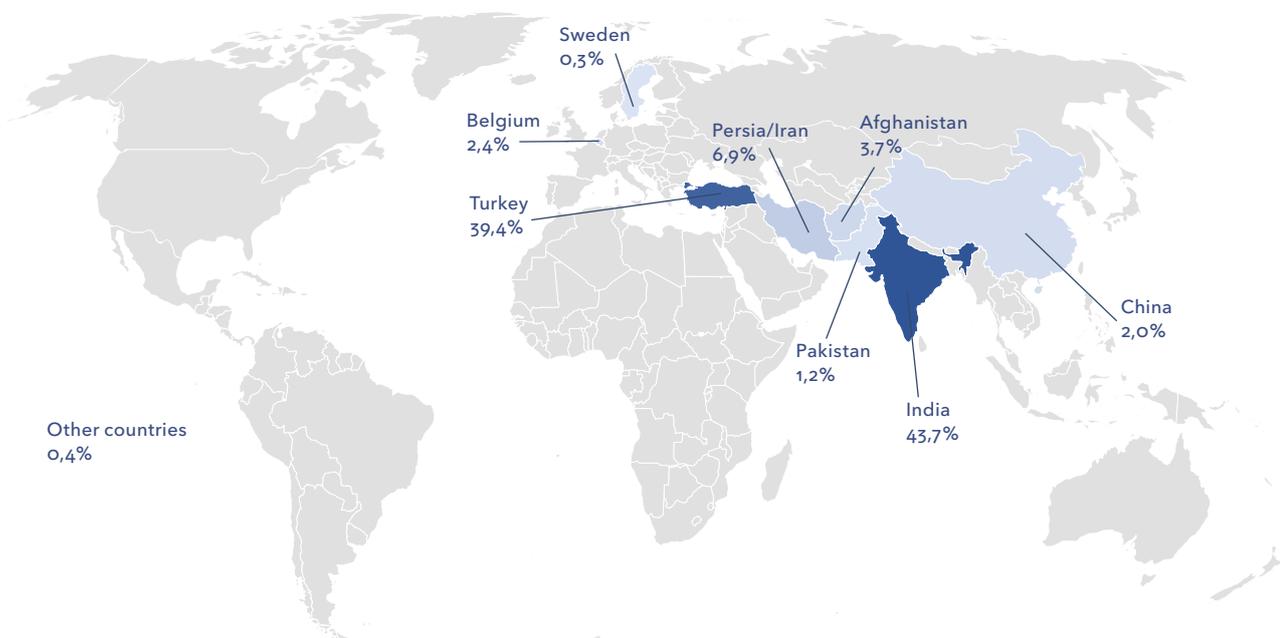
Corruption is a risk in the regions where RugVista's suppliers operate. Acting ethically, with respect and integrity, is a basic rule within the company, and

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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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

MARTIN HENRIKSSON
Authorized Public Accountant