

# Sustainability Report

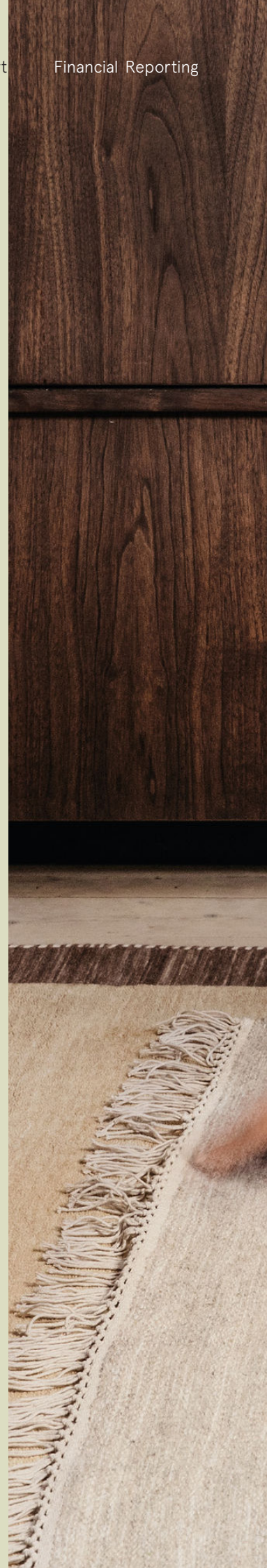
This report describes Rugvista Group's sustainability work from an environmental, social, and economic perspective. The purpose of the report is to communicate Rugvista's short- and long-term sustainability goals, sustainability measures, and goal achievement to all stakeholders.

The report is prepared in accordance with the sixth chapter of the Annual Accounts Act and is inspired by GRI 2016, which is published on our website [rugvistagroup.com](https://rugvistagroup.com). This is our third sustainability report prepared with inspiration from GRI's guidelines. We use the UN's Sustainable Development Goals as benchmarks. Climate data is reported in accordance with the GHG Protocol (Greenhouse Gas Protocol). This report is issued annually and our latest sustainability report was presented in April 2022.

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# Our Sustainability Vision

Our sustainability vision is to lead the rug industry towards a socially and environmentally sustainable future. Understanding our sustainability challenges and how they impact our operations remains a crucial factor in developing Rugvista as a leader in sustainability within the European rug industry. By leveraging our position as one of the leading players, we strive to implement systemic changes in our own company, value chain, and the industry. In the coming years, we will continue to develop a systematic approach to identify sustainability themes and underlying challenges, as well as fully integrating sustainability into our operations.

Our sustainability strategy is called LEAD.CHANGE, which will enable us to achieve our 2030 sustainability goals and our vision. LEAD.CHANGE is based on three strategic focus areas. Together, these focus areas help us to integrate sustainability into our business strategy and operational decisions, and to achieve our long-term sustainability goals.

## SUSTAINABILITY GOVERNANCE

Sustainability is part of every employee's daily work at Rugvista. The company's Sustainability Manager has defined responsibility in the sustainability area and is part of a function led by the Chief Organization & Sustainability

Officer (COSO). Rugvista's board has overall responsibility and has approved Rugvista's sustainability strategy. COSO is responsible for implementing the company's strategy and follow-up processes. The COSO is part of the management team, reports directly to the CEO, and provides an annual result report to the board.

The various sustainability activities are implemented by the company's functional working groups in collaboration with the sustainability department. Each employee is responsible for contributing to Rugvista's sustainability work within their respective area of responsibility, and members of the management team are responsible for their respective sustainability goals and ensuring follow-up and compliance. The sustainability work is governed by our sustainability vision, sustainability strategy, code of conduct for employees, code of conduct for suppliers, common policies, measurable goals, and action plans. Rugvista's code of conduct for employees sets clear expectations for how Rugvista should conduct its operations. It includes clear requirements that employees must follow to ensure that the business is conducted with transparency and a strong sense of integrity. The code of conduct reflects the commitment to the UN's ten Global Compact principles and the UN's guidelines for companies

2022 was in many ways a challenging year, but it was also a year that gave us several important insights into our sustainability work, which will help us continue to build a sustainable Rugvista.

During the year, we took several important steps towards the goal of developing Rugvista into a more sustainable company. We joined Textile Exchange, an organization that helps companies in the textile industry become more sustainable. We conducted life cycle analyses on our most used materials, which gave us important insights and knowledge on how we can improve our material choices and thus reduce our carbon footprint. We continued our important work of educating and engaging our suppliers, which resulted in improved audit results throughout the supply chain. And finally, we took an important step in our ambition to develop a circular business model by launching Rugvista RE.USE, a platform where our customers have the opportunity to extend the lifespan of their Rugvista rugs by selling them on to other individuals. Our employees are Rugvista's most important asset, and everyone's knowledge, skills, and motivation are crucial to our success. We have employees from many different nationalities and backgrounds

who all contribute to our unique corporate culture and success. That we, despite a challenging year, have done so well can be attributed to our driven and motivated team, all with a focus on working together to exceed our customers'

expectations and achieve results while driving Rugvista's sustainability agenda forward. I want to thank our entire team and our suppliers for a fantastic effort during the year and for the support shown for Rugvista's sustainability initiatives. Together, we are working towards our sustainability vision; to lead the rug industry towards a socially and environmentally sustainable future.



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

and human rights. Employees and contractors working under the leadership of Rugvista must follow it and confirm that they have read, understood, and intend to comply with the code. The Supplier Code of Conduct sets out the requirements and expectations that all suppliers must meet when doing business with Rugvista. The code is included in the supplier agreement and covers areas such as human rights, anti-corruption, environmental requirements, working conditions, as well as health and safety at work. The code is based on the ten Global Compact principles of the UN, 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 17 global goals for sustainable growth. We have identified goals with significant direct or indirect impact that can influence development throughout the value chain.

### STAKEHOLDER ENGAGEMENT

Rugvista's stakeholder dialogue helps us understand stakeholders' needs and expectations and develop long-term relationships. It also provides valuable input for continuous improvements and choice of working methods. We have

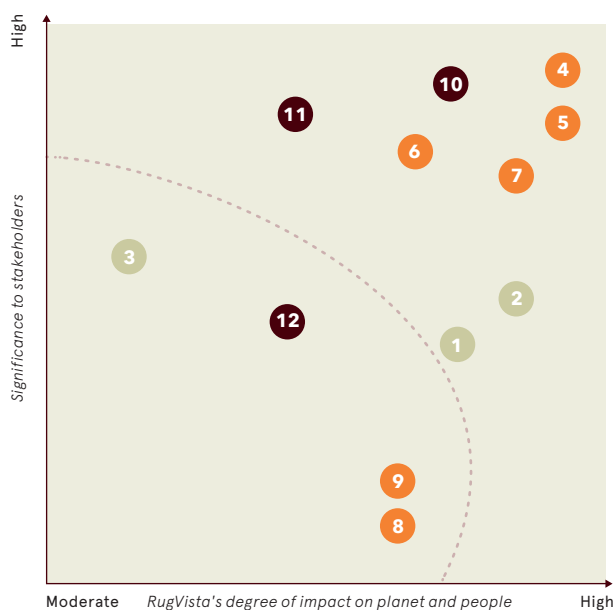
identified our most important stakeholders to be our customers, our team, potential employees, our suppliers and their employees, our owners, authorities, associations, and local communities.

In spring 2019, a structured stakeholder dialogue was conducted with employees, owners, suppliers, and customers, using surveys and interviews. In 2021, the dialogue was complemented with additional surveys answered by employees, management, and owners. Our suppliers' employees' voices are considered through regular audits carried out by accredited third-party auditors.

### MATERIALITY ANALYSIS

The materiality analysis provides insight into which issues are essential for Rugvista's stakeholders and is the basis for the company's strategy and sustainability work. The primary analysis of critical sustainability issues was completed in 2019 with an update in 2021 that resulted in a list of our most material issues.

See also the sustainability governance table on page 60. These aspects are the foundation for the sustainability reporting inspired by the GRI 2016 Standards.



### Materiality analysis

#### ● PLANET

1. Reduced environmental impact throughout the value chain
2. Increased share of sustainable materials
3. Product quality & product safety

#### ● PEOPLE

4. Respect for human rights
5. Health & safety in the workplace
6. Inclusion & diversity
7. Sustainable supplier chain
8. Local community engagement
9. Good animal husbandry

#### ● BUSINESS

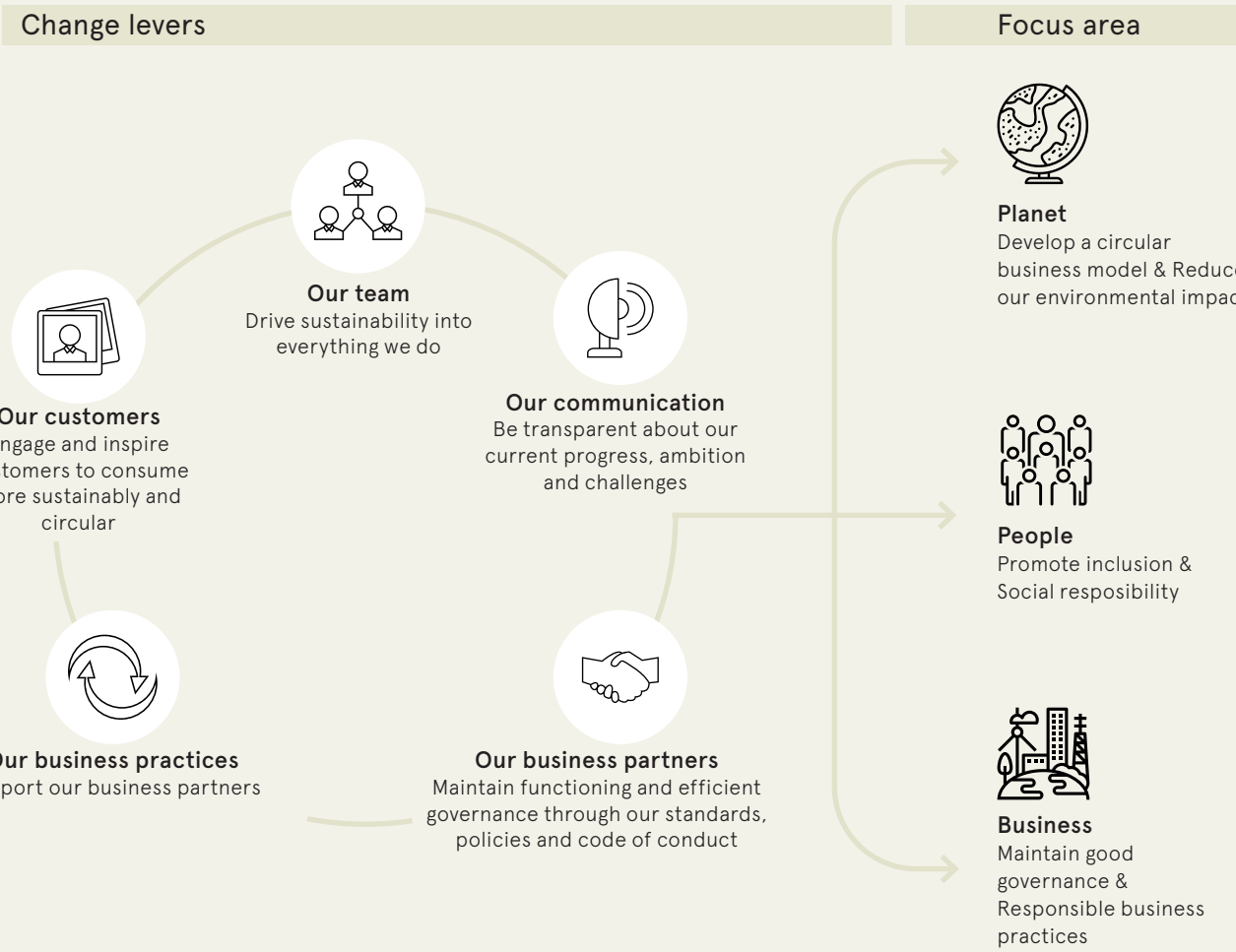
10. Financial results
11. Corporate governance and compliance
12. Prevention of corruption and bribery



# Rugvista's sustainability strategy and long-term sustainability goals

## LEAD.CHANGE

Our sustainability strategy, LEAD.CHANGE, encompasses three focus areas with specific commitments and goals: Planet, People, and Business. The purpose of LEAD.CHANGE is to develop our business model with sustainability as the starting point and is the basis for our 2030 sustainability goals. We have defined five change levers that need to be engaged for us to achieve our sustainability goals: our team, customers, business partners, business methods, and our communication.





**Sustainability Goals**

During 2022, Rugvista continued to work towards the long-term sustainability goals set in 2020. These goals were established based on stakeholder expectations, the company's strategic priorities, global trends, and the UN's Sustainable Development Goals.

We challenge ourselves to constantly revise our goals with new knowledge and insights. In 2022, we conducted life cycle

assessments of five common materials used in our rugs. (Read more about life cycle assessments on page 37.) Insights from these assessments led to an expansion of our scope 3 goals under the PLANET focus area to also include the materials used in our rugs and their climate impact. Below are Rugvista's updated goals within our three focus areas. Read this year's results on page 36 (Planet), page 44 (People), and page 54 (Business).



**Planet**

**By 2030, we aim to:**

- Increase the proportion of recycled, reused, recyclable, or more sustainable natural materials to 80%.
- Reduce greenhouse gas emissions by 50% (based on 2019 levels) in scope 1, 2, and parts of scope 3 related to our own operations, such as employee commuting and business travel.
- Reduce indirect greenhouse gas emissions from carpet procurement by 50% per square meter of carpet sold (based on 2021 levels).
- Use packaging that is 100% made from circular or other sustainable materials.



**People**

**By 2025**

- 100% of our suppliers will be included in Rugvista's system for social audits.
- Rugvista's employee Net Promoter Score will reach 60.



**Business**

**By 2025**

- 100% of all tier 2 subcontractors will be mapped.



## The UN's global goals for sustainable development

In the work of developing Rugvista's sustainability strategy and long-term goals, the UN's global goals for sustainable development were an important part. The global development goals consist of 17 goals, adopted by the UN General Assembly and then approved by all UN member states in 2015, with the aim of achieving a better and more sustainable future for all by 2030. The goals

for sustainable development encompass a wide range of social, environmental and economic development issues. These include poverty, hunger, health, education, climate change, equality, water, sanitation, energy, urbanization, environment, and social justice. Rugvista focuses on seven goals, where we assess that we have the greatest opportunity to contribute and make a difference.



### GOAL 5:

#### Gender Equality

Rugvista is committed to providing equal opportunities to every woman and man employed in the company. We believe that this is a matter of social justice, which is a prerequisite for sustainable development of the market economy. Rugvista has committed to have 40-60% women in the management team, which we will maintain during 2022. We continue to build a diverse and inclusive company that welcomes and encourages extraordinary people regardless of gender and cultural background.



### GOAL 6:

#### Clean water and sanitation for all

Rugvista commits to protecting water, an important and increasingly insufficient resource. By working together with our suppliers to strengthen the water cycle at the local level and introduce sustainable practices throughout our value chain. Sustainable water use is one of Rugvista's focus areas, whether it is for direct use in our facilities or within the supply chain.



### GOAL 8:

#### Decent work and economic growth

We see our employees as our most important asset and it is important to offer competitive and safe working conditions throughout the organization. In 2017, Rugvista joined amfori BSCI and approved their code of conduct based on the International Labour Organization's (ILO) conventions and declarations, the UN's Guiding Principles on Business and Human Rights, and the principles of the Organization for Economic Cooperation and Development (OECD). All our suppliers have signed and committed to following the code's 11 basic labour rights.



### GOAL 12:

#### Responsible consumption and production

We want to inspire customers to make sustainable choices by developing rug collections made from recycled, recyclable, and natural sustainable materials. We aim to lead the change in our industry towards more sustainable and circular models throughout the value chain. A circular business model is a prerequisite for achieving our long-term goal of a climate-neutral operation 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.

**GOAL 13:****Combat climate change**

It is our responsibility to contribute to the fight against climate change as well as to a non-carbon-dependent economy. Rugvista has committed to becoming a climate-neutral company by 2040, which we can achieve only in cooperation with suppliers, customers, and local communities. In 2021, we committed to the Science Based Target initiative, which ensures that our CO<sub>2</sub> targets are in line with science. To achieve our goal, we need to constantly improve our operations and our energy intensity throughout the value chain.

**GOAL 16:****Peaceful and inclusive societies**

Responsible business practices are crucial to achieving Rugvista's vision and a prerequisite for successful operations, sustainable and profitable growth, and thriving communities. To achieve this, Rugvista has implemented policies and procedures for all employees and business partners, including a code of conduct for employees, a code of conduct for suppliers, and a personal data policy. This helps us to create a compliance culture and reduce associated risks.

**GOAL 17:****Implementation and global partnership**

For Rugvista, as a relatively small company, collaboration and partnerships across borders are crucial for us to realize our vision and goals and contribute to Agenda 2030. In our work with the supply chain, we collaborate with organizations such as amfori BSCI, Label STEP, and the Chemicals Group to ensure that suppliers develop towards our high standards. Read more under the collaborations section.



**THE GLOBAL GOALS**



# A sustainable value chain

An important tool in Rugvista's assurance and reporting of sustainability work is our value chain

Our value chain summarizes and illustrates priority areas, activities, and their impact on sustainability. To effectively manage the positive and negative consequences of our operations, we must understand where we have a direct impact in the value chain and how each of the essential issues affects it. By considering the value chain, we can identify opportunities and risks, create circular flows, understand boundaries, impact on different parts of the value chain, and how value is created for stakeholders.



In 2022, we have deepened our analysis of Rugvista's potential to influence 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 continue to focus on designing products that provide sustainability benefits in material selection, production, and customer use.



2

#### Raw material

By working together with our producers and sheep farms to find ways to reduce methane emissions from sheep, we contribute to reduced greenhouse gas emissions.



4

#### Purchasing & merchandise planning

We will continue to focus on reducing negative impact by developing sustainable procurement processes and planning for and maintaining a sustainable product offering.



5 6 8

#### Fulfillment & Transports

We intend to reduce the environmental impact of distribution through optimized packaging and transportation choices that help make our distribution as efficient as possible.



7

#### Online stores

We will demonstrate how customers can make sustainable choices by highlighting information about the sustainability of our products, including information on how customers can extend the lifespan of their rug, offering the opportunity to resell the rug, and providing guidance on what to do when they no longer want to keep it. Through these efforts, we aim to promote more sustainable behavior among our customers.



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#### RE-USE

On our circular platform, Rugvista RE.USE, customers can sell their used Rugvista rugs for free or buy someone else's. By providing this service, we encourage our customers to extend the lifespan of our rugs.





Climate change continues to be the most urgent long-term challenge that the planet faces. The increasing level of greenhouse gases in the atmosphere, where carbon dioxide is the gas that contributes the most, means that the greenhouse effect is strengthened, the climate becomes warmer, and the average temperature increases. At Rugvista, we continue to work to reduce our impact on the planet. In the overall picture, the largest part of Rugvista's impact on climate change is outside our own operations. Therefore, it is essential to step up efforts to reduce greenhouse gas emissions throughout our value chain. At the same time, it is challenging since we do not have direct control throughout the chain and need to cooperate with suppliers and other partners to achieve change.

### EXPANSION OF SCOPE 3

We calculate our carbon footprint based on the Greenhouse Gas Protocol (GHG Protocol) standard – a global standard for measuring, managing, and reporting greenhouse gas emissions. Previously, the measurement and reporting of our carbon footprint consisted of our direct climate impact from owned and leased vehicles (Scope 1), our indirect climate impact in the form of consumption of electricity, district heating and cooling (Scope 2), and CO<sub>2</sub> emissions generated by the electricity used for production at our tier 1 suppliers, product transportation, employee business travel, employee commuting, and office supplies (Scope 3). In 2022, we took

a comprehensive approach and are now providing much more extensive reporting by supplementing calculations that relate to the production of our materials (Scope 3). As the scope of Scope 3 is expanded, the result cannot be compared to previous years.

### TOWARDS A CIRCULAR BUSINESS MODEL

A circular model optimizes resources and minimizes waste so that resources are utilized for as long as possible before they are recycled or reworked. At the same time, financial stability can be maintained without being dependent on finite resources. The ambition to achieve circularity throughout the value chain does not only begin with the design of our rugs but also by honoring and promoting the long-standing tradition of craftsmanship in the rug industry. Our rugs are designed to be used for many years, some last for several generations and can be reused and given new life in new homes. Thus, lifespan is an important key in our work towards circularity.

It is our responsibility to increase the proportion of circular materials, find new ways to use materials and produce products, and to support and facilitate maintenance, repair, reuse, restoration, and recycling of the rugs we offer. We are aware that this change will take time, but we still know that the change must take place for both the planet's and the business's long-term survival. At Rugvista, we focus on the following important areas:

Objective	Goal		Results	
	2030	2025	2022	2021
The proportion of recycled, reused, recyclable or sustainable natural material of the total value proposition	80%	75%	71%	70%
% change of absolute CO <sub>2</sub> emissions in scope 1 compared with base year 2019.	-50%	-25%	-50%	-19%
% change of absolute CO <sub>2</sub> emissions in scope 2 compared with base year 2019.	-50%	-25%	-70%	-43%
% change of absolute CO <sub>2</sub> emissions in scope 3 compared with base year 2019 for the own business.	-50%	-25%	-40%	-63%
% change in CO <sub>2</sub> emissions from rug purchases; intensity target per square meter of rug sold compared with base year 2021	-50%	-20%	-11%	Base year 2021: 56 CO <sub>2</sub> e
Packaging made from circular or other sustainable material.	100%	100%	15%	0%

### Inspire customers to make sustainable choices

Our ambition is to help our customers make well-informed purchasing decisions that also consider the sustainability of the rug. We are firmly convinced that we can influence the customer's decision by highlighting information about the sustainability of our products, for example by informing about the positive effect of choosing a rug made of recycled material or older, restored rugs. By including information on how the customer can take care of their rug, we help the customer to give the rug a second chance in a new home and thus avoid it ending up in a landfill, contributing to promoting more sustainable behavior among our customers.

### Old rugs are restored and given new life

Our suppliers purchase beautiful older unique wool rugs in Asia and the Middle East. These can be restored in different ways to get a new life with our customers.

The first category is older rugs that are still in good condition. The restoration of older rugs can be done in three different ways:

- Older unique wool rugs are washed to regain their shine
- Colored Vintage rugs are washed and dyed again.
- Patina rugs are restored by shaving the pile and dyeing it again.

The second category is fine handmade rugs that have lived for generations with people around the world but where time begins to take its toll. When the rugs start to get worn spots, they are salvaged and brought up by our suppliers, who then use pieces of the rugs to create new beautiful unique Patchwork rugs.

At the end of 2022, about 4% of our range consisted of restored rugs that have been given a new life.

### Extended lifespan for defective rugs

Since 2018, we have been cooperating with Godsinlösen Nordic AB (GIAB), whose business idea is based on the resale of residual or defective products to consumers. We send rugs with some defects. GIAB sells the rugs at returhuset.se as well as physically in their store Returhuset.

### Rugvista RE.USE

In 2022, we launched a circular platform, Rugvista RE.USE, in collaboration with Tradera. Here we inspire our customers to make more sustainable choices by giving them the opportunity to sell and buy Rugvista rugs without any charges,

which further extends the life of the rug in someone else's home.

At Rugvista RE.USE, we also sell new rugs that may have been advertised by a customer, not approved in internal controls or, for example, shown signs of use in connection with a photoshoot but are still in good condition to deserve a second chance. We are also exploring the possibilities of helping customers repair and recycle their rugs with the goal of extending the lifespan and minimizing waste.

### Packaging

All rugs are packaged before being shipped to the customer to protect them from damage. We actively work to optimize the amount and material of the packaging to ensure that the rugs are protected during transport to the customer while minimizing the negative environmental impact that the packaging generates. We have set a goal that all our packaging should be made of circular or sustainable materials by 2025.

In 2022, we started a packaging project aimed at minimizing the environmental impact of waste from the packaging. Since the spring of 2022, we have been using packaging material at our warehouse for traditional rugs that contains 30% recycled material called PCR. PCR consists of plastic packaging that has been used for its intended purpose, recycled, and then sent on for reprocessing, so-called mechanical recycling. The material is transformed back into granules or pellets that can be processed again. At our warehouse for design rugs, which has a more automated packaging process, we have tested packaging containing 15% post-industrial waste, abbreviated PIR, during the last quarter of 2022. This plastic waste is generally very clean and usually consists of one type of plastic, making it more durable and therefore suitable for use in the packaging machine that packages our design rugs.

### MATERIALS AND FIBERS

The choice of materials is crucial to reduce environmental impact. We know that we have a great responsibility, in particular as this is an area that we are able to impact. In 2022, we therefore conducted life cycle assessments (LCA) of five materials that are commonly used in our rugs: wool, cotton, viscose, polyester, and polypropylene.

A life cycle assessment is a holistic method for quantifying the environmental impact of a material or product throughout its life cycle. The analysis includes inputs and outputs from relevant stages, from raw material processing to the end of the product's life. According to the framework used, ISO 14040, 15 environmental impact categories were analyzed,



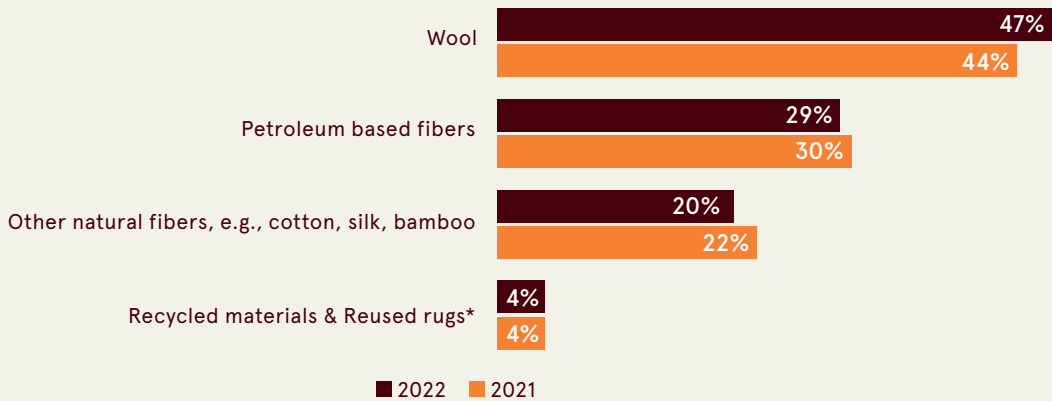
including climate change, water use, ecotoxicity, and resource use. The purpose is to gain a deeper understanding of our environmental footprint in the value chain. This helps us make conscious choices to reduce our impact in one part of the chain without transferring it to another part. The results also provide valuable insights into the impact of our different materials that we can use in the design stage of our rugs. We have also gained access to a simulation model to compare the impact of different material choices. From the results, we see that climate change is the environmental impact category that is greatest for almost all the materials studied. The exception is cotton, where water use is the largest impact category, due to the heavy irrigation of cotton plants. Climate change is also usually greatest early in the life cycle during the raw material stage, where, for example, grazing sheep emit methane gases that negatively affect our climate. The exception is fossil-based materials, where any combustion at the end of their life cycle also has a significant impact on the climate. The results have also given us support to initiate or continue ongoing measures to reduce our environmental impact, with a focus on the following four areas when it comes to materials:

1. Choosing "best-in-class" fibers and suppliers: emissions from, for example, sheep farmers can vary depending on how the farm and breeding are conducted. Innovations such as a specific algae feed for ruminants to reduce their methane emissions have also begun their commercialization journey and may have an important impact on the climate impact of wool. By intensifying collaboration with our suppliers and their subcontractors and working together to achieve our vision, we are taking important steps to reduce our emissions.
2. Extending the lifespan of our rugs: by collecting and selling used rugs, we can extend the lifespan of already produced rugs. Similarly, by inspiring our customers to take care of their rugs, their lifespan can be extended, thereby reducing environmental impact by reducing waste.
3. Using recycled materials and designing mats that enable recycling: Since a large part of the environmental impact

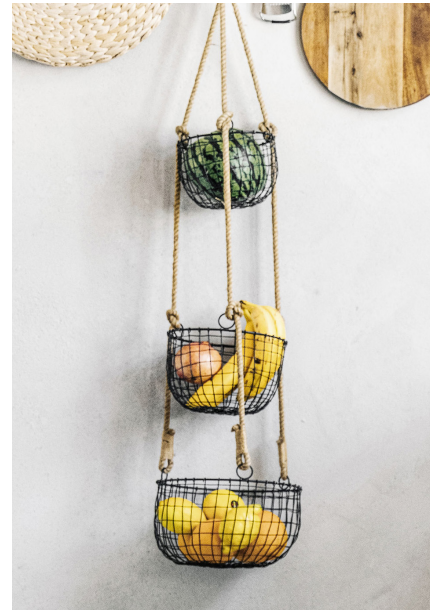
occurs in the raw material stage of the value chain, we can reduce our impact by using more recycled materials. By comparing different materials in our simulation model, we will also be able to understand the differences if we use, for example, recycled polyester instead of newly manufactured polyester. An important part is also to enable the material in our mats to be recycled, something our design department, together with our suppliers, has a key role in.

4. More fact-based fiber choices by designers and purchasers: To make more sustainable choices in the design and procurement process, an understanding of the most relevant environmental issues per fiber is required. Therefore, our procurement and design teams are working with the sustainability department to increase the level of knowledge in this area, where LCA is an important contribution. The complexity of determining what is a good fiber in relation to another is high as there are many different parameters that come into play, such as lifespan and raw material processing. With the knowledge we have gained during the year, it has become clear to us that it is important to work to improve the impact within each respective material instead of comparing different materials with each other.
- We constantly want to increase the proportion of recycled materials, which has the great advantage of waste material not having to be incinerated and the use of new raw materials decreasing. With products such as mats, where long lifespan is common, our focus is also on increasing the proportion of natural materials. These materials have a positive impact on the durability of the products and thus reduce the use of new raw materials over time while being recyclable and naturally biodegradable. We are also evaluating alternative materials, which in various ways are more sustainable, for our mats. Our long-term goal is by 2030, 80% of our product offering will consist of recycled, reused, or natural materials by 2030. When we finished 2022, we reached 71%, which is a slight increase from 2021. Parts of our assortment come from more sustainable sources in the form of reused rugs, including vintage, patchwork, and recolored rugs.

Rugvista material mix (% of total qty in stock at the end of 2022)



\* Reusing carpets includes carpets that are older than a year and can be, for example, Patchwork, Vintage or re-dyed carpets. For a more detailed description of the materials used in our carpets, please visit [www.rugvistagroup.com](http://www.rugvistagroup.com).



### MATERIAL STANDARDS AND CERTIFICATIONS

Material standards and certification systems are important in the efforts towards a more sustainable industry. All suppliers must sign our supplier agreement, which specifies that they are obligated to meet our quality, chemical, and safety requirements. We continuously work to ensure that our suppliers handle chemicals safely and correctly during the production of our rugs.

Suppliers regularly test the rugs to ensure that they meet chemical requirements, and we conduct regular tests at accredited third-party laboratories and take samples during production. We also periodically evaluate relevant material standards that we believe can help the industry move towards a sustainable future. You can read more about the organizations and standards we currently rely on here:

#### RISE Chemical Group

Rugvista is a member of RISE, a network that develops recommendations on chemical and environmental issues. All our suppliers must sign a written agreement to follow the Chemical Group's chemical restriction list that follows EU legislation (REACH, BPR, and EU waste legislation) and international chemical legislation (POPS). We try to stay up to date on the latest developments through our collaboration with RISE Chemical 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,

namely they do not contain chemicals in quantities 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 suspected to have negative health effects.

In December 2022, one of our largest suppliers in India was certified according to STANDARD 100 by OEKO-TEX®, and we are working to have two more Indian suppliers pass the certification in 2023.

#### GRS

Global Recycled Standard (GRS) is a voluntary product standard that checks and traces recycled raw materials through the supply chain. It also includes process criteria to prevent potentially harmful chemicals from being used and ensure that production at facilities is positive for society or the environment. It has been developed by the well-known global organization Textile Exchange. A selection of our current suppliers in Turkey applies this standard to products made from recycled materials. We strive to use it for all recycled fibers.

#### CARBON FOOTPRINT

Reducing Rugvista's CO2 footprint is a big challenge, and by prioritizing emissions reduction throughout our entire value chain, we can contribute to minimizing the negative climate impact caused by our operations.

To increase our knowledge of our biggest climate impact, we have conducted life cycle analyses on five of our most

used materials. We have also included purchased materials in our climate report, which results in a drastic change in the distribution of our emissions. The most critical focus areas for reducing our footprint are the choice of raw materials and transportation.

### Science-Based Target initiative (SBTi)

By setting goals and measuring our CO<sub>2</sub> footprint, we can systematically work to improve our carbon footprint and identify high-priority areas. To accelerate our climate work, we are part of the Science since 2021, an initiative that supports companies to set climate goals in line with scientific models to meet the ambition goals of the Paris Agreement. According to these, the

Earth's temperature increase should be kept below 2 degrees, and preferably not exceed 1,5 degrees.

Rugvista's science-based climate goals in scope 1 and 2 have been approved by SBTi. We aim to reduce greenhouse gas emissions by minimum 46% by 2030, with 2019 as the base year. This concerns direct greenhouse gas emissions from sources owned or controlled by Rugvista, such as owned and leased vehicles (Scope 1), as well as our indirect climate impact through the consumption of electricity, district heating, and district cooling (Scope 2). In addition, we have committed to measuring and reducing greenhouse gas emissions in scope 3.

### EMISSIONS SCOPES (BASED ON GHG PROTOCOL)

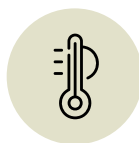
The GHG Protocol is the most widely accepted international reporting standard used to quantify and manage climate impact emissions. The widespread use of the standard makes it easier to compare emissions.

The GHG Protocol divides a company's different climate impact emissions into three different scopes:



#### Scope 1

include the company's direct emissions.



#### Scope 2

consist of indirect emissions from purchased electricity, heat and cooling.



#### Scope 3

include other indirect emissions as purchased goods and services, purchased transportation, business travels etc.

### Climate footprint key data

Objective	Results		
	2022	2021	2020
Ton CO <sub>2</sub> in scope 1	5	8	10
Ton CO <sub>2</sub> in scope 2	65	124	219
Ton CO <sub>2</sub> in scope 3	51 855	63 120	n/a
% change in CO <sub>2</sub> emissions in scope 1 compared with last year	-38%	45%	-44%
% change in CO <sub>2</sub> emissions in scope 2 compared with last year	-48%	-37%	-10%
% change in CO <sub>2</sub> emissions in scope 3 compared with last year	-18%	n/a	n/a
% change in CO <sub>2</sub> emissions in scope 1 compared with base year 2019	-50%	-19%	-44%
% change in CO <sub>2</sub> emissions in scope 2 compared with base year 2019	-70%	-43%	-10%
% change in CO <sub>2</sub> emissions in scope 3 compared with base year 2021	-18%	n/a	n/a

Our total emissions mainly come from scope 3, which currently accounts for 99.9% of our measured footprint. In the 2022 reporting, the measurement was expanded to also include the impact of purchased materials. More information on the different scopes can be found in the following section.



### About our data

We calculate our CO<sub>2</sub> footprint according to the GHG protocol and use the method where CO<sub>2</sub> footprints are calculated using documented emission factors. The emission factors we use are obtained from public sources such as UK DEFRA and Carbonfootprint.com. We are constantly working to improve the quality and precision of our data by updating data and emission factors as we gain insight into the entire supply chain. In 2022, we chose to expand our measurements further by also including purchased materials in scope 3. These calculations have been made for both 2021 and 2022, but for 2021, they were completed after the publication of the sustainability report for 2021 and hence are previously unpublished figures.

We will continue to be transparent about how we calculate, learn, and adapt our approach as methods improve. The comparability is affected by the changes made by the expanded scope, changed calculation methods between 2021 and 2022, together with the use of more updated emission factors. To ensure comparability with the baseline, we will review and update our historical CO<sub>2</sub> figures over time.

### Emissions in scope 1 and 2

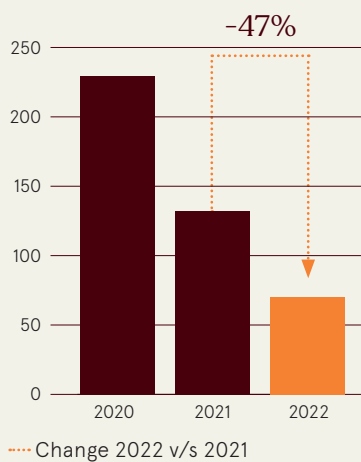
Our CO<sub>2</sub> footprint in scope 1 and scope 2 currently includes emissions from owned or leased cars, as well as electricity and heating of our facilities in Malmö, consisting of offices and warehouses. Compared to both 2021 and our base year 2019, emissions in scope 1+2 decreased. The reduction in scope 1, which in Rugvista's case consists solely of company cars, is explained by the increasing share of electric/hybrid cars. The decrease in scope 2 is mainly explained by the installation of LED lighting in our warehouses, as well as the switch to renewable electricity in one of our facilities at the end of 2021.

### Emissions in scope 3

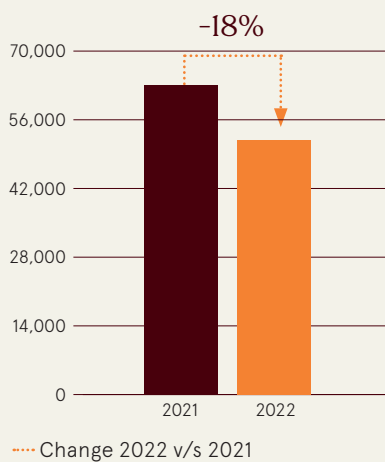
Our different types of rugs have different manufacturing techniques and methods, and all are needed to produce the wide range of rugs that we want to offer our customers. This leads to a diversity of material choices, production, and logistics solutions that we need to manage in an environmentally efficient way.

Including the impact of materials, the measured CO<sub>2</sub> emissions increased by 95%. The impact of materials accounts for 96% of scope 3. In addition to the impact of materials, employees' commuting and business trips are also included in scope 3.

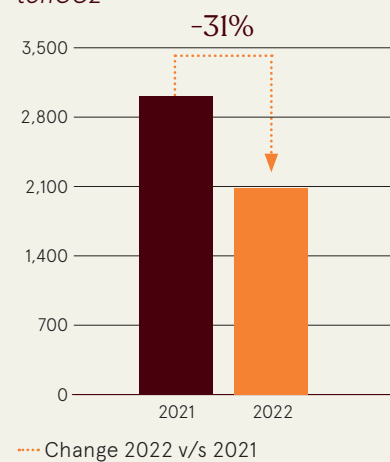
**Co2 emissions from Rugvista  
Scope 1+2, tonCO<sub>2</sub>**



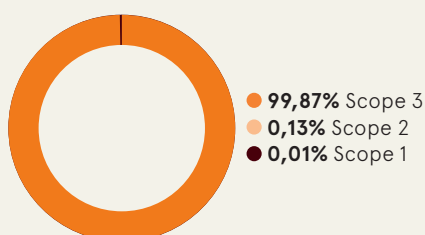
**Co2 emissions from Rugvista  
Scope 3, tonCO<sub>2</sub>**



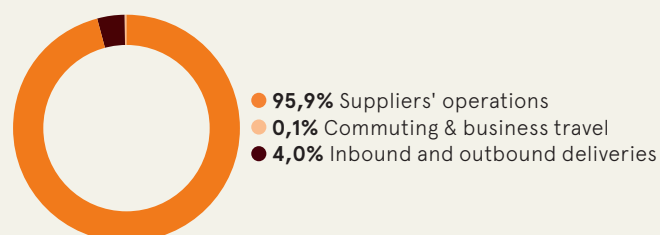
**Emissions from in and outbound  
deliveries, including returns  
tonCO<sub>2</sub>**



**% CO<sub>2</sub> emissions per scope 2022**



**% of co2 emissions per category  
inscope 3, 2022**



### Transportation and Employee Travel

Customers' demand for short lead times places high demands on an efficient logistics chain, where sustainability risks primarily consist of environmental and climate impact emissions from shipping and trucks. Through various logistical solutions, we constantly work to optimize logistics and reduce our CO<sub>2</sub> emissions in balance with the customer's demand for fast delivery.

We monitor the CO<sub>2</sub> footprint from incoming and outgoing transportation, as well as from business trips and employee commuting. In 2022, business travel and commuting totaled 40 tons of CO<sub>2</sub>, compared to 25 tons of CO<sub>2</sub> in 2021. This increase is mainly due to our employees returning to the office after the pandemic, as well as being able to visit our suppliers again after a long period of lockdown. Our incoming and outgoing transportation emitted 2100 tons of CO<sub>2</sub> in 2022, compared to 3050 tons of CO<sub>2</sub> in 2021, a decrease of 31%. The reduction is mainly due to intensifying our collaboration with transport companies that share our sustainability ambitions and have a net zero emissions goal. While optimizing routes and packaging are important parts of reducing the footprint, emissions from the transportation fleet ultimately have the greatest impact.

### Returns

Return management is a sustainability challenge throughout the entire e-commerce industry. We continuously work on improving our webshop's product detail pages, so that customers are assisted in making the right decision when choosing a rug. This, in turn, will reduce the number of unnecessary returns, which not only improves the customer experience but also reduces CO<sub>2</sub> impact. This initiative is another step for us in incorporating our sustainable business model. In 2022, we had an average return rate corresponding to 15.8% (16%), a decrease of 0,2%.

### BIODIVERSITY

The rug industry has an impact on biological diversity, especially in the production of fibers. An important measure is to switch to fibers and materials that reduce the impact on biological diversity. It's worth noting that sheep and lambs care for landscapes and grazing areas, thus helping to strengthen biological diversity. However, knowledge about our products' impact on biological diversity needs to increase. Investigating how we, together with our suppliers, can contribute to improving biological diversity is something we will prioritize in our upcoming sustainability work.

### WATER

Water use and discharge to water is a local and global issue, while the textile industry's production process is currently highly dependent on water. We actively work to reduce water consumption and discharge to water within the supply chain. Suppliers are followed up through our auditing system where regular assessments are made that water is handled with consideration to the environment, including controls of water treatment systems.

We also encourage our suppliers to collaborate with subcontractors who actively work to reduce water consumption. In India, for example, our largest suppliers collaborate with a common subcontractor for yarn dyeing. This supplier has implemented an environmental management system and a closed water treatment system that operates according to Sustainable Textile Water Initiative's criteria for reduced water consumption. Although ongoing progress is being made, we need to do even more to understand local risks and contexts, as well as find new ways to reduce water use and discharge to water. Material selection is another example of how we can reduce our water footprint.

## Main focus 2023



### Planet

The life cycle analyses conducted in 2022 have given us important insights into what we need to focus on in 2023 to achieve our long-term goal of developing a circular business model and reducing our environmental impact. For 2023, this means the following main focus areas:

- **Ensuring that we** collaborate with suppliers who share our ambitious sustainability vision and together with them, set an action plan for how we can reduce our scope 3 emissions, mainly by identifying more sustainable material choices and manufacturing processes.
- **Increasing the percentage of** recycled materials in our rugs.
- **Continuing the work of** increasing the percentage of recyclable rugs and finding new ways to recycle rugs made of different materials.
- **Continuing the development** of our circular platform, Rugvista RE.USE, as an additional step towards a circular business model.
- **Increasing the percentage of** packaging made from recycled materials.











# People

The people in our value chain are at the center of everything we do. We aim to have a positive impact on all those affected by our business by contributing to sustainable social development with a focus on social responsibility, diversity, and inclusion.

## SOCIAL RESPONSIBILITY

Social responsibility throughout the entire value chain involves many complex issues and challenges. It is about taking responsibility and ensuring sustainable social development in the regions where our employees and suppliers operate, as well as ensuring inclusion and diversity within our own organization, which are important parameters for Rugvista's long-term growth.

This is firmly rooted in Rugvista's values and approach to social responsibility and human rights and should be included in all parts of our business – in our own operations, in the supply chain, and in the communities in which we operate.

## RESPONSIBILITY IN THE SUPPLY CHAIN

Rugvista does not own any production units, instead we work with carefully selected suppliers in long-term partnerships. All newly produced rugs are manufactured by independent suppliers, mainly in Turkey and India. We have a long-standing responsibility to monitor current working conditions and demand action if we discover deficiencies in our suppliers. A prerequisite for being able to influence responsibility and drive development forward is to work long-term with our suppliers. Through close collaboration, education, assistance and motivation, we drive improvements.

## Respect for human rights

Rugvista's most fundamental responsibility is to respect and support human rights. It is part of our values and is critical to the survival of our operations. Risks related to human rights in the supply chain are identified and managed through the following steps:

- Regular social audits carried out by accredited third-party auditors.
- Human rights training, both for Rugvista's employees and suppliers.
- Immediate action in cases of zero-tolerance incidents related to human rights violations by suppliers, according to the protocols of our third-party auditors (Label STEP and amfori BSCI) for zero tolerance.

To ensure human rights in the countries where our suppliers operate, regular dialogue with suppliers and close cooperation with relevant interest groups are required. The most important human rights issues are those with the greatest risk of serious negative consequences caused by the company's supply chain. This includes issues such as decent working hours, fair compensation, and the right to union membership and collective agreements, but also includes other human rights such as non-discrimination, privacy, and children's right to education.

## Fair working conditions in the supply chain

Ensuring fair and decent working conditions for workers in the supply chain is a central priority for Rugvista. Although we do not own or operate any factories or production facilities, we are committed to ensuring 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:** Encouraging open dialogue between employees and management and involving employees in decision-making is essential for creating high safety standards.

**Decent working hours:** Every employee has the right to a limit on maximum working hours, daily rest and weekly rest, and annual paid leave. We are working to improve this aspect through regular reviews and ongoing dialogue.

Objective	Goal		Results	
	2030	2025	2022	2021
<b>Supply chain</b>				
% of rug suppliers included in RugVista's social auditing system	100%	100%	100%	100%
Number of conducted audits	n/a	n/a	607	350
Number of Zero Tolerance cases	0	0	0	0
<b>Our People:</b>				
Employee Net Promotor Score (eNPS)	80	60	47	44
At least one performance review per year per employee	100%	100%	100%	95%
Gender equality: proportion of women in management	40–60%	40–60%	57%	50%

**Workplace dialogue:** All employees have the right to be heard. Employees who can express their opinions and influence their working environment are more likely to achieve good working conditions and a fair wage. Rugvista demands the right to freedom of association and collective bargaining in the supply chain through the supplier code of conduct. Through education and ongoing dialogue, we strive to promote open dialogue and employee representation throughout the supply chain.

**Compensation and benefits:** A central point in the strategy for fair working conditions is the principle that people working in the supply chain should receive equal and fair compensation for equivalent work. Rugvista works to improve wages and other conditions throughout the value chain, which should provide sufficient income for a decent standard of living for workers and their families.

### Responsible purchasing practices

When building long-term relationships, it becomes important to both qualify the suppliers initially and work for a long-term business relationship. Through these long-term collaborations with our suppliers, we also contribute to their financial business development – when they develop their business, we can get better service and greater awareness of sustainable development. Our purchasing methods should contribute to the development of the rug industry in a sustainable way while providing long-term benefits for our suppliers and their employees. In this way, our long-lasting collaborations can grow and create value for all parties.

If 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 work environment. By setting requirements and being engaged and responsible, we can contribute to our suppliers' development and be good employers. With good purchasing

procedures, we can also manage challenges with uneven production based on customers' varying demand over time. In a long-term partnership, we can together with the supplier plan the production with good foresight, which reduces unnecessary overtime for workers during peak season and evens out working hours during periods of lower demand.

### Supplier Code of Conduct

Responsible production is at the core of our sustainability work. For our suppliers, we apply a code of conduct that regulates social and environmental responsibility within the supply chain. Rugvista is a member of amfori BSCI and we have adopted their code of conduct as our own. All our suppliers must sign and commit to follow the code of conduct, and compliance is monitored through regular monitoring and recurring audits. In summary, this is Rugvista's code of conduct for suppliers:

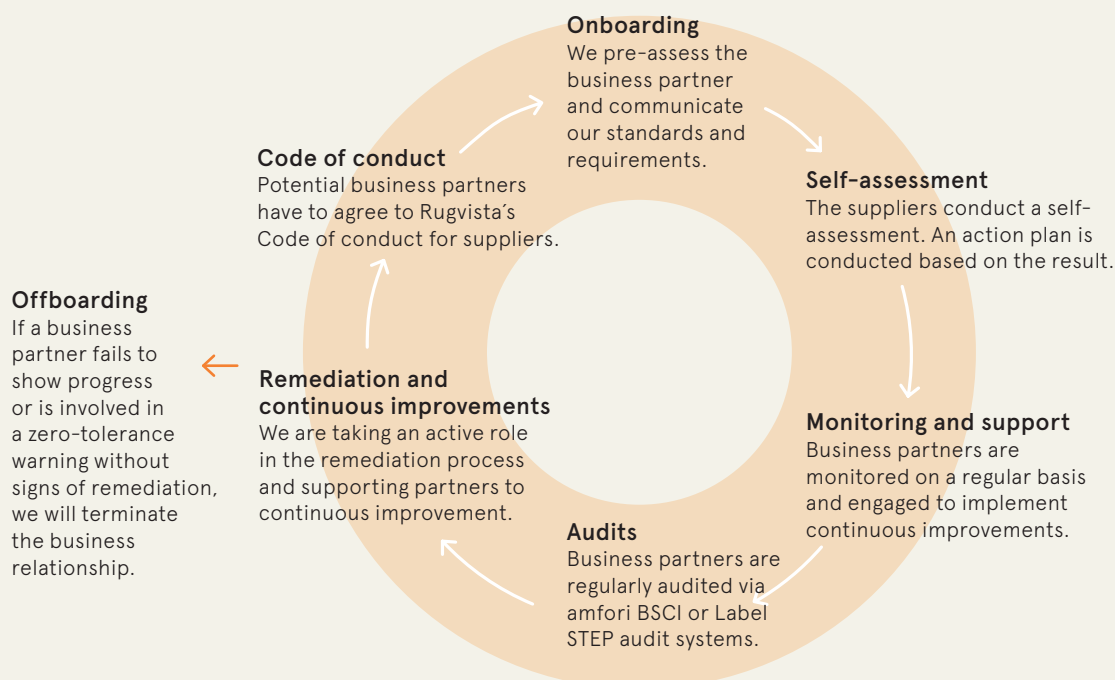
- Requires compliance with laws
- Aligns with the UN Guiding Principles on Business and Human Rights
- Builds on the International Labour Organization's (ILO) fundamental conventions, which apply to all countries
- Enables companies to follow a systematic approach to due diligence review within their supply chains.

### Supply chain assessment cycle

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

All our suppliers are part of one of the audit systems of amfori BSCI or Label STEP. Regular audits take place regardless of which system they are connected to.

### Supply chain assessment cycle





### Amfori BSCI

Rugvista is a member of amfori BSCI, a global initiative for companies that want 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 task is to support the network in the work of creating sustainable and ethical supply chains.

Amfori has an extensive skills development program that is available free of charge to both Rugvista's employees and suppliers. The training consists of introductory courses on sustainability and further training on sustainable recruitment to prevent human trafficking, forced labor and child labor in the operations, as well as how to create employee participation in issues related to human rights. Amfori's work provides practical support to all members and their suppliers who are committed to achieving the United Nations' Sustainable Development Goals, with the overall goal to contribute to a world where all trade provides social, environmental, and economic benefits for everyone.

### Amfori BSCI audit system

Rugvista has access to a common system for monitoring and auditing of suppliers through amfori BSCI. Amfori BSCI audits are designed for suppliers with centralized production, about the values and principles set out in amfori BSCI code of conduct. The principles are transferred into thirteen linked result areas. Our largest suppliers, located in Turkey and India, are audited through amfori BSCI's audit system.

Amfori BSCI audits are conducted by independent third-party certified inspection companies. The audits assess all thirteen result areas and take place every other year according to the Amfori BSCI audit cycle. Follow-up audits are conducted in-between cycles and focus only on those performance areas that need further evidence of progress by the producer. Follow-up should be conducted within twelve months of the previous audit and should maintain the same scope and method. In addition, we may request an urgent follow-up audit focuses on a zero-tolerance finding

or a specific result areas performance area, for example 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
- 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**

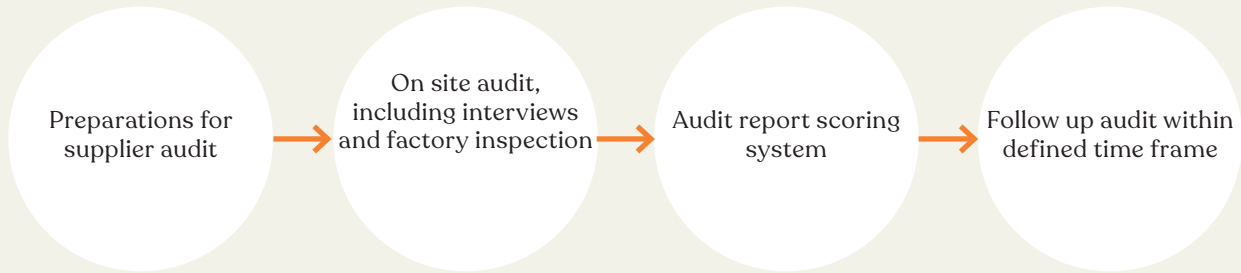
- Occupational health and safety violations that pose an imminent and critical threat to workers' health, safety, and/or lives

#### **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 system



### Amfori bsci 13 performance areas

- |  |                                   |   |
|--|-----------------------------------|---|
| 1. Social management system and cascade effect                   | 4. No discrimination              | 9. Special protection for young workers |
| 2. Worker engagement and protection                              | 5. Fair remuneration              | 10. No precarious employment            |
| 3. Freedom of association and the right to collective bargaining | 6. Decent working hours           | 11. No forced labor                     |
|  | 7. Occupational Health and Safety | 12. Environmental protection            |
|  | 8. No child labor                 | 13. Ethical 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, Rugvista is committed to independent regular audits of all the company's handmade rug suppliers. Label STEP actively works for long-term improvements in the rug industry while providing rug weavers the opportunities for education in human rights, health and safety, and economics.

### Label step:s audit system

Label STEP's audit system is designed to review suppliers with decentralized production in the handmade rug industry, where weavers, for example, work in their homes or in small weaving mills with looms, with respect to the principles of STEP's 10-point standard.

Countries and facilities vary, and the fair trade rules included in the STEP standard are adapted to individual production conditions – from home-based work to loom-based weaving mills and factory facilities. As part of the oversight, STEP monitors up to 90 compliance criteria that must be met or be in the process of being met. If a non-compliance situation is found, joint corrective actions are initiated by STEP's employees, and conditions are improved step-by-step to achieve real and long-term change. The STEP standard includes these ten rules for fair and responsible trade:

- §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 labour or debt slavery
- §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, the system 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. The organization believes in collaboration – encouraging and requiring all players within the handmade rug 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 rugs. 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.



### Result of Audits During the Year

In 2022, Rugvista conducted 607 audits through amfori and Label STEP, a significant increase compared to 350 audits in 2021. The large increase is due to Label STEP being able to conduct more audits in Iran, Afghanistan, and Morocco, primarily due to the easing of Covid-19-related restrictions. Both organizations share the same goal of improving working conditions for workers in the supply chain, but the audits differ. For example, an audit performed by Label STEP may involve a single home weaver, while an audit performed by amfori may cover all workers in a production facility. Therefore, the number of audits performed by Label STEP and amfori are not comparable.

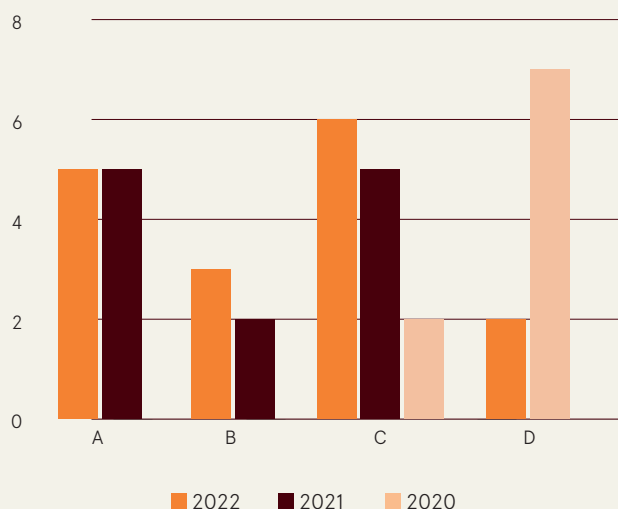
In 2022, 589 Label STEP audits were conducted. In total, these audits covered almost 2200 workers in our supply chain. No zero-tolerance incidents were reported. Through our membership in Label STEP, we were able to conduct audits in Iran and continue important work in Afghanistan, including education for female Afghan home weavers. Given the ongoing political situation in the country, it is even more critical that already vulnerable groups continue to work under fair conditions and with a decent income. Through amfori, Rugvista conducted 14 factory audits of its suppliers. Two of the suppliers that received an A in 2021 were not audited in 2022, as A-rated suppliers have a two-year audit cycle. Two new suppliers received a D rating, which these suppliers, along with our team and amfori, aim to improve during 2023. Concrete action plans have been developed and are regularly monitored. The audit result is an overall assessment for each performance area of the supplier. The rating can vary from A, which is the highest rating, to E. If a supplier receives an E as an overall rating, it indicates fundamental problems in relation to amfori BSCI principles. During the year, none of our suppliers received an E rating.

No zero-tolerance cases regarding human rights were reported during the year. The positive development is driven primarily by improvements in suppliers that we have worked with for a long time, but also by a few new suppliers that are already in amfori's system. The audit results are shown in the following diagram, which only includes suppliers that have undergone at least two audit cycles. The most common problems identified through audits are:

- Incomplete time reporting systems and unauthorized overtime
- Occupational health and safety: the most common findings relate to inadequate emergency plans and procedures and non-approved emergency exits.
- Worker participation and protection: issues related to grievance procedures, such as policies prohibiting retaliation against workers
- Fair compensation: workers lacked education on living wages
- Social management system: gaps in any of the result areas that affect overall management systems, such as understanding and knowledge of the BSCI method and code of conduct.

We take all discoveries in connection with audits seriously. Through continuous dialogue and education, suppliers are encouraged to develop suitable improvement plans. Via Amfori's platform, we access these plans and can follow the progress made by the suppliers, and then a renewed assessment is made in a follow-up revision from Amfori. In the event of a serious deviation (which does not fall under zero-tolerance warning), we require the supplier to correct the deviation immediately, and in cases where an immediate correction is not possible, a clear improvement plan is developed together with the supplier, which is regularly monitored.

**Amfori audit results per grading**  
All suppliers  
Audit results



” Through close, continuous dialogue between our suppliers and our procurement and sustainability teams, we have the opportunity to influence and work towards a long-term improvement throughout the entire supply chain.”





#### **FOCUS:**

### **Support program for female rug weavers in Afghanistan**

In Afghanistan, rugs are woven almost exclusively by women. These women belong to the most disadvantaged groups in the country and are among those most affected by the current humanitarian crisis. We support, through our partner, Label STEP, the Afghan weavers and their families through several initiatives in 2022:

- A team of female doctors visited the weaving villages and provided free healthcare, including home visits to the weavers and their families. The doctors visited over 1200 families during the year.
- During the latter part of 2022, volunteers were trained in 50 rug weaving villages and neighborhoods to act as Community Health Services. They now have knowledge and equipment to treat minor health issues in their communities.
- During the year, Label STEP addressed important occupational health and safety issues for rug weavers, resulting in 170 weaving families receiving vertical looms to replace their old horizontal ones. Vertical looms are not only healthier for the weavers' backs, but they also tend to produce better rugs and thus generate more income.
- Many weavers have visual impairments. During the year, an eye specialist was sent to the villages to offer eye check-ups and provided free eyeglasses to over 700 weavers in our supply chain.
- Label STEP identified the poorest families in weaving communities and supported 290 families with food packages.



# Our employee and organization

Our greatest asset is our employees. We believe that the key to attracting and retaining the talent we need to achieve our strategic ambitions is to be a modern and attractive employer. Therefore, we promote measures to ensure continuous development, diversity, and an inclusive culture where all employees can thrive and promote learning and development.

We protect our employees by promoting health, safety, and well-being in the workplace as we work towards our goal of zero accidents or work-related illnesses. We also work to protect and support people in the communities where we and our suppliers operate.

### Our values

The foundation of our corporate culture lies in our values, Focus on Impact, Stay True, Be Entrepreneurs - they show who we are and what we stand for.

The values are guiding principles in our daily work, expressed in how we behave towards each other within the organization, in leadership, in our daily decisions, and in our customer and supplier relationships.

### A values-driven leadership

A value driven clear leadership is crucial for us to realize our visions. Communication, cross functional collaboration, and coaching employees in their development are important parts of the leadership role.

Our leaders should act as good team players and role models through participation and responsibility in the daily work. Our leaders should also inspire and drive engagement for Rugvista as a whole. Basic expectations we have for our leaders are the ability to make decisions, prioritize and delegate tasks, as well as coach and support employee well-being and development. For all aspects of leadership, the company's values should be reflected and guided. Our leaders also have an important role in driving the continuous implementation and further development of processes and competencies in their respective areas of responsibility.

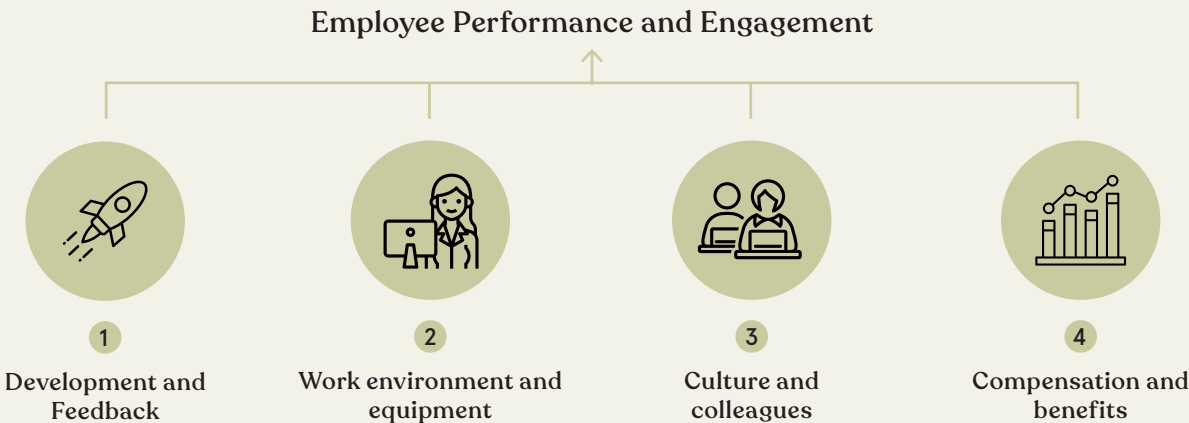
### Engaging and inclusive work environment

We strive for a culture and work environment where engagement, inclusion, and diversity are natural and appreciated for the benefits they provide us. Our success depends on our employees doing their best, and to be able to do that, they need to feel motivated, involved, and appreciated. By ensuring that our employees are engaged, we build a culture of high drive, personal responsibility, and diversity. All of this is crucial to realizing our employee vision: to attract, motivate, and retain extraordinary people, which is also the focus of our governance processes. Together, we can realize our growth ambitions, achieve the company's goals, and provide our customers with world-class service.

### Our Framework

We have developed a framework that supports leaders' important work in recruitment, organizational and employee development. The framework focuses on four different dimensions of our employer value proposition:

- Development & Feedback
- Work Environment & Equipment
- Culture & Colleagues
- Compensation & Benefits



The framework forms the basis for how we position ourselves to potential future employees, how we continuously develop our employer value proposition, and what we expect from our employees and leaders. The purpose of the framework is to ensure that all employees experience engagement, that their work is motivating and meaningful, and that good work performance is rewarded.

## 1 Development and Feedback

The feedback and development process for our employees is based on three criteria:

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

Feedback, competence development, and performance are discussed within the framework of feedback and development discussions between employees and managers at least twice a year, as well as in regular follow-up discussions. The process helps our leaders provide constructive feedback, clarify expectations, and identify how employees can develop through personal development plans. The process contributes to increasing employee engagement, performance, and job satisfaction. Our employees' engagement and opportunities for competence development are crucial for Rugvista to achieve its goals. In addition, opportunities for personal development create both well-being and job satisfaction. During the year, we had an average of 14 hours of training per employee compared to 16 hours in 2021.

## 2 Work environment and equipment

Our primary goal is for all employees to feel safe and being able to arrive home healthy and safe after work. Rugvista has a zero vision for workplace accidents.

Rugvista works preventively to identify and address deficiencies and risks, report and analyze incidents to identify underlying causes, and take measures to prevent similar incidents in the future. We record all incidents in a digital system. The risks at our head office include health risks related to poor ergonomics, remote work, poor ventilation, and stress. The safety of personnel at our warehouses is crucial for our operations. The occupational health risks include physical risks primarily in product handling, but also psychosocial risks such as stress and repetitive tasks. The most common work-related injuries are shoulder and back pain from repetitive work and heavy lifting. To prevent this risk of work-related incidents, we conducted training, including individual scanning, for all warehouse personnel in 2022 to ensure their well-being and educate them in good ergonomics and lifting techniques. Seven incidents or minor accidents were reported in 2022, compared to five the previous year. We work with several health-promoting activities to create a healthy workplace and reduce sick leave. For example, we offer massage and yoga during working hours and provide a generous wellness allowance. In 2022, the sick leave was 5.9% (7.1%) at our warehouses and 3.5% (3.6%) at our head office, which is lower than 2021.

### *Crisis management*

We continuously conduct risk assessments in order to cultivate and maintain a safe working environment. We support the freedom of association for all employees and have collective agreements for all employees.

### *Monthly surveys*

Work environment issues, engagement, and well-being are monitored through monthly surveys, which among other things, measure employees' Net Promoter Score (eNPS). This is an important channel for early signals of the need for action. The average score for the year ended up at 47, which is 2 points better than the previous year. The goal by 2030 is to reach an eNPS of 80. We continuously work to improve our eNPS score, which in turn means satisfied and motivated employees.

### *Whistleblower system*

We want to promote an open business climate and good business ethics. Employees can anonymously report misconduct or concerns through the company's third-party whistleblowing system. In 2022, no reports were received.

## 3 Culture and colleagues

Rugvista values the equal worth of all people and respect for each other. It promotes collaboration and contributes to the development of both our employees and the company. As an inclusive employer, we provide an inviting workplace where everyone, regardless of gender and ethnicity, sexual orientation, can feel safe and comfortable to freely exchange ideas and express their opinion. Openness, diversity, and inclusion are crucial to Rugvista's continued success. We are very proud to be a team of almost 100 employees with roots from more than 30 countries.

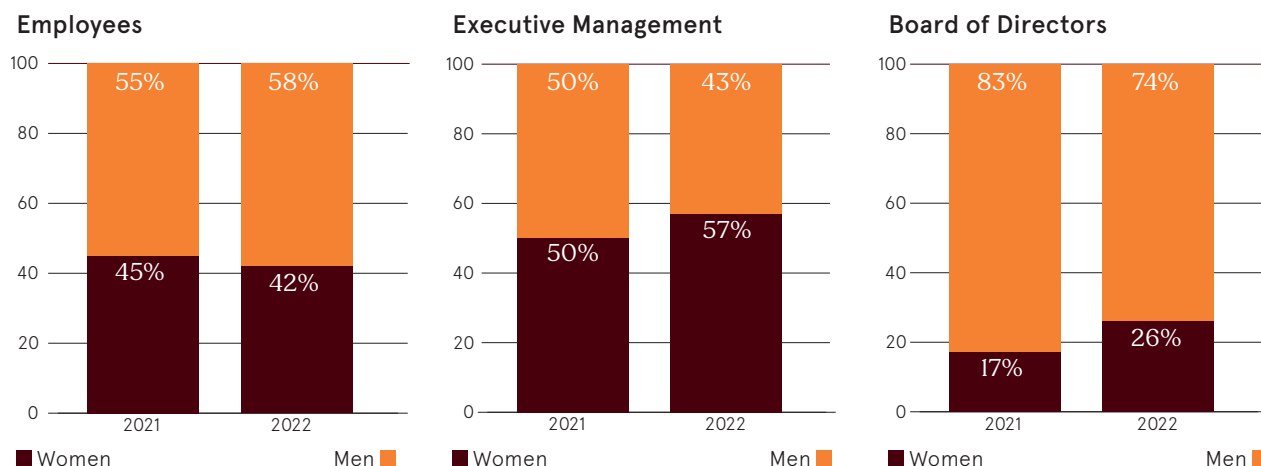
## 4 Compensation and benefits

Our office employees are compensated based on an individual compensation model linked to the feedback- and development process. Our collective employees are compensated based on the applicable collective bargaining agreement.

The individual compensation is determined for each employee with consideration to Rugvista's evaluation and development framework as well as established salary criteria. Through this framework, we want to clarify expectations for roles and performance, what is valued in the salary setting, and keep shared values alive throughout the company. The framework supports leaders and is a tool for our leaders to make an objective assessment of employees' results, performance, and engagement. The compensation model also includes a benefits package that should facilitate a sustainable lifestyle for our employees. We offer health-promoting activities such as massage during working hours, free yoga, and a generous wellness grant. Additionally, we offer several other benefits such as discounts on gym memberships, entertainment, and shopping. Rugvista is a member of the Swedish Trade Federation and has signed collective bargaining agreements with the unions "Handelsanställdas förbund" and "Unionen".

## GENDER EQUALITY

The average number of employees during 2022 was 92.5 (82). Of these, 42% were women and 58% were men. In the management team, the corresponding figures were 57% women and 43% men. These are important key figures for us, where a well-balanced gender distribution at all levels is of utmost importance to achieve the best results.



### Focus: KPI'S own organization

Objective	Goal		Results	
	2030	2025	2022	2021
Training hours per employee	16	12	14	15
Absentee rate in fulfillment centers	3%	4%	5.9%	7.1%
Absentee rate in office	3%	3%	3.5%	3.6%
Employee turnover rate (%)	10-20%	10-20%	15%	11%
Occupational injuries	0	0	7	5

## Main focus 2023


### People

We will continue to work towards creating positive social impact for our employees and people throughout our value chain by providing a safe and inclusive work environment and ensuring responsible business practices. To achieve this, we plan to focus on the following in 2023:

- **Ensuring that all new suppliers** sign our contracts and code of conduct and are included in the assessment cycle for the supply chain before the first order is placed.
- **Continuing to educate** suppliers to work in accordance with best practices for social and environmental issues.
- **Ensuring that any violations** of Rugvista's code of conduct and policies are investigated.
- **Attracting, motivating,** and retaining employees by developing and refining the framework for feedback, competence development, and compensation.
- **Conducting regular** employee surveys as well as organizational and social work environment surveys.
- **Continuing the systematic** work towards a zero vision for health and safety by promoting a good and inclusive work environment and preventing work-related injuries.







” We simply can not achieve our long-term ambitions without extraordinary people who are passionate and committed, who feel motivated and fulfilled. That is why we aim to have a work environment and culture that provides purpose and challenges, that allows everyone the opportunity to reach and exceed their potential.”

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



# Business

Being and acting as a responsible company is fundamental to us. Our code of conduct and guidelines aim to establish awareness of the importance of responsible behavior and compliance with regulations among all our employees and partners.

## MAINTAINING GOOD CORPORATE GOVERNANCE AND BUSINESS ETHICS

### Code of conduct and other policies

Rugvista's code of conduct, policy documents, and other guidelines form the basis for the company's sustainability work and related risks. Policies and guidelines are reviewed annually. Sustainability policy documents and guidelines cover:

- Rugvista's code of conduct for employees
- Rugvista's code of conduct for suppliers
- Rugvista's anti-corruption policy

### Compliance of rules and regulations

Compliance of rules and regulations is necessary for Rugvista and the best way to 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 regulations. All employees must sign the company's code of conduct upon employment, and it is mandatory for all suppliers to sign the code of conduct for suppliers.

### Prevention of corruption

Corruption is a risk in the regions where Rugvista's suppliers

operate. Ethical behavior, with respect and integrity, is a fundamental rule within the company and is a part of our values. Our personnel policy and our code of conduct describe the expectations of employees and suppliers, and that we have zero tolerance for all forms of corruption. The company regularly trains relevant personnel in how corruption is prevented and handled.

### Continuous development of the supply chain

Transparency in the supply chain is more than knowing where in the world our rugs are produced – it means that we know who the suppliers are, who their subcontractors are, how they work, and how we can best support them to work in a responsible and efficient manner.

Our network of suppliers and manufacturers extends across several countries and includes around 20 suppliers, mainly located in Asia and Europe. Our focus is to build long-term relationships with key partners in the supply chain, where together we develop successful and sustainable businesses. Before we start a relationship with a potential new supplier, we conduct an assessment to identify and act on potential risks to human rights and environmental risks. During the onboarding phase, we require our suppliers to disclose their production facilities and subcontractors. Our long-term ambition is a fully transparent supply chain, beyond tier 1 and tier 2. 92% of the rugs stored in our warehouses are manufactured in India and Turkey. Rugs made in Persia, Afghanistan, China, Belgium, and Pakistan are purchased from European wholesalers. All production facilities are covered by our auditing systems; amfori BSCI or Label STEP.

Objective	Goal		Results	
	2030	2025	2022	2021
Signed supplier's Code of Conduct	100%	100%	100%	100%
Mapped tier 2 suppliers (as % of RugVista purchase value)	100%	100%	67%	72%
Number of corruption incidents reported	Detect all incidents	Detect all incidents	0	0



## Main focus 2023

### Business

Our long-term focus is to maintain good governance and responsible business practices.

- **Continuing to map our** sub-suppliers and their suppliers
- **Ensuring the implementation** of our/amfori BSCI's code of conduct for our tier 2 suppliers
- **Implementing our** external whistleblower system in the supply chain
- **Providing anti-corruption training** for key personnel.
- **Engaging** current and potential investors in our sustainability ambitions and progress.





# Sustainability risks

Sustainability risks refer to risks directly or indirectly associated with environmental risks, climate change, codes of conduct, and liability risks.



Our work is focused on identifying and evaluating Rugvista's most important sustainability risks. These are reviewed regularly, and we identify which systems, methods, and controls already exist or need to be implemented to minimize the potential consequences of the risks.

Most of the risks can be managed through internal routines and controls, while some risks are more challenging and complex, such as political, cultural, or risks that require profound changes across the entire industry. We see long-term partnerships and collaborations with suppliers as important keys to reducing these risks. We have identified and are working with the sustainability risks below that we consider as some of the most important:

## Violation of fundamental labor rights

**Risk:** Throughout the supply chain, in most of our production countries, there is a risk of violations of fundamental labor rights. These violations primarily concern the right to freedom of association and collective bargaining, excessive overtime, unhealthy and unsafe working conditions, child labor, and illegal and insecure employment. The problems vary depending on the production country. While the risk of excessive overtime and illegal workers is higher in Turkey, the risk of unsafe working conditions is higher in India. The risk of child labor in our supply chain is no longer considered significant, and no such cases have been reported with our suppliers during the past year. The occurrence of child labor is a zero-tolerance violation.

### Risk reduction plan:

Our code of conduct for business partners includes all the fundamental labor rights mentioned above. We manage these risks through our external audit system and by conducting regular follow-ups on the code of conduct. This includes finding out if there is a well-functioning complaint mechanism with our suppliers. Regarding findings or problems identified through audits, we collaborate

with our suppliers, either directly or through non-profit organizations, to develop a corrective action plan that we follow up on to ensure progress is being made. Although some of these risks, as far as we know, have not been realized, we have been able to identify potential problems through our risk-reducing efforts and, together with the supplier, improve production conditions and working conditions, such as reducing the number of overtime hours with suppliers in Turkey.

## Climate change

**Risk:** Textile production has a significant negative environmental impact, such as greenhouse gas emissions, primarily due to enteric fermentation, being large in wool manufacturing. Also, consumption of water, chemicals, and energy is high throughout the production process. Without proper prevention work, there is a significant environmental impact. As a company, we depend on a well-functioning supply chain, and climate change also risks disrupting our production. Climate change affects all parts of the world, but some countries and regions are at higher risk, such as India and Pakistan. These are also countries we buy from. Risk reduction plan: A cornerstone of our sustainability strategy is to reduce our environmental impact, which we are working on at several different levels. For example, we have committed to the Science-Based Target initiative as another step to accelerate our work in reducing our climate footprint. We have during 2022 conducted a life cycle analysis of our five largest materials, and the results will help us and our suppliers in the work of reducing the environmental impact of each material and choosing more sustainably produced materials.

## Resource scarcity

**Risk:** Currently, the dominant linear production model that we rely on is a major threat due to the increasing depletion of the world's natural resources. This entails a loss of





biodiversity, which has a negative Impact on climate and food scarcity is expected to have a significant effect on the world's GDP. With a business model that currently relies primarily on new raw materials, the consequences could be significant if they are not managed. Risk reduction plan: One of the cornerstones of Rugvista's sustainability strategy is to develop and continuously increase the circular elements of the business model. This will enable us to contribute to a positive development for the world, but also to better release our economic performance from the use of new raw materials so that we are resilient for the future. The result depends on our success in implementing the sustainability strategy and our ability to develop an even more sustainable customer offering.

#### Product safety

**Risk:** Customers must be able to trust the safety of our products when using our rugs. We have identified that the biggest product safety risk for rugs is related to the product's chemical content. Risk reduction plan: All our suppliers sign a commitment to follow the Chemical Group's chemical restriction list, which follows EU legislation (REACH, BPR, and EU waste legislation) and international chemical legislation (POPs). Chemical analysis of the products are regularly performed by both the suppliers and Rugvista.

#### Unethical business behavior

**Risk:** Production in developing countries with widespread poverty and unstable political situations entails a corruption risk. Corruption can manifest itself in various ways throughout the supply chain, such as in the form of bribes. Risk reduction plan: Our code of conduct has zero tolerance for all types of corruption, and we regularly review suppliers against the code. This includes finding out if there is a well-functioning complaint mechanism with our suppliers. In 2022, we took another step by introducing a global whistleblowing channel that can also be used by people in

our supply chain to inform Rugvista directly if there is reason to suspect, for example, unethical business behavior in Rugvista's supply chain. In 2023, the implementation of the whistleblowing channel will be intensified through work to raise awareness of the channel.

#### Political and social instability and external factors in production and supply markets

**Risk:** Rugvista offers rugs manufactured in several countries, some of which are classified as high-risk countries. Uncertainty in geopolitics, security, and trade has a significant impact on our business. This can include trade restrictions, war, increased protective measures for national security purposes, and natural disasters. Examples that could potentially affect Rugvista are the current situations in two of our production countries; Afghanistan and Iran.

**Risk reduction plan:** It is of utmost importance that we constantly monitor the development in our production and procurement countries and have processes in place to maintain secure production in uncertain situations. Through our collaboration with Label STEP, which has a presence and established networks in high-risk countries, we can continue to operate according to our high standards and ensure compliance with our code of conduct if the situation allows, both from a legal and ethical perspective but also in terms of security. We see operating in high-risk countries as an opportunity to have a positive impact on development. Currently, we achieve this through capacity building with our suppliers and by contributing to training programs for weavers in these countries in cooperation with organizations like Label STEP. Another important measure to manage and reduce this risk is the work we do to spread production across different countries and suppliers.





## Collaborations

Collaboration and partnerships are an important part of our sustainability strategy as we need a diversity of perspectives to develop new solutions to the sustainability challenges we face. All partnerships bring unique expertise, skills, and resources, and when such a collaboration is well-organized, it has the potential to address systemic challenges. Therefore, we build partnerships with non-profit organizations and other stakeholders that enable us to raise the bar beyond organizational boundaries and contribute to sustainable development in the rug industry.

### Amfori BSCI

Rugvista is a member of amfori BSCI, a global initiative for companies that want 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 task is to support the network in the work of creating sustainable and ethical supply chains.

### Label STEP

To manage the complexity of audits of rugs woven and knotted by home weavers, Rugvista has been a certified Label STEP Fair Trade partner since 2019. Label STEP is a non-profit organization that engages in the living conditions and well-

being of rug weavers in the handmade rug industry. Label STEP actively works for long-term improvements in the rug industry while providing rug weavers with opportunities for education in human rights, health and safety, and economics.

### Care & Fair

Since 2018, we have had a close collaboration with Care & Fair, a non-profit organization that aims to enable regular schooling for rug knoter's children, give women the opportunity to learn to read and write, and provide free healthcare to the entire family. Currently, Care & Fair operates 10 schools, 6 adult education centers, and 3 clinics in India and Pakistan.

### UN Global Compact initiative

We have been members of the UN Global Compact initiative (UNGC) since 2020. UNGC is a strategic policy initiative for companies that want to align their operations and strategies with 10 universally accepted principles in human rights, labor, environment, and anti-corruption. Our code of conduct includes UNGC's ten principles, and we embody the fundamental concepts of fairness, transparency, and respect for people and the environment affected by our operations.





” All collaborations bring unique expertise, skills, and resources...”

#### RISE Chemical Group

Since 2019, we have been members of the Chemical Group, a part of Sweden's research institute (RISE). It is a platform for knowledge about chemicals in the textile production chain and communication of chemical requirements to our suppliers. Through collaboration with the RISE Chemical Group, we try to stay updated on legislation and regulations related to chemicals.

#### GIAB

Since 2018, we have been collaborating with GIAB, whose business idea to facilitate reuse is based on reselling leftover or defective products to consumers. Through the collaboration with GIAB, defective rugs can be used instead of being destroyed.

#### Swedish Trade (Svenk Handel)

Rugvista is a member of the Swedish Trade, the employer organization that serves the entire retail sector. The association represents retail companies on employment and economic policy issues. The Swedish Trade has the task of creating the best possible conditions for both large and small retail companies.

#### Science Based Targets initiative (SBTi)

The Science Based Targets initiative (SBTi) promotes ambitious climate action in the private sector by enabling companies to set scientifically based climate goals that are compatible with the goals of the Paris Agreement. In 2021, Rugvista's climate goals were approved by the Science-Based Targets initiative, ensuring that greenhouse gas reduction targets are consistent with the levels required to achieve the Paris Agreement's objectives.

#### Tradera












Together with Tradera, Rugvista launched a circular platform in 2022 where customers can extend the lifespan of their Rugvista rugs by reselling them to other individuals.












#### Textile Exchange

Rugvista is a member of Textile Exchange, a global non-profit organization that provides knowledge and tools to make significant improvements in three core areas: fibers and materials, integrity and standards, and supply chains.



# Sustainability management

Global goals (SDGs)	Topics	Management/policies	2022 activities	Review and follow up
	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.
 	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.
   	Reduced environmental impact.	LEAD.CHANGE strategy, suppliers' Code of Conduct.	Work to reduce truck transports. Encouraging suppliers to use renewable energy sources, such as solar panels. Continuous reviews through Amfori, BSCI and Label STEP and ongoing communication with suppliers, where we strive to reward good environmental initiatives. Switching to renewable electricity at headquarters and our warehouses. Implementation of sustainability ambassadors and committees at employee level, contributing to greater engagement in reducing environmental 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.
 	Product safety.	Updated Supplier's agreement, Chemical Restriction List	We aim to 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 if no other option is possible.
 	Good working conditions and occupational health and safety (own operations and supply chain).	Supplier Code of Conduct Collective agreements, systematic work environment management	Employees in good health and spirits contribute to a profitable company, benefit society and are important from the perspective of personal development. Preventive measures for health and safety – at the warehouses and headquarters. Offering company healthcare, massage, yoga and wellness subsidies. Safety training and safety rounds. Continuous reviews through Amfori, BSCI and Label STEP and ongoing communication with suppliers about the importance of good working conditions.	Regular third-party audits. Accident and incident reporting. Follow-up talks with employees. Monthly employee surveys.

Global goals (SDGs)	Topics	Management/policies	2022 activities	Review and follow up
  	Ensuring human rights throughout the value chain.	Supplier Code of Conduct.	The purpose is to strive for a safe and secure working environment and for suppliers to respect human rights. Audits through amfori BSCI and Label STEP. Ongoing communication with the suppliers.	Amfori BSCI and Label STEP audits, ongoing communication with suppliers. Training through amfori BSCI education system.
 	Good business ethics	Supplier Code of Conduct.	The purpose is to strive for a safe and secure working environment and for suppliers to respect human rights. Audits through amfori BSCI and Label STEP. Ongoing communication with the suppliers.	Audits through amfori BSCI and Label STEP. Ongoing communication with the suppliers.
 	A healthy and inclusive corporate culture including non-discrimination, diversity, and gender equality.	Codes of conduct for Rugvista's suppliers and employees, supplier agreements, personnel policies and the company's values.	The goal is good compliance with regulations and to prevent the business from being used for corruption and fraud to the best of our ability. Education on anti-corruption.	Internal educations, implementation of the company's values.
 	Skills development and career opportunities for employees.	Rugvista People, Evaluation & Development process.	We strive to attract the stars of the upcoming generation. This work is part of our value proposition as an employer and aims to ensure that we have the right competence to achieve our strategic goals. Performance reviews with a personal development plan.	Manager's regular coaching and follow up.
 	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.

## 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 2022 on pages 26-76 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 13 2023

Ernst & Young AB

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**MARTIN HENRIKSSON**

*Authorized Public Accountant*



