Sustainability report

Financial year 2022/23

RUSTA®

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A message from our CEO

Summing up the financial year 2022/23, I am humble and proud of all our great achievements, despite major economic and geopolitical instability around us. The year initially meant a recovery after the pandemic and then rising prices for raw materials and energy. The combination of recession and high inflation has affected consumers. We see that low-price is becoming increasingly important for even more people. An ever-growing number of customers are choosing Rusta as households' financial margins decrease and price awareness increases. By being swift and simple in our operations we've continue to meet our customers' needs.

Rusta's sustainability-related work is characterised by continuous improvements. During the financial year we have seen considerable progress in several fields. We have continued to structure and standardise our quality and sustainability work. We have also implemented major measures to reduce our energy consumption in our stores and distribution center. Additionally, the share of recycled raw materials in our assortment continues to grow. Our dedication to reduce unnecessary plastic in our products as well as in packaging solutions remains.

To mention a few of our numerous accomplishments within the field of sustainability:

- Further developed our external Code of Conduct and launched an internal version
- In total we manged to save more than 500 tonnes of virgin plastic from our products and packaging
- Close to 40% of our distribution volume is transported by renewable fuels
- Over 10 000 pallets saved (equal to 177 containers or trucks)

In 2022, we updated our sustainability strategy with further emphasis on human rights, climate, and biodiversity. Reaching climate neutrality by 2045, in all scopes of the Greenhouse Gas Protocol, is one of the specific areas in the updated strategy. At Rusta we are committed to align our operations and strategies to these goals, as well as the Ten Principles of the UN Global Compact. You will find all details regarding our progress in the following pages.

Sustainability issues are highly present and constitute an integral in all parts of of Rusta's business. As a leading low-price retailer in the Nordics, our operations are defined by resource-efficiency, as well as taking a broader responsibility throughout our value chain and in the societies where we operate. Both regarding social, as well as environmental aspects. Rusta's sustainability journey continues, and we are determined to lead the shift towards a more sustainability-focused approach in the low-price retail category, thereby contributing to changing the business in a positive direction.

I would like to thank our Rusta co-workers for their great efforts over the past year. Together, we continue our journey towards becoming the leading and most trusted low-price mixed retailer In Europe.

Upplands Väsby, May 2023

Göran Westerberg
CEO Rusta AB

Highlights financial year 2022/23

Reduction of virgin plastic by **440** tonnes

Level of defective customer returns maintained on record low level

Deepened our cooperation with Doctors Without Borders

Continued progress with eliminating PFAS in our products

Launched bargain sales in eight of our stores to save products

Co-worker survey participation rate **88%**

Energy saving **25%** (lighting) in DC and total energy reduction by **12%**

LEAN implementation in our distribution center

52 stores have saved at least **10%** energy

Top **10** stores saved more than **35%** energy

Reduction of virgin plastic by **92** tonnes on packaging material

10 628 less pallets through the supply chain

Distribution pallet fill rate improvement **1,3%**

New Code of Conduct internal and external

Launched e-learning about sustainability

Rusta up **103** positions in Sustainable Brand Index survey

Increased efficiency in waste handling in our Finnish stores

Twice amount of car charging stations at head office

New policy with increased sustainability emphasis for company vehicles

Sweden is Rusta's biggest sourcing market

37% of the distribution volume transported with renewable fuels

100% of container hauling transported with renewable fuels

Pallet wrapping plastic from 12 µm to 10 µm saves **16%** material

Transport by train from Belgium and Bulgaria to our distribution center

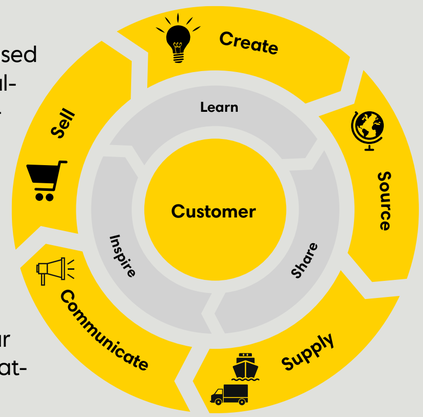
About Rusta

Operations

Rusta is a Swedish family-owned company founded in 1986. The Rusta Group currently has over 200 stores in Sweden, Norway, Finland, and Germany as well as online sales.

Business concept

Rusta's business model is based on simple operations, centralized purchasing without intermediaries and efficient logistics. Combined with our volume-based range and a clear customer offering, we are able to keep low prices – something that has been our driving force ever since it all began back in 1986. To visualise our business concept, we have created the Rusta wheel.



Important events during the financial year

- Rusta opened new 14 stores during the financial year of 2022/23 and ended the year with a total of 201 (188) stores.
- Rusta closed the year with 4 181 (3 996) co-workers in seven countries
- Rusta group sales reached 10,176 (9,407) billion SEK

Sourcing

Rusta values a local presence when it comes to purchasing. Therefore, we have sourcing offices in Sweden, Finland, China, India, and Vietnam with 200 co-workers directly involved in Rusta's sourcing activities. This means that we have high local presence close to our sourcing markets.

Various functions are involved, such as sourcing- and quality developers, supply planners, quality inspectors and other specialist functions. Our employees continuously monitor and control that Rusta's Code of Conduct is always being adhered to by our suppliers. This includes our sourcing staff having the right to, at any time, make unannounced visits to all factories producing goods for Rusta, to ensure compliance with our Code of Conduct. Furthermore, in accordance with our policy, Rusta staff must always visit a supplier before placing any order.

Sourcing per local office/country

Sourcing office	Share	Local share
Sweden	70,5%	70%
China	24,3%	100%
India	3,3%	70%
Vietnam	1,9%	98%

Location of Rusta head office is in Upplands Väsby, Sweden

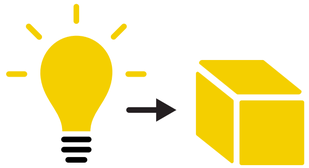
Sustainable products for life at home

Back in 1986, Rusta was founded on a simple idea – to offer our customers great value for their money.

That same idea also provides the foundation for our sustainability work. Low prices can go hand in hand with a sustainable way of working.

From idea to product

We actively work for better production and working conditions at our suppliers. Each year our suppliers are required to sign our Code of Conduct and Ethics policy, to ensure safe and healthy working conditions. We also place great importance on which materials are used in our products.



In transit to the store

Our products reach one consolidated warehouse. Regardless of how we transport our products, we always choose smart packaging, fill our shipments to maximum capacity and select the best travel route.

In our stores

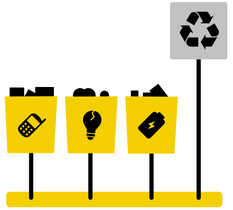
We want to make it easy for our customers to find sustainable products at surprisingly low prices. Therefore, all products in Rusta's assortment have undergone thorough quality assessments.

In the home

Our products are safe and made to last, making unnecessary purchases a thing of the past. We take several steps to continuously improve our products and hire external companies to perform product testing.

Recycling paves the way for new products

We accept customer's used products and electronics in our stores, ensuring that they are reused or recycled correctly.



Sustainable choices

To make it easier for Rusta customers to make sustainable choices, we have widened our assortment of sustainability labelled products during the past year. We have also improved the sustainability marking on our products in all product areas.

Going forward, one important priority will be to ensure that our Rusta customers will find even more sustainable products to choose from.

Svanen

Svanen is a Nordic eco-label which sets climate and environmental requirements as well as important requirements for function and quality standards.

Bra Miljöval

Bra Miljöval is the Swedish Society for Nature Conservation's own ecolabel. The labeling's environmental requirements spans the product's entire life cycle all the way from raw materials to recycling.

FSC

Forest Stewardship Council is an independent, international member organisation working towards a more responsible forestry that takes into account both people and the environment.

Better Cotton

By choosing cotton products from Rusta you're supporting responsible cotton production through Better Cotton.

OEKO-TEX

OEKO-TEX products are tested throughout every step of the production process to verify that no form of hazardous substances is present in the product or in its production process.

PEFC

The Programme for the Endorsement of Forest Certification is a global alliance of national forest certification systems that promotes sustainable forest management through independent third-party certification.

Rusta recycled marking

Rusta recycled marking shows the share of recycled material in our products and packaging.

Good quality at the lowest price

At Rusta, great value for money means good quality at the lowest price. It also means that we actively work to ensure that our products are socially and environmentally sustainable. As a first step our products shall be better and have less negative impact on the environment than comparable products on the market. Raw materials are therefore carefully selected, the products are designed and constructed to last. Then packed and transported in a efficient way. Here are some very few examples of how we work in practice to integrate sustainability into our products.

Moving box PRO

Appreciated for its practicality and durability and used by many people. FSC-certified raw material, the quality and performance verified by Testfakta and adapted to EUR-pallets for efficient transport out to our stores. It is also produced in Sweden close to our biggest sales market.

NYANS wall paint

Wall paint Nyans is certified by Nordic Swan Ecolabel and has approved quality and performance by Testfakta. Our paint is used in many homes and lasts for long.

Pillowcases

Our pillowcases are sold with a flat-pack solution making it optimal for transport and logistics. It also comes completely without plastic cover.

Privacy screen

Our privacy screen is what you need for your terrace or patio. Since the launch, our FSC-certified acacia item is highly appreciated. No consumer packaging means less waste.

REFIN toilet paper

Rusta's own toilet paper is FSC certified and certified Nordic Swan Ecolabel. The plastic packaging is made of 60% recycled material.

NOFO soap

NoFo Hand soap is certified by Nordic Swan Ecolabel and Vegan. The packaging is made of 50% recycled plastic.

Make positive change

For Rusta, sustainability also means collaborating with several carefully selected organisations to contribute to a more sustainable, equal, and fair societal development. We engage in several collaborations, big and small. Below are our main partners. We engage in several collaborations, big and small. Below are our main partners.

COMMUNICATION ON PROGRESS

UN GLOBAL COMPACT

MEDECINS SANS FRONTIERES
DOCTORS WITHOUT BORDERS

UN Global Compact

In 2018 Rusta joined the world's largest voluntary sustainability network for companies, the UN Global Compact, in order to take action and pave the way towards a more sustainable society. At Rusta we are committed to align our operations and strategies to the Ten Principles of the UN Global Compact. As a member of the UN Global Compact, Rusta undertakes to work on the basis of a number of guidelines intended to promote human rights, labour law, environmental- and sustainability work.

Médecins Sans Frontières

Rusta has supported Doctors Without Borders since 2015 when 60 million people were in distress from war, famine and terror. Many employees at Rusta were eager to contribute with support and chose to involve in local initiatives. Together with the owners, a decision was made to donate SEK 1.5 million to Doctors Without Borders. It became the starting point for a long-term collaboration that stands today and has so far generated a contribution of more than SEK 10 million to the organisation.

We stand with Ukraine

Since the outbreak of the war in Ukraine, Rusta has actively collaborated with several organisations to support the victims of this war. We unreservedly oppose the war started by the Russian government. Rusta assists and supports with both necessity products and with financial support for both small and large organisations. Rusta is also donating SEK 1 million to UNHCR as a contribution to the work carried out on site in Ukraine.

No to PFAS

At Rusta we offer our customers safe and wholesome products. No to PFAS is a non-profit initiative whose purpose is to promote the transition from harmful chemicals to safer options for use in a wide range of product areas. Rusta joined this initiative in 2020 and we support the ban of PFAS.

Step by step towards a more sustainable low-price retail sector

At Rusta, it should be easy to renew and refill at home, without having to compromise on our responsibility towards future generations. Resource efficiency enables us to offer our customers great products with less negative impact on people and the planet.

With a transparent and honest approach, we are determined to distinguish ourselves from the competition and lead the shift towards a more sustainability-focused low price retail category. Thereby we contribute to changing the business in a positive direction. In the following pages, we account for the many aspects of Rusta's sustainability work.

Jesper Bondesson
Quality and Sustainability Manager Rusta AB

Sustainable Development Goals

Since 2017 we have actively aligned our agenda towards the 17 Sustainable Development Goals laid out by the United Nations. At Rusta we want to ensure a more sustainable global future, mapping out important social, environmental, and economic aspects. For us, following the UN's 17 development goals means that we as a company must constantly reinvent what it means to become a more responsible retail group – all in order to continue integrating our sustainability related activities into our business logic.

At Rusta, we are aware that the various aspects of the UN's development goals are all interconnected. Being a retail group with activities spanning across the globe, our work both comprises and affects all the 17 goals laid out by the UN. This said, we have through careful analysis identified 11 goals that we deem influence our daily work more than others and paying extra attention to these.

Our priorotised eleven Sustainable Development Goals:

Sustainability strategy

For Rusta, sustainability means meeting the needs of today without compromising future generation's ability to meet their needs. We aim to become the leading and most trusted low-price retailer in Europe. Our sustainability policy guides us and states our responsibility toward the societies in which we are active. We have defined four key areas of sustainability in which we aim to create long-term improvement.

Products

Safe, durable and fully functional products

Current direction:
- Safe and wholesome products for our customers
- Offer products designed for long lasting life and that can be repaired, reused and recycled
- Simplicity in design and construction to reduce climate footprint
- Develop smart packaging made of renewable or recycled resources

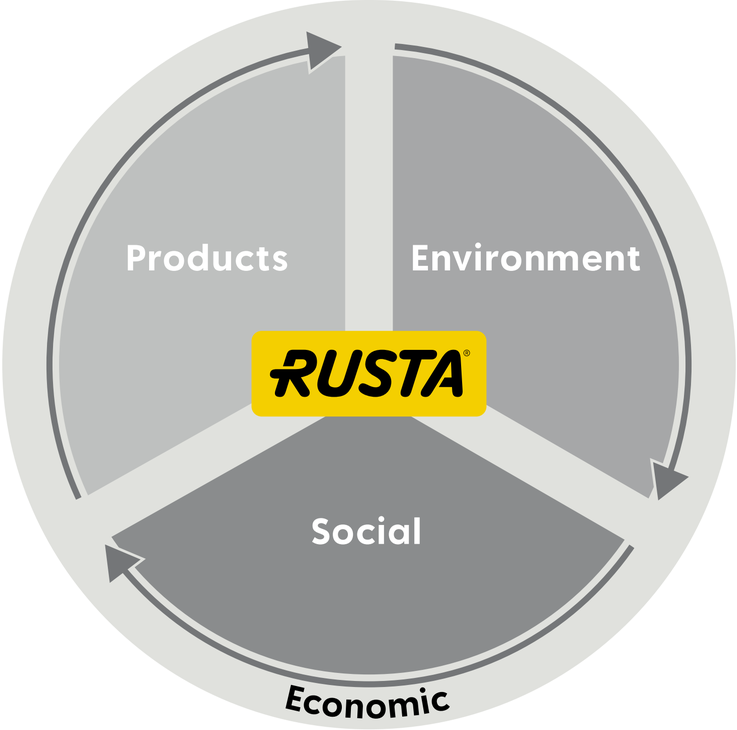
Long-term direction:
- Offer products for a more sustainable life
- Full knowledge and transparency on product content

Social

Together work for a better society wherever we do business

Current direction:
- Work actively for the respect and protection of human rights
- Together with suppliers continuously improve our Code of Conduct performance
- Responsible sourcing is a natural part of doing business
- Strengthen diversity, equality and inclusion in our company

Long-term direction:
- Secure animal welfare through the whole value chain
- Include people in socially vulnerable groups
- Partner with organisations that contribute to a better society



Environment

We are committed to care for the planet

Current direction:
- Rusta products impact the environment less than comparable products
- Natural raw materials that are legally harvested and certified
- We use non-hazardous chemicals
- Products are made of renewable or recycled materials and are constructed for recycling
- We use renewable energy and are energy efficient

Long-term direction:
- Rusta will become climate neutral by 2045 (GHG scope 1, 2, 3)
- We actively work for the protection and restoration of biodiversity

Economic

Sustainable business leads to prosperity

Current direction:
- Offer our customers great value for money
- We have the courage to see past short-term profit to reach our long-term objectives
- Grow our business with partners that act sustainably
- Our business growth does not happen at the expense of human rights, the environment or poor working conditions

Long-term direction:
- Prove that low price companies can make sustainable business
- Business ethics with zero tolerance approach

Stakeholder engagement

At Rusta, we have continuous and open dialogues with a wide array of stakeholders on sustainability topics. We evaluate and incorporate valuable insights from our stakeholders in our sustainability agenda. Grounded in our vision, our sustainability strategy and with trust in our internal competence, the stakeholder insights constitute an essential component in defining and outlining our priorities.

Bi-yearly, Rusta conducts a comprehensive stakeholder dialogue, which aims to add insights to the creation of our material aspects. During spring of 2022, Rusta carried out a materiality analysis in connection with our most recent stakeholder dialogue. This materiality analysis constitutes the foundation for identifying our significant sustainability areas. The stakeholder dialogue consisted of an internal and external survey. Further in-depth interviews and workshops together with the board of directors, the group management team, various functions, and co-workers from different parts of Rusta have been performed.

During the stakeholder dialogue, additional areas of interest and important subjects have been raised. These we have gathered and incorporated in various internal forums and action plans.

Stakeholders

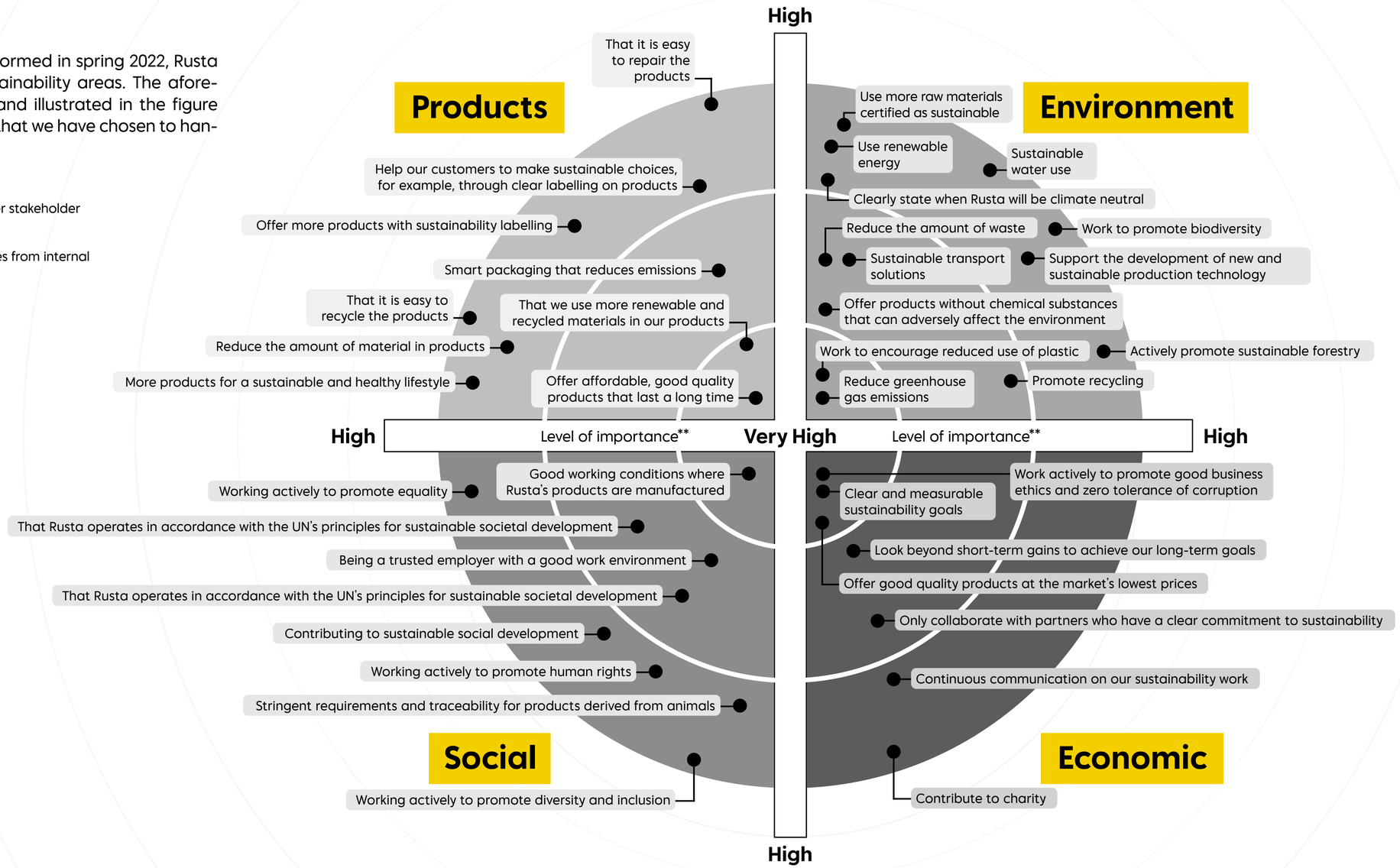
Customers	Suppliers	Co-workers	Group Management Team	Board of directors	Partners and society
Who they are					
During the financial year 2022/23 Rusta had approximately 64 million visits to our stores in Finland, Germany, Norway, and Sweden. Our customers are driving and inspiring our daily sustainability work and are a key component to its success. Through our growing e-commerce our customers can also conveniently do their shopping without having to travel.	Rusta's suppliers represent an integral part of our business. In total we had 571 suppliers of goods during the financial year. Rusta is continuously putting ever higher demands on sustainability, adherence to our code of conduct, quality standards and delivery excellence. At Rusta we believe that close collaboration with our suppliers brings the best value for our customers and our business.	Our most valuable asset is our 4 181 Rusta co-workers. In our latest co-worker survey, a large majority of our co-workers have stated that Rusta is a good employer and would recommend working at Rusta to others. Our aim is to continuously improve the employee satisfaction and attract competent and motivated co-workers.	At Rusta, a leader shall engage and inspire co-workers by means of leading by example and serving as a good role model. Furthermore, the members of the management team have the responsibility to lead Rusta with pace and creativity, set ambitious goals and motivate coworkers.	A stable and dedicated Board of directors with a broad and extensive retail experience lay out the overall direction for Rusta. The Board of directors are engaged in the everyday activities and are one of the driving forces behind Rusta's sustainability strategy.	Rusta's business influences society, both on a local and global level. We closely follow the societal developments in the surrounding environment. We cooperate with numerous non-governmental organisations and maintain close contact with local and regional authorities in the locations where we conduct our business.
How we communicate					
We share information on our sustainability work in our 201 stores where we meet our customers on a daily basis. The Rusta homepage is an important communication channel for sharing our policies and work with quality and sustainability. Rusta marketing activities are executed through a broad media mix, including TV- and radio advertising, digital channels such as Rusta's loyalty program, social media, and on-line marketing.	Rusta believes in the importance of personal meetings to build mutual trust. Co-workers from our sourcing offices visit our suppliers regularly. We organise the yearly Rusta Supplier Day-event for building ties with our suppliers. Furthermore, we yearly communicate a sustainability update to our suppliers to ensure they are continuously informed on our evolving sustainability requirements. We also state our rules and guidelines in the Rusta Supplier Manual.	We arrange meetings on the topic of sustainability on all levels, functions, and departments at Rusta. Moreover, we strive to engage in continuous dialogue on quality and sustainability with co-workers in the course of our daily work. Additionally, we give regular sustainability updates in all relevant internal corporate forums.	The members of the management team all play an important role in their respective departments to ensure that relevant topics and issues are communicated continuously to all coworkers.	Rusta's flat organisational structure enables a rapid flow of information and makes us agile when moving forward in our sustainability work. The board of directors meet a minimum of six times per year. The board of directors is highly involved in the daily business decisions together with the Rusta teams.	Examples of these groups are local and regional authorities and Non-Governmental Organisations. We interact with these groups most often through personal meetings, phone, or email. All information on the Rusta homepage is available for the external partners and the surrounding society.

Sustainability aspects

As a result of the stakeholder dialogue performed in spring 2022, Rusta has identified a number of prioritised sustainability areas. The aforementioned areas have been summarised and illustrated in the figure below. Additionally, there are further topics that we have chosen to handle separately*.

*More information about the most important aspects per stakeholder group can be found on pages 34-35

**Level of importance according to aggregated responses from internal company interests and external stakeholders



Materiality analysis

We continuously evaluate the impact, both positive and negative, on the environment, economy and on the society where we operate. We also review and consider the way a changing environment and climate affects Rusta's operations.

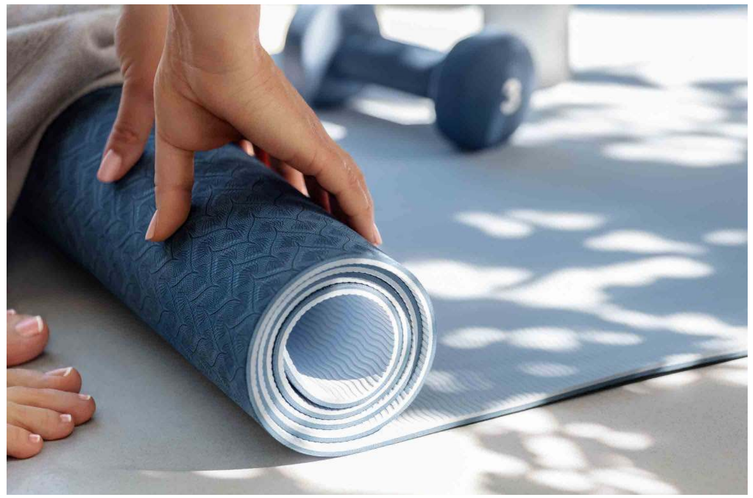
The materiality analysis constitutes the foundation for identifying our significant sustainability areas in order to further develop our business.

Our approach

We identify, and review topics based on analysis of external standards and interest. Topics are prioritised based on how often they are raised by stakeholders and their significance of economic, environmental, and social impact, seeking input from internal and external stakeholders.
We continuously review and update our material aspects with key stakeholders, considering emerging challenges while remaining focused on delivering our sustainability strategy.

The materiality analysis in this report takes into consideration Rusta Group's sustainability strategy. The strategy has been elaborated on the basis of the United Nations' global sustainable development goals, the principles of UN Global Compact, as well as the Paris agreement. We have combined the above with the input from the stakeholder dialogue. This materiality analysis identifies our material aspects to focus on and report our progress on.

By assessing the risks and potential impact, as well as the significance of these, we have identified and prioritised five material aspects, which constitutes the foundation for our sustainability work going forward. This means that the six material aspects, constituting our base during the previous two reporting periods, have been revised, consolidated, and renewed. Upon finalisation, the input and the output of the analysis has been approved by Rusta's board.



Identified material aspects

	Overarching goal	Aspect related topics	Boundaries*
Products	15% less defective customer returns yearly	• Product quality • Supplier Quality Evaluation • Renewable and certified raw materials • Product content and chemical substances • Sustainable choises and markings	Create, Source, Supply, Communicate, Sell Source Create, Source Create, Source Create, Communicate, Sell
Logistics and packaging	Reduce CO_2 emissions with more than 3% yearly, using alternative transportation modes and fuel. Eliminate consumer packaging on 25% of all Rusta products until 2026	• Optimization of incoming goods • Reduce packaging materials • Logistics	Create, Source, Supply Create, Source, Supply, Sell Create, Source, Supply, Sell
Social responsibility	Increase the share of suppliers at level "Good" to 75% in accordance with the social requirements laid out in the Rusta Code of Conduct by 2023	• Code of Conduct • Good working conditions where Rusta's products are manufactured	Source, Supply, Sell Source, Sell
Trust	Internal: Yearly increase of coworker trust index External: Yearly increase in customer survey regarding preception of Rusta as a "reliable company"	• Employment, learning and development • Business ethics • Zero tolerance approach • Whistleblower policy	Create, Source, Supply, Communicate, Sell Source, Supply, Sell Source, Supply, Sell Create, Source, Supply, Communicate, Sell
Climate	Climate neutral by 2030 (GHG scope 1,2) Climate neutral by 2045 (GHG scope 1, 2, 3)	• Supplier environmental evaluation • Greenhouse gas emissions • Energy and fuel • Promote recycling	Source Create, Source, Supply, Communicate, Sell Create, Source, Supply, Sell Create, Source, Supply, Communicate, Sell

*The definition of the boundaries refers to the Rusta wheel, shown on page 5

Products

Product quality

Rusta's product quality vision is to offer all customers products they perceive as being "Great value for money". This means the customer's perceived value of the product in relation to its price.

The quality strategy that Rusta set out in 2011 includes:
- Customer focus
- Clear goals and Key Performance Indicators (KPI:s)
- A systematic sustainability approach
- Continuous improvements
- Minimum quality definition: Safe, durable (more than three years) and fully functional

We systematically measure our progress by sending our products to third-party testing and by tracking our customers' perception of Rusta's ability to deliver on our customer promise.

Apart from offering good quality products designed to last, our products must also be possible to repair in order to further prolong their lifetime. To lower the environmental impact of each product, our ambition is to integrate reparability in new product development going forward.

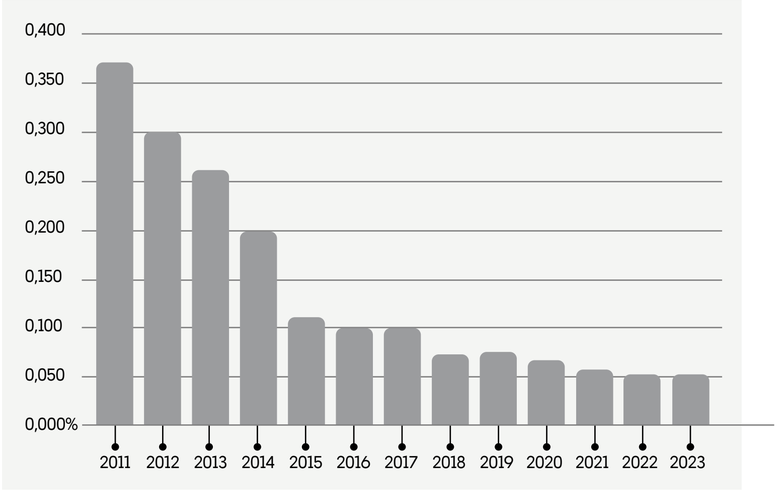
Progress:
- Level of defective customer returns maintained on record low level

Goals:
- 15% annual reduction of customer returns related to poor quality
- Phase out items deemed to be "wear and tear products"
- At least one "Best in Test" or "Best Value for Money" product in every product category
- 10% increase in share of Swedes who perceives that Rusta offers "value for money"

"Our offer to the customers is low-price products of good quality that last for long. Therefore, the right quality is key when we develop new products together with our suppliers. During the process, the quality and sustainability department is closely connected. In this way we secure sustainable raw materials, right construction and packaging solution. We strive to minimise packaging material and our environmental impact. A clear benefit is that our customers have less waste to sort as well. Personally, I am proud of what we have done so far in Rusta. Especially with the increased use of natural and recycled materials."

Petra Nowak, Category Manager, Rusta Head Office Sweden

Defective customer returns in percentage (Quantity)

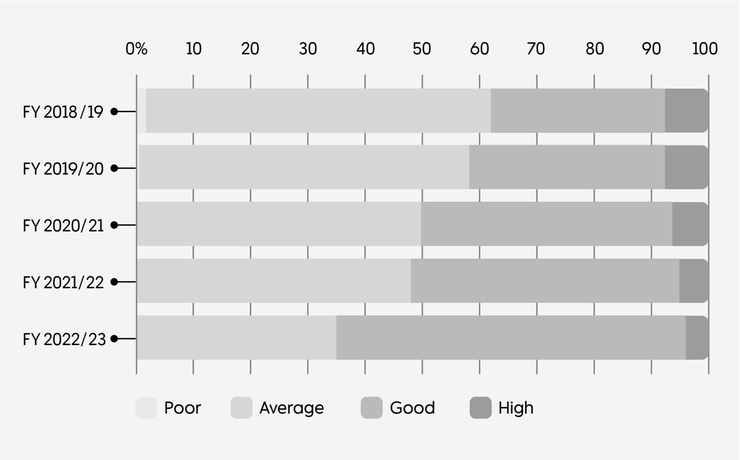


The implementation of Rusta's quality strategy has so far been successful. Since the launch of the quality strategy 2011, defective customer returns have been reduced with 86%.

Supplier Quality Evaluation

Rusta strives to ensure that the factories producing our products continuously works towards improving the quality of Rusta's products. To achieve this, we employ a Supplier Quality Evaluation-tool (SQE) designed as a scoring structure in which the factories' quality systems are benchmarked. Our quality specialists support the factories with training while working to motivate and encourage them to pursue further progress in this area. During the last financial year, we have evaluated 229 factories based on our Supplier Quality Evaluation (SQE) guidelines. There are currently 125 factories on level "average", 221 on level "good" and a further 14 factories on level "high" and one on level "poor".

Result of Supplier Quality Evaluation



Progress:
- Rusta rejected co-operation with four potential factories due to poor SQE-performance
- Factories on level "good" increased from 47% to 61%

Goals:
- All new factories shall be evaluated before any orders are placed
- Increase the share of factories labelled "good" to 65% or higher, while maintaining the level of factories on level "high", in our Supplier Quality Evaluation (SQE)

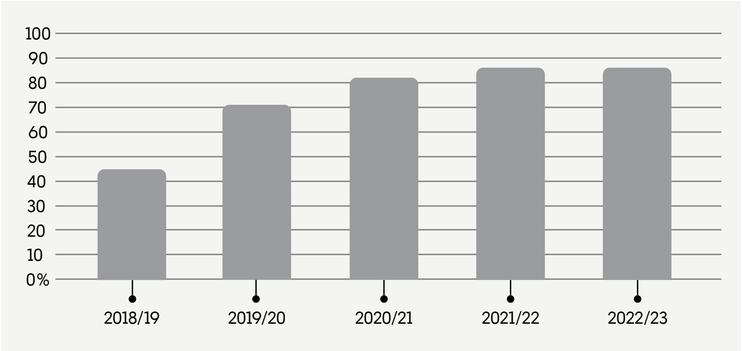
Renewable and certified raw materials

Wood

As part of our ambition to promote biodiversity, Rusta will never accept products that whole, or in part, contain parts from any flora listed as "Near threatened" or higher extinction risk in the International Union for Conservation of Nature (IUCN) and Natural Resource's red list of threatened species. Rusta has therefore developed a Forestry Due Diligence System based on eight key criteria that helps us estimate and calculate risk when purchasing specific types of wood from a certain region and/or supplier.

Apart from the above requirements, Rusta does not source any wood which:
- Is illegally cut
- Comes from protected areas, intact natural forests/rainforests or from high conservation value forests
- Is not produced in compliance with national and regional forest legislation
- Is involved in social conflicts regarding wood activities
- Comes from natural tropical or subtropical forests which are converted to plantations
- Comes from gene modified tree plantations

Share of certified wood and paper comparison



Percentage of sold wooden products certified by the Forest Stewardship Council (FSC), Program for the Endorsement of Forest Certification (PEFC) or Nordic Swan Ecolabel. This includes solid wood, wood-based materials, and paper.

Progress:
- During 2022/23 the share of sustainably certified wooden and paper products in Rusta's assortment remained on 86%, despite a challenging period concerning availability
- More than 20 million certified wood- and paper products sold during the year

Goals:
- All solid wood and wood-based material – including paper – used in Rusta products shall be certified

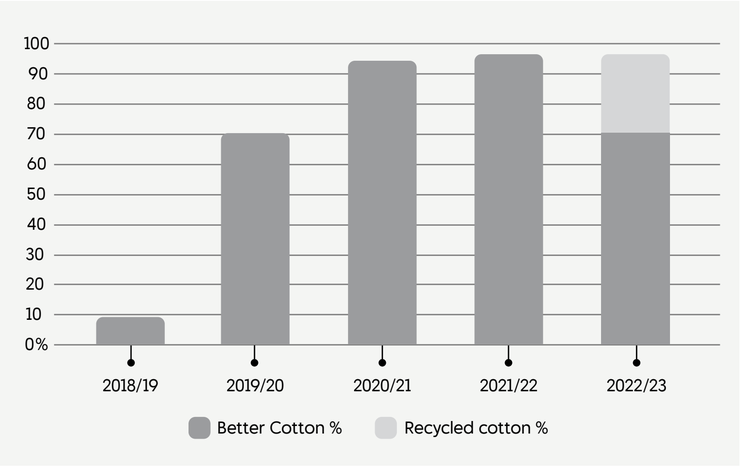
Textile and cotton

Rusta's commitment to significantly increase the offer of cotton products manufactured in accordance with the guidelines set out by the Better Cotton continues. Better Cotton exists to make global cotton into a more sustainable mainstream commodity. Better Cotton achieves this by improving working conditions for the people producing the cotton and developing production methods that decreases its impact on biodiversity. Better Cotton is a requirement for all Rusta basic textile products, such as for example sheets, towels, bed sets, etc.

Rusta aims to replace virgin fibers in manufacturing and increase the proportion of recycled fibers in textile products. Today 21% (11%) of all the textile, sourced in China, and 36% of all the textile, sourced in India, is recycled polyester or cotton. We closely follow and actively participate in the development of the EU Green Deal, aiming towards a circular textile sector.

During 2022/23 the share of Better Cotton products in Rusta's assortment was reduced from 96% to 73%. Reason being that the share of recycled cotton in our assortment grew significantly.

Share of sustainable cotton comparison



Percentage of metric tons. FY2022/23 we started disclosing share of recycled cotton as shown in the graph above.

Progress:
- 21% of Rusta's textile products sourced in China are now made of recycled cotton or recycled polyester
- 36% of Rusta's textile products sourced in India are now made of recycled cotton or recycled polyester
- The financial year ended on 96% sustainable cotton (Better Cotton and recycled cotton)

Goals:
- Source 100% sustainable cotton, using only Better Cotton or recycled cotton

Palm oil

Rusta requires all suppliers to have full control of their incoming palm oil. All palm oil used in Rusta products must be fully traceable and Roundtable on Sustainable Palm Oil (RSPO) -certified. As a minimum all products must be certified as "mass balance" from the plantations to our stores.

Progress:
- All products produced for Rusta that contain palm oil, follow "RSPO mass balance"

Goals:
- To continue ensuring that all products produced for Rusta containing palm oil are – as a minimum – RSPO mass balance
- To continue raising the levels of RSPO-certified palm oil in all products sold in our stores

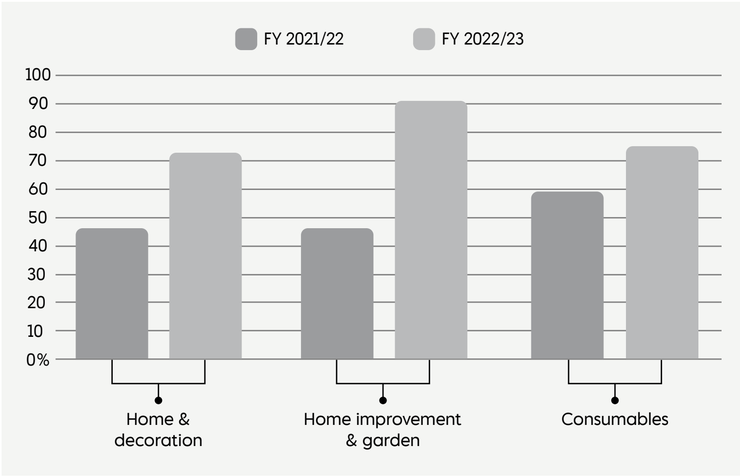
Plastic

Rusta continuously strives to reduce the amount of plastic used in both our products and their packaging. We are currently mapping the entirety of our product range with the aim of reducing dependency on fossil-based plastics.

In line with our goal to only use recyclable plastic in our products by 2023, we have replaced raw materials in, amongst others, the following products:

- Saving of 89 tonnes of virgin material in Raffia mats

Recycled material content by business area



The diagram shows average content of recycled material used in the products.

- Saving of 89 tonnes of Virgin material from Blanket Elsaform and our blanket Flisan
- Some of our indoor lighting products comes with recycled material

Progress:
- Number of articles increased from 10 to 35 by using recyclable plastics
- We continued to explore alternatives and improve the use of unrecyclable plastics
- The Rusta "Plastic task force", a cross-departmental initiative with representatives from all Rusta sourcing offices, has reduced our dependency of fossil-based plastic

Goals:
- By 2023 all plastic products sold by Rusta shall be made of recyclable plastic
- By 2025, 50% of all plastic used in Rusta products will be produced from renewable sources or from recycled material

Animal products

Rusta has clear guidelines for the treatment of animals in our value chain. We strive to secure that product containing leather, down and feather are produced responsibly. Rusta therefore only permits residual products from animals used for their meat, with the exception of wool products. In accordance with our Code of Conduct, Rusta will always make a site visit to the producer to verify that the animals are treated in line with our requirements.

In 2018, Rusta initiated a dialogue with Animal Rights Sweden. The dialogue has proceeded where representatives of Rusta have met with Animal Rights Sweden to discuss how to further safeguard animal welfare in Rusta's value chain. Based on the input of said organisation, Rusta has elaborated its requirements on this topic and included them in our Code of Conduct.

Progress:

- Further emphasis on our traceability requirements in our Code of Conduct during the year
- Restrictions on animal testing in our Code of Conduct have been elaborated and updated
- Updated our external Code of Conduct in regard to animal welfare

Goals:

- To annually update our requirements for animal products towards our suppliers
- To continue our dialogue with Animal Rights Sweden to ensure that our knowledge of routines regarding animal welfare remains up to date

Product content and chemical substances

Rusta always use the strictest requirements of any of our sales markets as the minimum requirement for all our products. For some substances, such as Phthalates, we have even more rigorous requirements than the legal demands in any of our markets. During 2020, Rusta joined the ChemSec PFAS initiative. By joining this movement, Rusta supports the recognition that PFAS are a major health and environmental issue and in joining the initiative, we commit to end all non-essential PFAS use in our products.

To secure that our demands are being adhered to and as an additional quality control, Rusta uses X-ray fluorescence (XRF) scanners both in our Asian sourcing offices and in our distribution center in Norrköping, Sweden.

> I help making sure that our products fulfill all chemical regulations and that they are safe for our customers. After three years in Rusta I am now in charge of testing and compliance. This is an important area so that we also constantly minimise our environmental impact"
>
> Chris Cai, Chemical engineer, Rusta China

A total of 1 665 (2 166) X-ray fluorescence (XRF) tests have been performed in our premises in Asia and at the Rusta distribution center in Sweden.

In addition to looking at the actual test results from our XRF-scanners, we calculate any potential risks whenever we detect a value close to the permissible limit. All with the aim of securing the safest possible products for our customers.

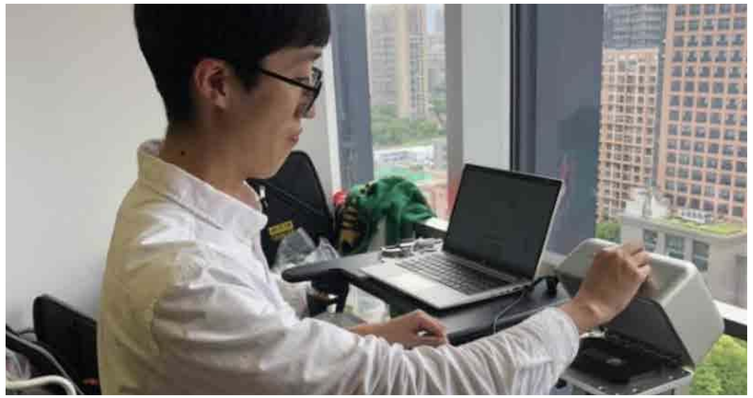
We also perform spot checks both in Asia and Sweden on all electrical items before they may be sold in our stores. From experience, we have noted the necessity of not only communicating and educating our chemical requirements to our suppliers, but it is also of great importance that we simultaneously strive to secure adherence to these prerequisites through all steps in the value chain.

Progress:

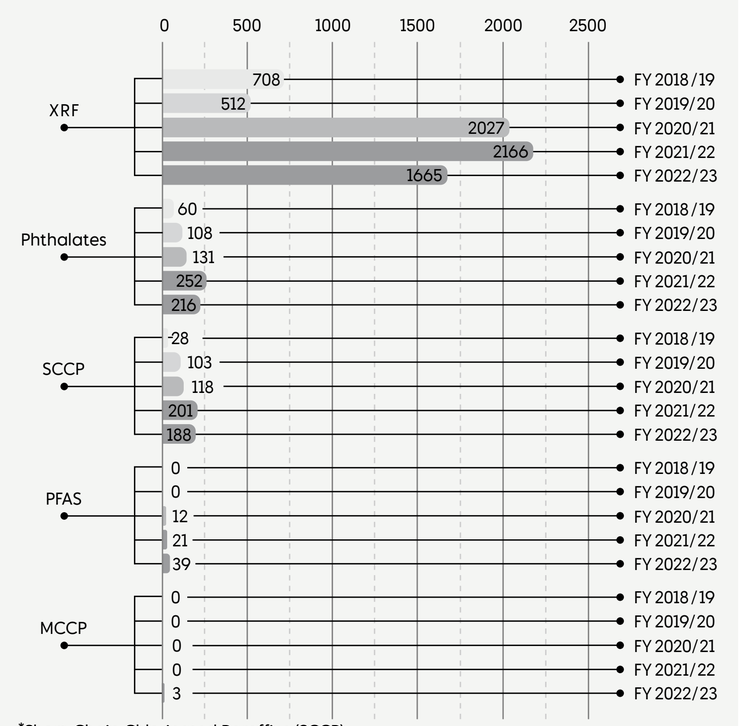
- Rusta's chemical requirements (Rusta Supplier Manual, appendix A) were updated in May 2022
- We increased the number of third-party tests from 474 to 686 based on random selection prior to shipment
- 33 (31) suppliers have invested in, and have been trained in, XRF-scanning techniques to improve supervision of the "Restriction of Hazardous Substances" (RoHS) requirements
- All products groups potentially containing PFAS-substances have been identified

Goals:

- To update Rusta's chemical requirements for suppliers and factories
- To map and replace MCCP*** in our products
- That selected suppliers invest in XRF equipment and training
- Phase out PFAS in all textiles by 2023



Number of additional testing



*Short-Chain Chlorinated Paraffins (SCCP)
**Per- and Polyfluoroalkyl Substances (PFAS)
***Medium-chain chlorinated paraffins (MCCP)

Sustainable choices and markings

Rusta's goal is to offer a more sustainable product assortment than our competitors. To facilitate for our customers to make sustainable choices, we have improved the sustainability markings on our products in all our product ranges. This gradual transformation of our assortment is implemented in several ways:

- By increasing the assortment of certified products
- By increasing assortment of products made from recycled raw material
- By reducing material/components in the products
- By reducing or removing unnecessary consumer packaging
- By optimising the dimensions of our products and packaging to optimise transport, thereby minimising emissions

Progress:
- More than 20 million sustainability certified wood- and paper products sold during the year
- 440 tonnes of virgin plastic eliminated thanks to increased use of recycled material

Goals:
- Further increase assortment on sustainable labeled products
- Improve communication on sustainable choices and markings to our customers in all our channels

PACKAGING made from RECYCLED PLASTIC

100%

90%

85%

70%

60%

Logistics and packaging

Optimization of incoming goods

In close collaboration with our suppliers and colleagues around the globe, we continuously increase the filling rate in containers while developing smarter packaging and loading solutions throughout our value chain. By adapting items and packaging solutions (we call them Retail Units) to fit the EUR-pallet we can increase the number of items per pallet. When doing so we can fit the same number of items on fewer pallets. This results in savings of pallets that needs to be handled and transported from the factory all the way to the stores.

Thereby we can utilise the distribution center in a more efficient way when the pallets are having the same property and size regardless of the item's nature. This enables us to be more flexible when storing pallets and utilizing the different storage systems we have in the distribution center.

Progress:
- 10 628 pallets equal to 177 containers and trucks saved

Goals:
- Yearly goal is to save in excess of 10 000 pallets
- Improve fill rate on pallets and in containers/trucks

Reduce packaging materials

To remove and reduce packaging creates benefits for our customers, suppliers, and the environment. Less packaging material and lower prices for our customers.

At Rusta we aim to use one material per packaging solution to increase recyclability. By doing so we also make it easier for our customers to sort the waste. The fewer materials, the better. When possible, we prefer to sell our products without packaging. Our goal is to continue to increase the number of products sold without consumer packaging.

Plastics is still one of the best materials for a protective packaging solution. At Rusta we remove as much plastics as possible but when that can't be done, we use recycled plastics as far as possible.

Progress:
- Continuous focus on reducing plastics and increasing recycled content in our packaging solutions
- 92 000 kg of virgin packaging plastic have been saved during 2022/23
- 16 000 kg of virgin plastic saved in packaging for home improvement assortment
- Implementing one material per packaging solution on all our packaging
- Design for recycling, making it easy for customers to wase sort our packaging

Goals:
- Reduce virgin packaging plastic on 200 top-selling items
- Increase share of recycled plastic and paper packaging materials
- By 2026, 25% of Rusta's assortment will be sold without consumer packaging

Logistics

Rusta's distribution center located in Norrköping is one of the largest in the Nordics. Established in 2015 and after major expansions it now has the capacity to store more than 300 000 pallets.

Sustainability has been a clear focus for both material choices and technical solutions throughout the entire construction process. Everything from presence-controlled ventilation and lighting to climate-smart heating. The distribution center is a sustainable workplace where continuous improvements for both processes, work environment and safety awareness are important.

Having one centralised distribution center eliminates unnecessary transports while improving filling rates, leading to lower environmental impact and higher cost-efficiency.

The location for our distribution center is carefully chosen to ensure:
- Vicinity to the container port in the harbour (1 km) to reduce transport distance
- Vicinity to railroad to enable railway transportation both to and from the distribution center
- Vicinity to Rusta's biggest market and easy highway access to minimize distribution distance

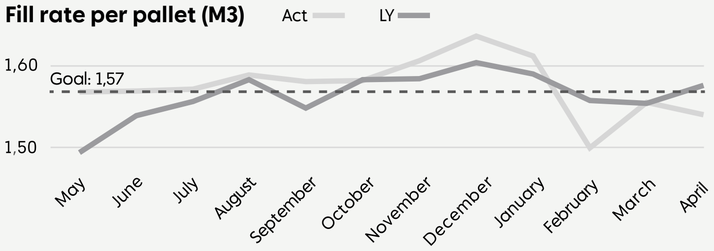
We have done several improvements when it comes to the forklifts being used in our operations. One significant initiative is that we have prolonged the lifespan of the batteries through improved processes and handling. This year we have installed an I-site software in all our forklifts. This software helps making the forklift driving safer and reduces damages to the machines. This also means a safer working environment for our employees.

In the distribution center we have continuously reduced the energy consumption. Financial year 2022/23 is a base for measuring improvements to further reduce our energy consumption.

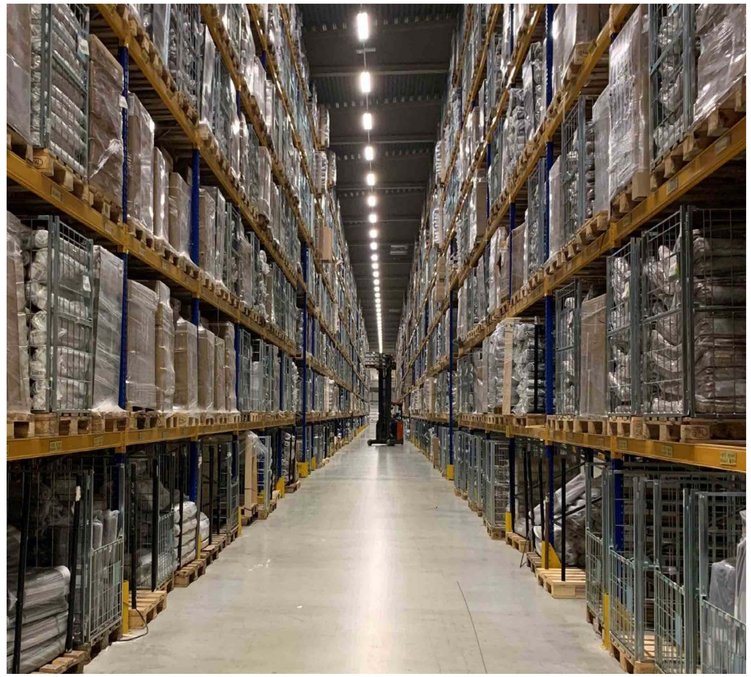
During 2022/23 we implemented a new central replenishment system which will secure that products are delivered at exactly the right time, to the exact place and in just the right amount. The system helps us to reduce any unnecessary inventory costs and unneeded transportation of goods back and forth to our stores. Moreover, flexible delivery route planning allows us to choose the most suitable delivery schedule. To avoid traffic and save fuel, whenever possible, we deliver all goods during the night. The distribution center management system is designed to ensure that all pallets are filled, all to ensure that our transports are packed to a maximum, thereby minimizing emissions. We continuously measure the fill rate of our pallets and take necessary actions to maximise this.

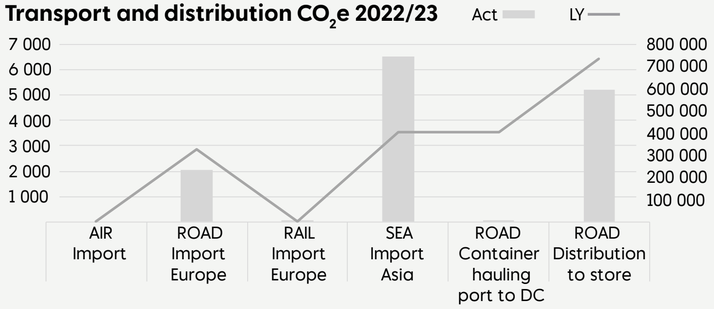
Progress:
- All our containers are transported between the port and distribution center without CO_2 emissions. 25 % of container transportation is electrified thanks to cooperation with Alltransport and Stadium
- A new environmental appendix is ready to be implemented for distribution agreements
- Measurement regarding CO_2e for all the transportation during 2022 is completed and will be used as a baseline going forward
- By adjusting the brightness in the distribution center, we have reduced our energy consumption for the lighting by 25%. This also means an increased service life of the lighting equipment

Goals:
- Keep tracking and reduce the transport CO_2 emissions by more than 3% yearly.
- Explore potential for improvement through alternative energy sources and/or technology improvementpackaging



The diagram shows the fill rate development financial year 2022/23





The diagram shows contribution of emissions from different transport modes

Social responsibility

Code of Conduct

All our suppliers and their employees shall have the benefit of good working conditions. Rusta has formulated a Code of Conduct (CoC) to meet responsibilities in the areas of human rights, labour, environment, and anti-corruption. The ten principles of the UN Global Compact are all incorporated in the Rusta Code of Conduct. Moreover, since 2008, all Rusta suppliers must annually sign and adhere to the requirements laid out in the Rusta Code of Conduct.

The Rusta Code of Conduct outlines eight basic requirements that a Rusta supplier must adhere to be accepted as a Rusta supplier. We call these "Rusta Basic":

- Critical health and safety hazards need to be prevented
- No child labour
- Voluntary labour only
- Critical environmental hazards to be prevented
- Good business ethics shall be practiced
- All employees have an employment contract
- Wage equal to or exceeding the legal minimum level
- Access to fresh drinking water and toilets

In addition to the minimum basic requirements, Rusta's Code of Conduct also contains several requirements to which the supplier shall adhere. These requirements include good working conditions, health and safety regulations, business ethics and environment regulations, along with protection of animals and threatened species. The suppliers are rated based on how well they comply with the Rusta Code of Conduct.

Progress:
- All factories producing for Rusta have passed our Code of Conduct Basic
- We have updated our Code of Conduct and split it into two documents, more adopted to the needs of external and internal recipients

Goals:
- Continue to work together with our suppliers to ensure that our Code of Conduct Basic is in force, everyday
- Code of Conduct is part of our new E-learning platform for all co-workers

Good working conditions where Rusta's products are manufactured

Social responsibility in Rusta's supplier's factories is a prioritised issue for us and our stakeholders. For us, social responsibility is closely interconnected with our operations in Asia. We strive to continuously educate and support our suppliers in Asia. Trained specialists in our sourcing offices perform regular evaluations of our suppliers and factories to support their efforts to secure good and fair working conditions for their employees.

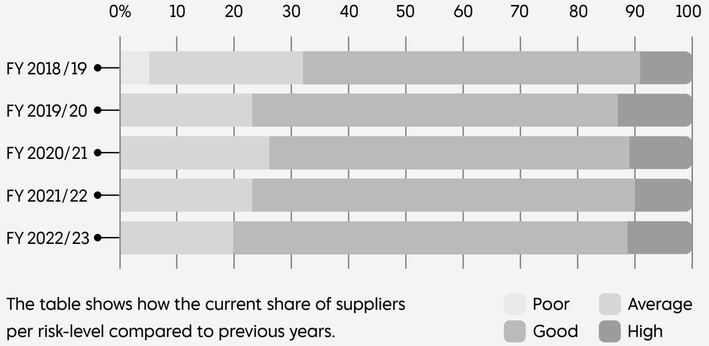
Rusta's Code of Conduct regarding labour is based on international standards, including the Fundamental International Labour Standards as defined by the International Labour Organisation (ILO). Without exception, the social performance of all new suppliers to Rusta is screened and evaluated before any order is placed. An important matter relating to our business is to secure that everyone in our value chain is covered by our Code of Conduct. This includes the small (less than 0,5%), yet important, part of our production which is carried out in homes in Vietnam, India and China. Therefore, we regularly visit the villages where our items are produced. In addition to the basic requirements outlined above, Rusta expects suppliers to continuously strive towards improving working conditions for their workforce. We are, together with our suppliers, focusing on the following three key areas, called "Rusta Social":

- Health and safety: working environment, emergency planning and fire safety, physical and chemical hazards
- Compensation: salary, pay slip, insurances and pension
- Working hours: records, overtime, breaks and days off

"Sustainability is in our business concept. Rusta is really at the forefront. We have an incredible desire to make things better and we are working at the forefront of change. In terms of knowledge, we are constantly learning. We talk a lot about trust and transparency together with our suppliers. Close relations with our suppliers give us an advantage."

Stina Ericson, Country Manager, Rusta India

Result of Code of Conduct Social evaluation



The table shows how the current share of suppliers per risk-level compared to previous years.

Forced or compulsory labour

Rusta has a zero-tolerance policy towards any form of forced or bonded labour. In some Southeast Asian regions for example, unscrupulous businesses hold the passports of their workers. Our Code of Conduct clearly states that no supplier can supply goods to Rusta if they exploit any type of forced or bonded labour. During the past year we have had no such confirmed incident.

Freedom of association and collective bargaining

In our Code of Conduct we refer to "Fundamental international labour standards as defined by the International Labour Organization (ILO), Declaration on Fundamental Principles and Rights at Work and its Follow-up", we have strict requirements on our suppliers to ensure freedom of association for their workers. We know that this is of great importance as we are active in some countries where the labour market traditionally works differently from that of Sweden.

Evaluation of suppliers and factories on performance

All evaluations, irrespective of whether they pertain to social or environmental responsibility or to quality systems, are executed by Rusta. Our own trained specialists evaluate and follow up on the improvements made in the various factories. The table below shows the business impact depending on the result from the social evaluation.

During the financial year 2022/23, 249 factories were evaluated according to the social criteria laid out in our Code of Conduct. Four potential factories failed Rusta Basic, and due to this; cooperation was never started.

Progress:

- In total, 100% of new suppliers were evaluated and screened in accordance with the social requirements laid out in Rusta's Code of Conduct

Goals:

- Increase the share of suppliers at level "Good" to 75% while maintaining or increasing the share of suppliers at level "High"
- Implement and educate our factories on the updated External Code of Conduct

Business consequence staircase

CoC rating	Business Impact: CoC rating	Business impact: Improvement result	Follow up
High Points: ≥39	No impact. New businesses are encouraged.		Self-control by the factory and random checks by Rusta
Good Points: 30 - 38	No impact		Within two (2) years
Average Points: 21 - 29	Placed orders can be shipped. New orders on existing items can be placed.	New orders can be placed when three (3) improvements every six months are made.	Within six (6) months
Poor Points: ≤20	Current factory: Placed orders can be shipped. No new orders can be placed. New factory: First order can be placed.	No new business/orders. New orders on existing items can be placed when three (3) improvements every six months are made.	Within six (6) months
Unacceptable Fail Rusta Basic	Current factory: No orders can be shipped. Potential factory: No start.	No orders can be placed.	

To involve, encourage and engage our co-workers around the world, we have also created a Code of Conduct for Stores, Distribution center and Sourcing offices.

Office

- We sort our waste according to pre-set routines
- Wherever possible we save energy – i.e., Lights and air condition
- We immediately act if/when we discover poor quality with regard to product quality, packaging etc.
- Rusta Quality and Sustainability policy documents are strategically placed in our various premises
- Preventive health and safety work
- Our travels shall be as environment friendly as possible. Travel only when needed
- We practice good business ethics
- We work as a team where everyone is needed

Store

- We sort our waste according to pre-set routines
- We take care of our customers batteries, electronics, and luminaires
- We act when we discover poor quality with regard to product quality, packaging etc.
- Rusta quality and sustainability policy documents are posted in strategic locations around the store
- Preventive health and safety work
- Date check and First in First. Out (FIFO) to ensure that our products are always of recent date
- We are all responsible for our working environment
- We work as a team where everyone is needed and takes part

Distribution center

- We sort our waste according to pre-set routines
- We act when we discover poor quality regarding products, packaging etc.
- We are energy efficient – LED lighting, geothermal heating and renewable energy
- Systematic working environment activities (regular safety rounds, risk analysis, fire drill and proactive risk observations)
- Date check and First in First Out (FIFO) to ensure that our products are always of recent date
- We are all responsible for our working environment and keep our workplaces clean and tidy – we all take care
- We work as a team where everyone is needed and takes part
- Rusta quality and sustainability policy documents are posted in strategic locations in the DC

Trust

Employment, learning and development

Rusta is an open and inclusive company. Our diverse co-workers reflect the broader society in the markets where we are active. We believe that differences create possibilities and diversity is seen as a central asset in Rusta's continued journey and future growth. At Rusta, everyone is given equal opportunities and rights. We are always looking for co-workers who thrive in an inclusive and ever-changing environment. We have zero tolerance policy towards any kind of discrimination or harassment, and we have initiated educations and worked with victimisations in our distribution center. In case an incident is reported, Rusta's HR-department is notified and will handle the case in accordance with the pre-set routines set out in our HR policy.

A flat organisational structure

We want it to be easy for our co-workers to make their voices heard and to make positive changes happen. We want our co-workers to be committed and actively contribute to the future growth of our company. For this reason, we work to provide great opportunities for professional development. We develop our business, the organization and ourselves in parallel.

A value-driven company

Our four core values: simplicity, courage, commitment, and togetherness have all been developed by the co-workers together. These values are the foundation of our business and guide us in our daily work in all parts of our company. We actively communicate these values as well as recruit new colleagues who can stand behind and live up to them. We will keep strengthening our values as we continue to grow.

Transparent business climate and high level of business ethics

Our whistleblower service offers an opportunity to confidentially communicate suspicions of irregularities at an early stage within our organization. Messages from our co-workers can draw our attention to serious risks regarding Rusta's vital interests or the life or health of individuals, serious environmental deviations, and security at the workplace as well as very serious forms of discrimination or harassments.

There are different ways to raise a concern and we encourage anyone to be open with their identity. You can contact a line manager, the responsible person for the whistleblowing service or send an anonymous message through the secure whistleblower communication channel. Regardless of channel, all messages received will be handled confidentially.

Regularly performed co-worker surveys

The latest survey was conducted during the winter of 2023. The response rate increased to 88% and showed that a large majority of our co-workers feel that Rusta is a very good employer and would recommend working at Rusta to others. Employee Net Promoter Score (eNPS) of 17. According to the same survey, the highest scored areas were "Meaningfulness and participation", "Relationships with colleagues" and "Relationship with manager".

We frequently ask inhabitants on our four sales markets "I believe that Rusta's products are of good quality". We do the same in our co-worker survey and the latest result improved by 0,1 and ended on 4,1 on a scale from one to five.

Development talks

At Rusta, all managers and co-workers regularly meet to set out and follow up on performance and development needs. These dialogues are held every year and are always documented to ensure that they can be systematically reviewed and followed-up upon. The development talk is designed to ensure that both employees and managers will share their view on progress and what the future looks like in relation to the business goals set by the company. It is important that both employees and managers get to speak and share experiences and opinions on performance in relation to expectations to create clarity in both directions. Similarly, the plan shall also clarify expected behaviours used to reach the goals, in the same way that it defines what support the manager will give the colleague to succeed.

Development and leadership

Rusta has created a leadership profile to define behaviours that encompasses our values. These behaviours are applicable to all colleagues at Rusta around the world, regardless of country of origin. At Rusta, a leader shall engage and inspire co-workers by leading, by example and by being a good role model. Moreover, our leaders are expected to always encourage and recognize initiatives to learn from their team members. A Rusta manager works with continuous improvement where good examples are used to spread best practices and further improvement over time.

To support our leaders in their growth, Rusta has created a specially designed program which is mandatory for all managers in the company. The program builds on our leadership profile, as well as our corporate values. A mentorship programme for Store Managers has been implemented in the Nordics. Rusta's continued expansion means that the need for competent leaders are increasing. One way to meet this need is through Rusta's trainee programme for Store Managers to be. The program gives co-workers, primarily sales staff and Deputy Store Managers, the opportunity to start their journey towards becoming a future Rusta Store Manager. A similar programme has been implemented at the distribution center for Team Leaders. The coming year we plan to launch "Product Manager in training" at the Range department.

We are very proud of the fact that all nine members of the current Rusta Group Management have all started on a lower level in Rusta and grown into their current roles.

Employees by country	%
Sweden	55,8 (59,1)
Norway	20,6 (20,8)
Germany	3,7 (2,6)
Finland	17,7 (15,2)
China	1,6 (1,6)
India	0,4 (0,4)
Vietnam	0,3 (0,3)
Employees gender and age distribution %	%
Women	64,2 (63)
Men	35,8 (37)
Older than 50 years	9,5 (12)
30 – 50 years	37,8 (41)
Younger than 30 years	52,7 (47)
Group management team	%
Women	56 (44)
Men	44 (56)
Older than 50 years	33 (44)
30 – 50 years	67 (56)
Younger than 30 years	0 (0)
Board of Directors	%
Women	29 (20)
Men	71 (80)
Older than 50 years	71 (80)
30 – 50 years	29 (20)
Younger than 30 years	0 (0)

The need of internal training varies depending on working position and tasks. Rusta offers trainings and educations on:

- Materials and product development
- Workplace safety
- Quality and sustainability
- Introduction trainings
- Packaging
- Store concept
- Truck driving licenses
- Registration, Evaluation, Authorisation and restriction of Chemicals (REACH) and Restriction of Hasardous Substances (RoHS)
- Internal and external Code of Conduct
- Rusta core values
- Ethical policy
- Working Environment and ergonomics
- Staff planning
- Labour law
- Sustainability
- Customer flow
- Stress prevention

When needed, Rusta will fund external trainings for a co-worker in accordance with the development plan. We will also adapt to changing demands by training co-workers in new skills as we believe that it is natural to invest in the company's most valuable assets, the people.

Progress:

- During the financial year 97% of all co-workers reported that they are not exposed to bullying or harassment at the workplace. Confirmed incidents of harassments are properly handled by Rusta's whistleblowing routine
- During the financial year four (4) confirmed incidents of discrimination and/or harassment were identified, and proper actions were taken by Rusta's HR-department
- We launched an onboarding portal on our intranet with templates for introduction plans per role, an onboarding e-learning and a Rusta quiz
- We have created a Rusta competence library and a new template for job profiles
- To increase collaboration across functions and enable a holistic view on Rusta we have launched Work In Practice (WIP) days in our stores during peak sales for office and DC officials

Goals:

- Strengthen the Rusta culture with educations, booklet, workshops and anecdotes
- All DC and office staff shall work at least one WIP (Work In Practice) day in a store every financial year
- We will launch our learning platform on our intranet, including education catalogue and a career page
- Create an education called "Product Manager in training"
- Update the common template for development talks

Business ethics

In our Rusta Supplier Manual (RSM), we clearly account for Rusta´s business ethics policy. Rusta strives to act fairly and transparently throughout the different levels of our value chain. The internal and external Code of Conduct is communicated to and SIGNED by Rusta officials and our suppliers respectively on a yearly basis. Moreover, we strive to monitor the potential interactions that may occur between interrelated agents in our value chain to minimize any risk of wrongdoing.

Zero tolerance approach

Rusta has a zero tolerance policy towards any form of bribery or corruption. Co-workers are obliged and encouraged to report any undue or improper interaction between them, their co-workers and/or third parties to their manager. Moreover, we regularly conduct training sessions on the topic of bribery and corruption in our sourcing offices in China, India, Sweden and Vietnam. This work is undertaken in accordance with the principles of the UN Global Compact against corruption in all its forms, including extortion and bribery.

Whistleblower policy

Our whistleblower policy is incorporated in our Code of Conduct. In doing so, we aim to encourage Rusta´s internal and external stakeholders to use the whistleblower function, should they observe or suspect any conduct indicating unethical behavior.

Progress:

- Two confirmed incidents of corruption were identified and handled in accordance with our zero tolerance policy
- 100% of our suppliers in Asia have signed the Rusta Ethical Policy
- We have updated and split our Code of Conduct into two versions, one Internal and one External
- Separate meetings on the topic of corruption with new suppliers and new Rusta colleagues
- All new office staff sign the employment contract and the internal Code of Conduct digitally

Goals:

- All office staff shall perform our internal Code of Conduct e-learning annually
- Ethical dilemma workshops with key target groups at Rusta
- All new colleagues sign the internal Code of Conduct digitally
- All suppliers shall sign the Rusta Business Ethics, or equivalent*

Climate

Supplier environmental evaluation

Rusta work together with our suppliers to continuously improve our environ mental performance. Without exception, the environmental performance of all potential suppliers is screened and evaluated before they may produce goods for Rusta. During the year we had a great development of our supplier base. Through coaching and structured improvements, the suppliers on level "poor" were reduced by 67%.

Apart from our non-negotiable demands, that all critical environmental hazards need to be eliminated or handled in a sustainable manner, we rate our suppliers on "Rusta Environment" based on the following five areas:

- Wastewater
- Electricity consumption
- Direct fuel consumption
- Waste management
- Emission to air (non-greenhouse gases)

In this process, suppliers firstly conduct a self-assessment which is then verified or revised by our Code of Conduct evaluators.

Progress:
- In total, 100% of new suppliers were evaluated and screened in accordance with the environmental criteria laid out in Rusta's Code of Conduct
- In total 245 evaluations were performed by our trained specialists in accordance with the environmental criteria laid out in Rusta's Code of Conduct
- Three factories identified as having significant potential negative environmental impact. This was handled and solved in accordance with our requirements

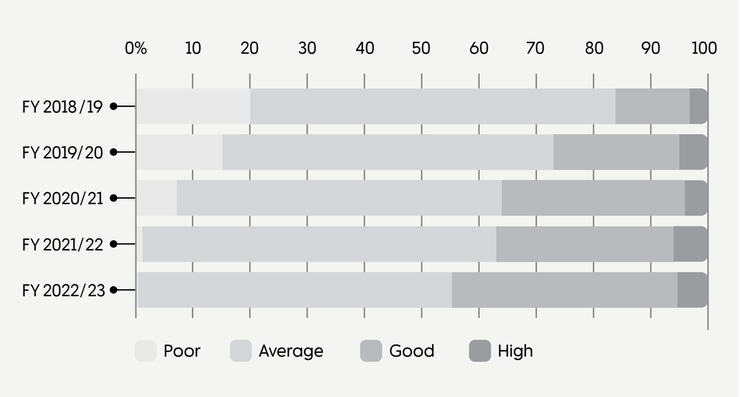
Goals:
- Set clear objectives with regard to emissions in the factory's producing for Rusta
- Calculate Rusta's total climate impact during FY 2023/24
- Increase the share of suppliers at level "Good" in Code of Conduct Environment to 45%

Greenhouse gas emissions

We need to focus even more on our climate impact going forward, therefor we have just revised our sustainability strategy with emphasis on reaching climate neutrality by 2045.

Rusta's greenhouse gas emissions stem majorly from our products. We have used the "The 2030 Calculator" (www.2030calculator.com) to calculate the emissions from 10% of our yearly sales of products. Major part of our greenhouse gas emissions comes from our products. The biggest contributor is the raw material used followed by the energy required to produce the products.

Result of Code of Conduct Environmental evaluation



Selecting raw materials as well as purchasing more renewable and recyclable raw materials is Rusta's main priority with regards to reducing our climate impact. Second priority is to secure renewable energy both in Rusta's own units as well as all in the factories producing for Rusta. Long term we aim to create more circular business processes.

Our ambition is to be fully transparent regarding our environmental impact.

At this point, we are reducing our greenhouse gas emissions continuously. Major contributors being:

- Using more recycled and renewable materials in our products
- Choosing materials with lower environmental impact
- Smarter and more efficient packaging solutions made of recycled materials
- Changed to renewable energy in our stores, distribution center and offices
- Better waste sorting in stores and distribution center

Energy and fuel

At Rusta, we strive to lower our greenhouse gas emissions and we have a number of ongoing projects and initiatives in regard to this. This work encompasses all aspects of our operations. We continuously improve our working method and data collection in accordance with the Greenhouse Gas Protocol (GHG) scope 1, 2 and 3.

Rusta monitors energy consumption in our stores and our distribution center to gather real-time data. We are currently working on structuring and analysing this data to set precise key metrics both for our own and for our suppliers' operations. Today, a large majority of our Swedish as well as

Electricity consumption	2022/23 Ton CO_2	2021/22 Ton CO_2	2020/21 Ton CO_2
Purchased electricity (market based method, Scope 2)	2 941 (43 382 043 kWh)	2 041 (46 991 041 kWh)	1 963 (44 988 999 kWh)
Electricity according to Scandinavian residual mix (location based method, Scope 2)	16 138	11 783	11 281

Business travel	Ton CO_2	Ton CO_2	Ton CO_2
Rusta owned cars (Scope 1)	183	142	102
Rusta owned forklifts/workmachines (Scope 1)	22	23	40
Private owned cars (Scope 3)	117	70	72
Private owned MC (Scope 3)	4	3	
Flights (Scope 3)	326	217	134
Train (Scope 3)	1	1	1
Bus (Scope 3)	1	1	1
Taxi (Scope 3)	8	18	9
Hotels (Scope 3)	157	244	284

Norwegian stores' energy supply comes from renewable and eco-labelled sources purchased directly from the energy supplier.

We continuously find ways to reduce energy consumption. We have therefore set up clear routines in our stores which we continuously elaborate. Examples of energy reducing activities are:

- Motion sensors for light sources in staff areas
- Timer and twilight relay for the exterior store signs
- Reduced lighting on the sales floor before opening
- LED-spot lights instead of halogen
- Exchanging fluorescent lamps in existing stores to LED-luminaire
- To save energy, the entire distribution center is heated by geothermal heating.
- Optimised ventilation in our distribution center

Progress:

- Total energy consumption reduced by 7,7% for Rusta's operations including expansion
- 52 of our stores saved energy by 10% or more
- Our distribution center in Norrköping reduced the energy consumption by 12%

Goals:

- Secure data quality for all Rusta units in all countries
- Reduce energy consumption in the Finnish stores by 10%
- Continue to improve data collection in accordance with Greenhouse Gas Protocol (GHG)

Promote recycling

We continuously increase the share of reused, recycled, and recovered waste in both stores and distribution center. We collect and review data on the generation, treatment, and disposal of waste. We have implemented a yearly collecting schedule with our waste management partners to minimise the hazardous waste generated by our distribution center and our stores. Together with our partners, we also decide in what way the waste can, and will, be handled and disposed. In our own facilities we have also improved the filling rate in the bins and containers where we collect the waste, thereby reducing number of transports.

In the requirements laid out in Rusta's Basic Code of Conduct, we constantly strive to ensure that any critical environmental hazard is taken into consideration. We also evaluate how the waste handling is managed at our suppliers.

An example of how we have reduced the plastic consumption, and thereby waste, is our stretch wrapping film on pallets in our supply chain. We have optimised the stretch film on pallets by using a much thinner material which is stretched even more, thus reduced the plastic film consumption by 15%.

Progress:
- Reduced share of waste to combustion by 2,9% for Finland, Germany, and Norway
- Share of waste generation compared to sales decreased by 6,3%
- Improved waste sorting in Finland in place

Goals:
- Reduce waste to landfill by 50%
- Increase share of waste to recycling in Norway
- Increase focus on waste management in all Rusta units
- Continuously strive for more efficient packaging of our products

Hazardous waste	2022/23	%	2021/22	%	2020/21	%
Recycling	123 495	61,9%	116 780	92,1%	149 443	95,6%
Combustion	11 178	5,6%	2 649	2,1%	2 298	1,5%
Landfill	64 822	32,5%	7 328	5,8%	4 596	2,9%
Total kg:	**199 496**		**126 757**		**156 336**	

Non Hazardous waste	2022/23	%	2021/22	%	2020/21	%
Recycling	6 562 209	78%	6 389 815	78%	6 266 904	75,8%
Combustion	1 785 980	21,2%	1 733 885	21,2%	1 935 496	23,4%
Landfill	58 185	0,7%	67 250	0,8%	64 252	0,8%
Recovery	5 023	0,1%	4 584	0,1%	3 900	0,0%
Total kg:	**8 411 397**		**8 195 533**		**8 270 553**	

Numbers shown in the diagram are calculated in kg waste.

Risks, risk management and opportunities

All business activities involve certain risks. Rusta has taken a structured approach to managing and mitigating these risks. We believe that while acknowledging that neglecting or managing the risks poorly may lead to potential challenges. Well-managed risks instead have the potential for opportunity and add value to our operations.

Risk	Occurrence	Context	Mitigating factors	Opportunities
Products	Value chain	There is a risk that Rusta places products of poor durability on the market. Regardless of recycled, renewable, or certified materials short product life span always leads to poor sustainability. New legislations and regulatory requirements regarding product durability and banned substances might impact product development and sales.	By offering a minimum of three years warranty on all products (excluding products of a consumable nature) secures a basic durability. Investing in chemical competence in both head office as well as sourcing offices will improve our preventive chemical ambitions.	Online sales on all our markets will enable a more efficient and wider range of spare parts to our customers. Developing more products ourselves gives us the opportunity to specify the right requirements from the beginning.
Prevention of corruption	Value chain	Rusta has a global value chain that includes procurement from countries with varying risk levels. Potential risks in the value chain include for instance compromising human rights or labour rights, risks to occupational health and safety and causing environmental damage. Rusta's suppliers can cause risks to reputation or business for Rusta if they were to engage in unethical behaviour.	Zero-tolerance approach towards corruption and bribery. All officials shall sign the ethical policy annually. An e-learning regarding our Internal Code of Conduct will be launched. All suppliers shall sign the Rusta Ethical Policy, or equivalent.	Together with our industry peers on the market, Rusta can contribute to shaping the market and have a positive impact in reducing corruption.
Social conditions and human rights	Value chain	In some countries from which Rusta sources goods, there are increased risks of human rights abuse, including child, forced or compulsory labour, poor working conditions, limitations in the freedom of association and discrimination. Relationships with suppliers not complying with internationally accepted ethical, social and environmental standards constitute a possible risk to Rusta's operations.	The Rusta External Code of Conduct, which embraces and accounts for human rights requirements, is our primary tool to work in line continuously and tirelessly with national and international laws and standards.	When Rusta promotes and strives for improved social conditions and human rights in the countries where these are underdeveloped, we can secure safer workplaces and strengthen the markets where we source our goods.
Compensation and working hours	Value chain	In general, we see that the major areas for improvement in Asia concern overtime work, overtime compensation and deficiencies in the payment of social security contributions. During 2022/23, the main areas uncovered where we see biggest needs of improvements are overtime work exceeding the local regulations, overtime compensation, not paid according to the statutory level and social taxes not covering all workers in the factories.	Rusta always demand improvements with clearly defined timelines for the specific findings. Rusta demand that all workers must be compensated in accordance with applicable legislation. In general, we will in the future, to a greater extent point out and implement the business consequences of failure to correct and improve and carry out more regular and complete on-site audits in the relevant factories. In some cases, the number of unannounced visits will also be increased to ensure continuity in compliance with Rusta CoC Basic.	When Rusta promotes and strives for improvements regarding compensation and working hours in the countries where these are more often deviating, we can contribute to better living conditions for the workers and their families.
Safety and health of Rusta's co-workers	Rusta stores, offices, and DC	Ill health is a challenge for the individual as well as for the company. Accidents or incidents at the workplace due to lack of proper safety measures harm co-workers and can negatively affect Rusta's productivity and employer brand. Rusta recognizes the risk that serious diseases and pandemics may cause interruptions to business operations and affect our co-workers' health negatively.	Rusta practices preventive health and safety work in all our units. We offer trainings, e-learnings, and educations on working environment and ergonomics as well as workplace safety. During 2022 we have employed a Health, Safety and Environment Coordinator at our largest workplace, the DC.	Working actively to promote safe and healthy working conditions will ensure healthy and happy co-workers. It also strengthens Rusta's brand as an attractive employer.

Risk	Occurrence	Context	Mitigating factors	Opportunities
Co-workers	Rusta stores, offices, and DC	Rusta shall have access to and attract skilled and motivated co-workers and safeguard the availability of competent managers to achieve the established strategic and operational objectives. At Rusta, everyone is given equal opportunities and rights. We know that differences bring opportunities, and we are always looking for co-workers who thrive in an inclusive and ever-changing environment.	The competence mapping together with our overarching HR-planning serve to secure access to people with the right competence and attitude. An understanding of Rusta's core values is essential. Recruitment can be both external and internal. Compensations and benefits are adapted to the market and linked to business priorities. Rusta strives to maintain good relationships with the different trade unions represented among our co-workers.	Being progressive as an employer and communicating our sustainability agenda will strengthen our position as an attractive employer. Providing dynamic, exciting roles and career opportunities on the international market will benefit our co-workers and attract skilled and motivated Rusta employees.
Environment	Value chain and Rusta stores, offices, and DC	Our biggest impact on the environment comes from the raw material and production of our products. Rusta's ambitions are to minimize the negative environmental impact from our activities, offer high quality products for our customers while at the same time care for our co-workers. In line with our sustainability policy, we regularly update our chemical requirements towards our suppliers/factories. By failing to adapt to legal requirements in the environmental field, our brand may be seriously harmed.	We invest heavily in product development of an unique Rusta range of products. We avoid or minimize use of superfluous material whenever possible. In line with our sustainability policy, we regularly update our chemical requirements towards our suppliers. We use XRF scanners in factories, sourcing offices and in the distribution center to secure law fulfilment.	Working proactively with environmental risks can provide significant opportunities to drive innovation at Rusta. Being the good and sustainable alternative within low-price retailing enables us to attract customers and potential co-workers.
Climate	Value chain and Rusta stores, offices, and DC	Greenhouse gases omitted from our operations might contribute to the global warming exceeding the +1,5 degrees Celsius goal. Which will in turn lead to more extreme weather (floodings, thunderstorms and droughts), sea level rise and potential scarcity of certain raw materials. Market shifts and changed consumer behaviours as a consequence of the global warming might happen more often and faster in the future.	Where we cannot remove it altogether, we choose product and packaging materials carefully and increase the share of renewable, recycled and/or certified materials. Our ambition is to become climate neutral GHG scope 1 and 2 by 2030 and scope 3 by 2045 (i.e., ahead of the Paris agreement goal of 2050). We climate compensate our flights and increase our use of renewable energy and fuels.	By offering a sustainable range at a low price we can support the development of a more sustainable lifestyle. By being a generalist retail chain, we can follow the market trends and adjust our range accordingly.

About this report

We have annually published a sustainability report since the financial year 2017/18. This sustainability report, which is our sixth, covers the financial year 2022/23 lasting from May 1st, 2022, to April 30th, 2023, for the Rusta Group. The report has been prepared in accordance with Swedish Annual Accounts Act and with reference to Global Reporting Initiative (GRI) standards. The report principles used to define the content of this document has been applied. Limitations and boundaries for each material aspect are described on page 17.

Statements of information related to GRI standards are disclosed in Rusta's GRI content index, named GRI profile. This index is published on our webpage. Systems and tools for data collection are continuously developed for more distinct data disclosure. Our report, published on an annual basis, describes our prioritised areas within sustainability as well as the relevant targets and key performance indicators linked to these areas. Our latest sustainability report was published in September 2022.

Our work during the financial year 2022/23 has been based on the materiality analysis which was completed during the spring of 2022. The materiality analysis forms the basis of this sustainability report.

This report has been reviewed and approved by the board of directors at Rusta and examined by our auditors to ensure the report fulfills the requirements in the Swedish Annual Accounts Act. It is our intention and aim that it shall give our stakeholders useful and transparent information on our progress.

Rusta is a member of United Nations Global Compact. This report, which is also our Communication on Progress, reflects Rusta's approach and active support to the ten principles of UN Global Compact. Rusta's activities in the area of sustainability follow the United Nation's global sustainable development goals. Additionally, we are members of Swedish Trade Federation and Swedish Standards Institute.

Rusta is a proud partner of "Médecins sans frontiers" (Doctors without borders), Forestry Stewardship Council (FSC), Programme for the Endorsement of Forest Certification (PEFC), Better Cotton.
To find out more about Rusta's sustainability work please visit www.rusta.com

We appreciate your feedback. Please send your questions, suggestions and/or comments regarding this sustainability report to Sustainability Manager Jesper Bondesson, jesper.bondesson@rusta.com

Most important topics from the stakeholder dialogue

Customers	Suppliers	Co-workers	Group Management Team	Board of directors	External partners and surrounding society
Products					
Offer affordable, good quality products that last a long time That we use more renewable and recycled materials in our products Smart packaging that reduces emissions	Offer affordable, good quality products that last a long time That we use more renewable and recycled materials in our products Smart packaging that reduces emissions	Offer affordable, good quality products that last a long time That we use more renewable and recycled materials in our products Smart packaging that reduces emissions	That we use more renewable and recycled materials in our products Offer affordable, good quality products that last a long time Reduce the amount of material in products	Offer affordable, good quality products that last a long time That we use more renewable and recycled materials in our products ISmart packaging that reduces emissions More products for a sustainable and healthy lifestyle	Smart packaging that reduces emissions Offer affordable, good quality products that last a long time That we use more renewable and recycled materials in our products Help our customers to make sustainable choices, for example, through clear labelling on products
Social					
Good working conditions where Rusta's products are manufactured Being a trusted employer with a good work environment Working actively to promote equality	Good working conditions where Rusta's products are manufactured Contributing to sustainable social develop-ment Being a trusted employer with a good work environment	Good working conditions where Rusta's products are manufactured Being a trusted employer with a good work environment Openly reporting both shortcomings and successes in sustainability work	Good working conditions where Rusta's products are manufactured Contributing to sustainable social develop-ment That Rusta operates in accordance with the UN's principles for sustainable societal devel-opment Openly reporting both shortcomings and successes in sustainability work	Good working conditions where Rusta's products are manufactured Being a trusted employer with a good work environment That Rusta operates in accordance with the UN's principles for sustainable societal devel-opment	Good working conditions where Rusta's products are manufactured Being a trusted employer with a good work environment That Rusta operates in accordance with the UN's principles for sustainable societal devel-opment Openly reporting both shortcomings and successes in sustainability work Stringent requirements and traceability for products derived from animals

Most important topics from the stakeholder dialogue

Customers	Suppliers	Co-workers	Group Management Team	Board of directors	External partners and surrounding society
Environment					
Work to encourage reduced use of plastic Offer products without chemical substances that can adversely affect the environment Reduce the amount of waste	Work to encourage reduced use of plastic Reduce greenhouse gas emissions Promote recycling	Reduce greenhouse gas emissions Work to encourage reduced use of plastic Offer products without chemical substances that can adversely affect the environment	Reduce greenhouse gas emissions Work to encourage reduced use of plastic Use renewable energy	Offer products without chemical substances that can adversely affect the environment Sustainable transport solutions Reduce greenhouse gas emissions Sustainable water use Support the development of new and sustainable production technology Clearly state when Rusta will be climate neutral	Work to encourage reduced use of plastic Offer products without chemical substances that can adversely affect the environment Sustainable transport solutions Reduce the amount of waste
Economic					
Offer good quality products at the market's lowest prices Work actively to promote good business ethics and zero tolerance of corruption Only collaborate with partners who have a clear commitment to sustainability	Work actively to promote good business ethics and zero tolerance of corruption Clear and measurable sustainability goals Continuous communication on our sustainability work	Look beyond short-term gains to achieve our long-term goals Work actively to promote good business ethics and zero tolerance of corruption Only collaborate with partners who have a clear commitment to sustainability	Offer good quality products at the market's lowest prices Look beyond short-term gains to achieve our long-term goals Work actively to promote good business ethics and zero tolerance of corruption Clear and measurable sustainability goals	Clear and measurable sustainability goals Offer good quality products at the market's lowest prices Work actively to promote good business ethics and zero tolerance of corruption	Clear and measurable sustainability goals Work actively to promote good business ethics and zero tolerance of corruption Look beyond short-term gains to achieve our long-term goals

UN Global Compact Index

We are a signatory to the United Nations Global Compact, a set of ten principles in the areas of human rights, labour, environment and anticorruption. The UN Global Compact table (below) discloses our progress on these ten principles.

WE SUPPORT UN GLOBAL COMPACT

UNITED NATIONS GLOBAL COMPACT (UNGC) PRINCIPLES

HUMAN RIGHTS

Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights; and
Principle 2	make sure that they are not complicit in human rights abuses.

LABOUR

Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
Principle 4	the elimination of all forms of forced and compulsory labour;
Principle 5	the effective abolition of child labour; and
Principle 6	the elimination of discrimination in respect of employment and occupation.

ENVIRONMENT

Principle 7	Businesses should support a precautionary approach to environmental challenges;
Principle 8	undertake initiatives to promote greater environmental responsibility; and
Principle 9	encourage the development and diffusion of environmentally friendly technologies.

ANTI-CORRUPTION

Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.

Location in the Rusta FY 2022/23 sustainability report

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Sustainability strategy	12
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Human rights Principles

Auditor's report on the statutory sustainability report

Auditor's report on the statutory sustainability report

To the general meeting of the shareholders in Rusta AB, corporate identity number 556280-2115

Engagement and responsibility
It is the board of directors who is responsible for the statutory sustainability report for the financial year 1 May 2022 – 30 April 2023 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 report. This means that our examination of the statutory sustainability report is substantially different and 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 opinion.

Opinion
A statutory sustainability report has been prepared.

Stockholm, 18 August 2023
Öhrlings PricewaterhouseCoopers AB

Cesar Moré
Authorised Public Accountant

RUSTA®