

Sustainability Report

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

Understanding our sustainability challenges and their impact on the planet and our business is essential for advancing Rugvista as a leader within the European rug industry. In 2023, we updated our materiality analysis to align with the GRI 2021 Standard. This update has provided us with deeper insights into Rugvista's impact and the areas of particular importance that we need to prioritize moving forward. Each material topic will be outlined under our focus areas: Planet, People, Business, thereby setting the baseline for our sustainability efforts.

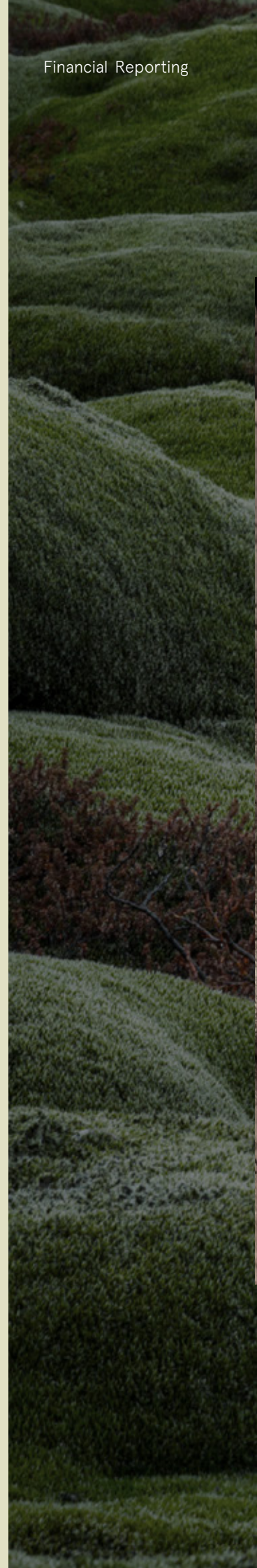
In 2024, we will leverage these insights and revise our short-term and long-term goals based on the newly identified areas, after further preparations for CSRD have been completed. By leveraging our position as one of the leading players, we aim to implement the systemic changes necessary within our company, throughout our value chain, and within the industry.

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The report is prepared in accordance with Chapter 6 of the Annual Accounts Act and in accordance with GRI 2021, published on our website rugvistagroup.com. The reporting period extends from January 1, 2023, to December 31, 2023. This report is issued annually and in conjunction with the financial reporting. Our latest sustainability report was presented in April 2023.

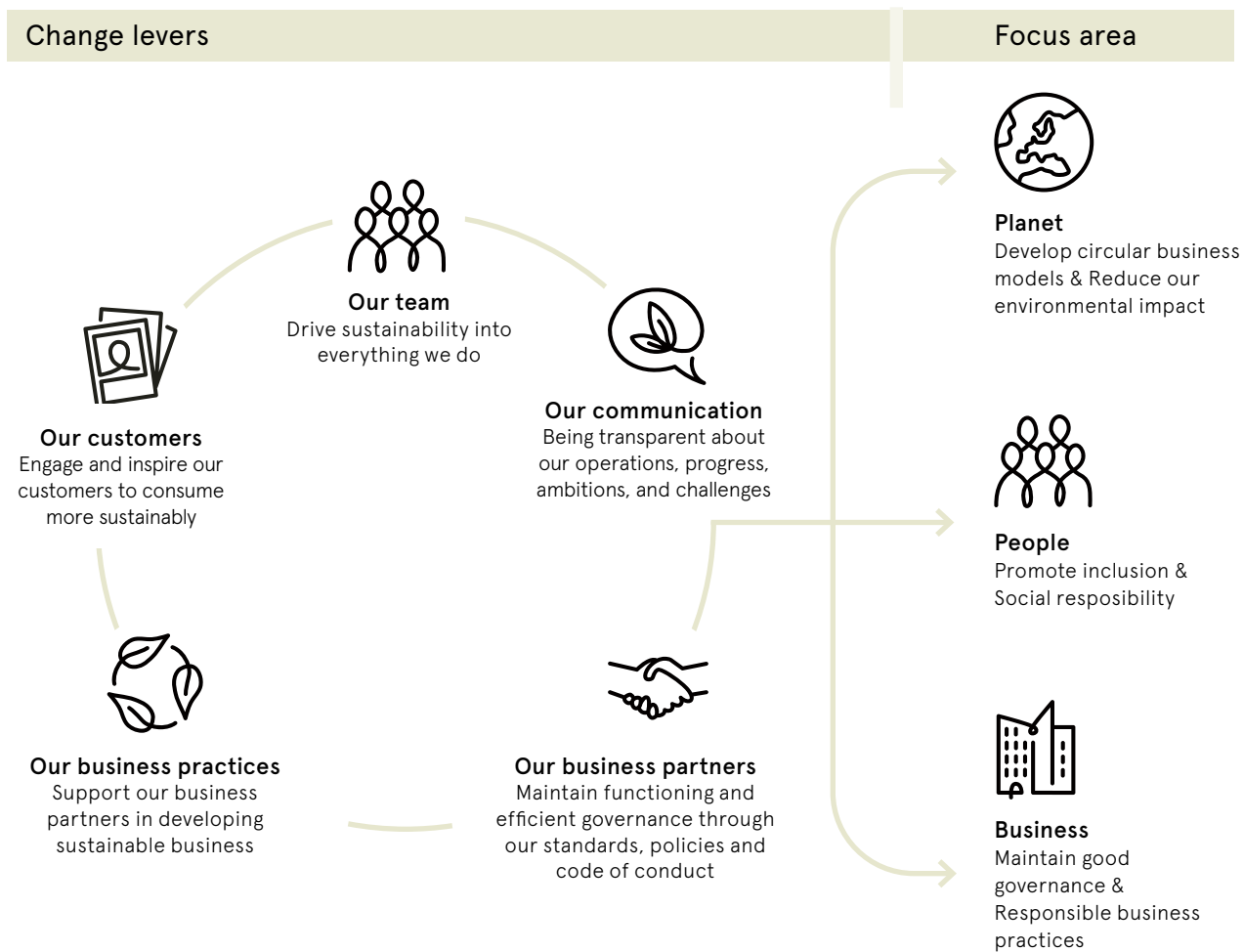




LEAD.CHANGE

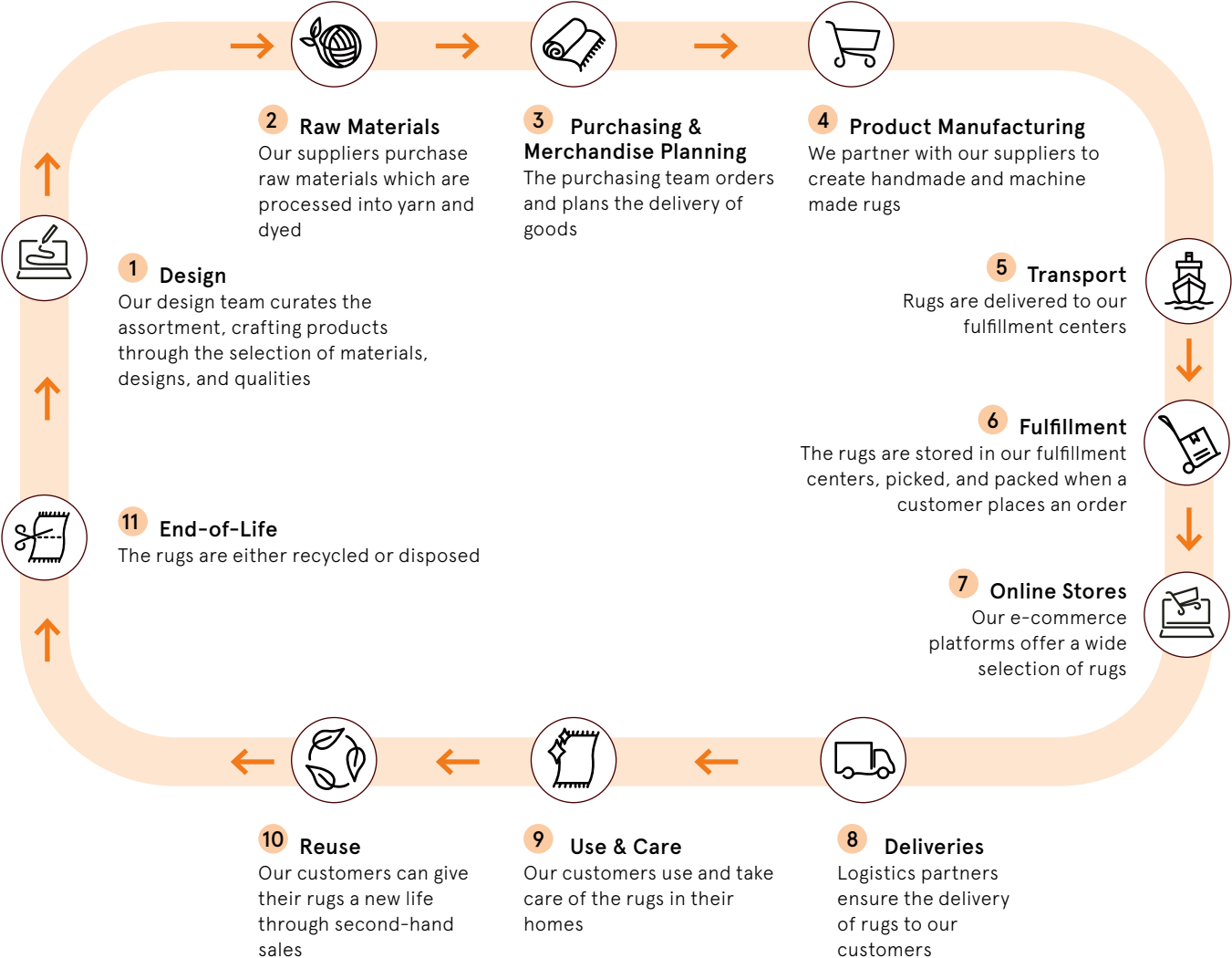
- Rugvista's sustainability strategy

Our sustainability strategy, LEAD.CHANGE, encompasses three focus areas, each with specific commitments and objectives: Planet, People, Business. The purpose of LEAD.CHANGE is to evolve our business model with sustainability at its core, serving as the foundation for our 2030 sustainability ambitions. We have identified five change levers vital for achieving our sustainability goals: our team, customers, business partners, business practices, and our communication.



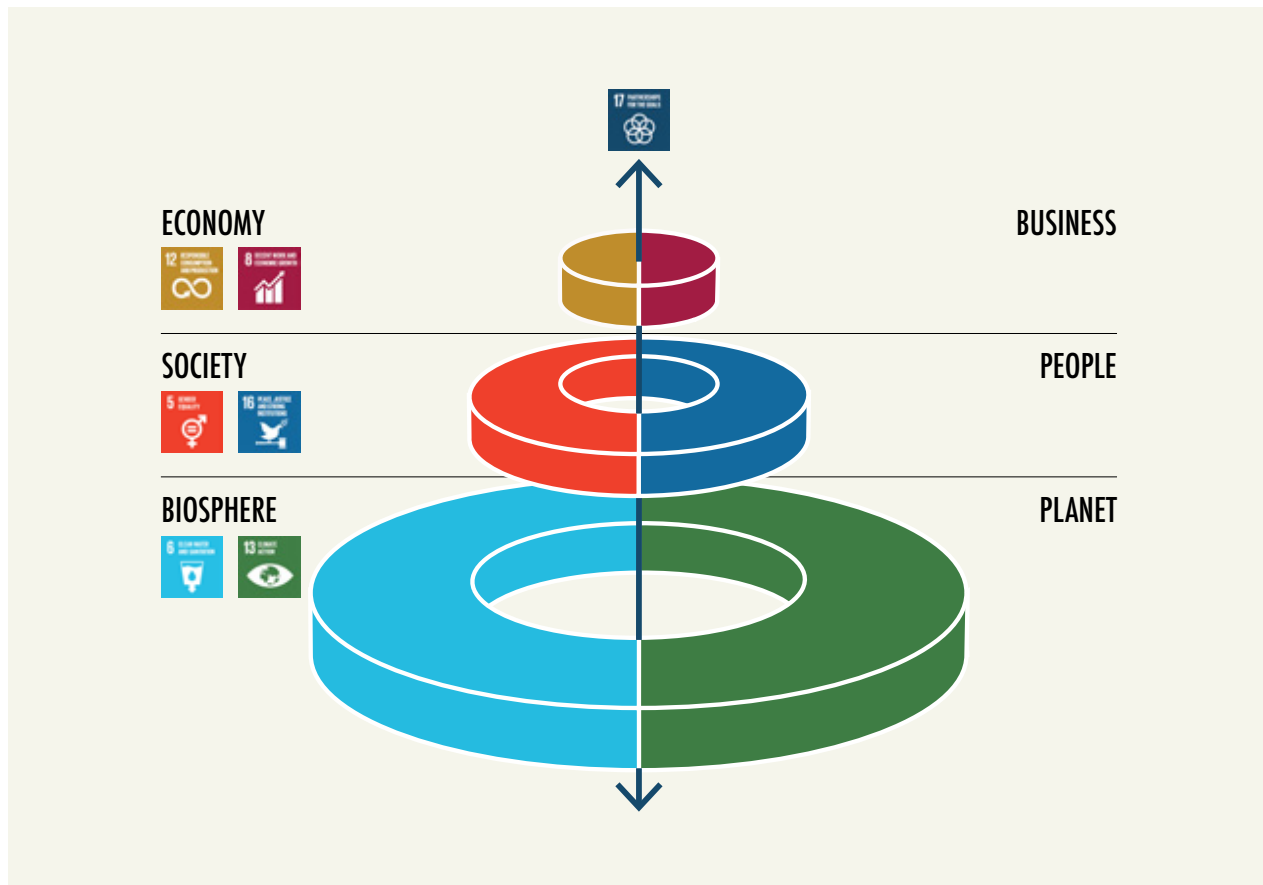
Rugvista’s value chain

The illustration seeks to visualize Rugvista’s value chain, and the various processes associated with materials and products. Through this visualization, we aim to showcase the lifecycle of our rugs, highlighting the complexity involved in achieving fully circular production processes, from design and sourcing of raw materials to manufacturing, utilization, and eventual recycling of the rugs.



The UN:s Global Goals for Sustainable Development

In our efforts to develop Rugvista's sustainability strategy and long-term goals, the UN Sustainable Development Goals (SDGs) play a crucial role. We focus on seven goals where we see the greatest opportunity to contribute and make a difference. Our prioritized SDGs are also highlighted in the introduction to our respective focus areas: Planet, People, and Business.



The UN's global goals are part of the 2030 Agenda for Sustainable Development. We have chosen to adopt this model called "the wedding cake" because we believe it effectively illustrates the connections between the SDGs and their role as fundamental parts of our business. We have identified goals 5, 6, 8, 12, 13, 16, and 17 as the areas where we believe we have the greatest opportunity to contribute and make a real difference.

Biosphere/Planet: The planet's boundaries are absolute and non-negotiable. We have deepened our understanding of Rugvista's environmental impact, a knowledge that is crucial because our rug production is entirely dependent on the planet's natural resources.

Society/People: This reflects our potential for positive impact through interactions with employees, customers, suppliers, subcontractors, and communities affected by our value chain.

Economy/Business: The top layer reflects the outcome of our operations. To meet the sustainability demands of our stakeholders and ensure the future viability of our business, as well as contribute to a sustainable society, requires transformation and collaboration across all parts of the model.



Sustainability Governance

Sustainability is a central part of Rugvista's operations and is governed by policies, guidelines, measurable goals, and action plans, along with codes of conduct for both employees and suppliers.



The employee code of conduct establishes explicit standards for our business conduct, based on the UN Global Compact's Ten Principles and the UN Guiding Principles on Business and Human Rights (UNGP). The supplier code of conduct is aligned with international guidelines, including the UN's Universal Declaration of Human Rights, ILO conventions, UNGP, OECD guidelines, the Precautionary principle, and the UN principles on children's rights. To assure compliance and efficiency, regular audits of our suppliers are conducted by independent third parties.

Sustainability initiatives are implemented across all parts of the organization, aligning with our ambition to adhere to both social and environmental standards. New employees members receive sustainability training as part of the onboarding process. Throughout the year, employees are

involved in sustainability efforts in their daily work, regular team meetings and educational workshops.

The company's sustainability manager has defined responsibilities within the sustainability area and operates under the leadership of the Chief Organization & Sustainability Officer (COSO). The COSO is responsible for developing and implementing the company's strategy and monitoring processes. The COSO is holding a position on the management team and is reporting directly to the CEO. Regular reports are submitted to the board, which ultimately oversees Rugvista's sustainability efforts and has approved Rugvista's sustainability strategy.

Membership, Frameworks, and Certifications

In addition to our internal procedures and policies, we conduct our operations in line with international frameworks, certification programs, and memberships in various associations. This approach ensures the quality of raw materials and production processes, aligns with our values, and helps us meet our sustainability and business goals.

OEKO-TEX®

The STANDARD 100 certification from OEKO-TEX® guarantees that the product meets strict human-ecological requirements. This means that the product does not contain harmful chemicals in quantities detrimental to health. The certification also ensures that the chemicals in the product do not exceed legally established limits and that it does not contain prohibited substances or other substances with scientifically proven harmful effects.

GRS

The Global Recycled Standard (GRS) is an international product standard that establishes requirements for third-party certification of recycled material. The certification also includes traceability, social and environmental practices, and chemical restrictions. The goal of GRS is to increase the use of recycled materials in products and reduce/eliminate the harm caused by their production.

RISE Chemical Group

Through our membership in RISE, we receive guidance on chemical and environmental matters. Our suppliers commit to adhere to the Chemical Group's restriction list, which aligns with EU legislation (REACH, BPR, and the EU's waste legislation) and international chemical regulations (POPs).

Amfori BSCI

We are members of amfori BSCI, a global business-driven initiative for companies aiming to improve working conditions in the global supply chain. BSCI brings together more than 2400 companies around a common code of conduct, and their primary task is to support the network in creating sustainable and ethical supply chains.

Amfori BEPI

In 2023, we joined Amfori Business Environmental Performance Initiative (BEPI). Utilizing the tools and resources provided by BEPI, companies can evaluate and enhance their environmental performance across the supply chain. This initiative is dedicated to encouraging sustainable use of natural resources and minimizing the adverse environmental impacts linked to production and the supply chain.

Label STEP

To manage the complexity of audits of rugs woven and knotted by home weavers, we have been a Label STEP Fair Trade partner since 2019. Label STEP is a non-profit organization committed to improving the living conditions and well-being of carpet weavers within the handmade rug industry. Label STEP actively strives for long-term improvements in the rug industry while providing rug weavers with education in human rights, health and safety, and economics.

Care & Fair

Since 2018, we have had a close partnership with Care & Fair, a non-profit organization that aims to enable regular schooling for rug knoter's children, provide women with literacy education, and provide free healthcare to entire families. Currently, Care & Fair operates 10 schools, 6 adult education centers, and 3 health centers in India and Pakistan.

UN Global Compact

We have been members of UN Global Compact (UNGC) since 2020. UNGC is the world's largest sustainability initiative for businesses and organizations, aiming to promote

sustainable business practices and social responsibility. As members, we commit to following ten principles covering human rights, labor rights, environment, and anti-corruption.

Swedish Trade (Svensk Handel)

We are members of Swedish Trade, the employer organization that serves the retail sector. The association represents retail companies on employment and economic policy issues. Swedish Trade's objective is to create the best possible conditions for both large and small retail companies.

Science Based Targets initiative (SBTi)

The Science Based Targets initiative (SBTi) enables ambitious climate action in the private sector by approving scientifically based climate targets that align with the goals of the Paris Agreement. We had our climate targets approved by SBTi in 2021, ensuring that greenhouse gas reduction targets are in line with the goals of the Paris Agreement.

Textile Exchange

We are members of Textile Exchange, a global nonprofit organization that provides knowledge and tools to make significant improvements in three core areas: fibers and materials, integrity and standards, and supply chains.

Materiality analysis

Rugvista operates within the textile industry, significantly influencing society, the environment, and the economy. Guiding our initiatives positively requires a robust interconnection among these domains. Given the complexity, it highlights the necessity to concentrate our efforts where we can make the most significant impact.

Our materiality analysis has been designed to identify the most material topics for Rugvista, where we exert the most significant impact on the economy, environment, and people, including their human rights and working conditions. Diverging from previous analyses, we have adopted the GRI 2021 standard and extensively incorporated the ESRS standard. A significant change for us has been increasing engagement with industry experts and separating the ranking of social, environmental, and governance-related topics to ensure they are not compared directly against one another. This approach has led to a notably larger set of material topics within our focus area of Planet and has also provided new insights within People and Business. By 2024, we aim to complete the analysis to fully align with the ESRS standard and subsequently update our short- and long-term sustainability goals. The process of determining material topics included the following steps:

Step 1: Understanding Rugvista's context

To comprehend our impact and the challenges we face in the surrounding world, we undertook a comprehensive analysis of our value chain. In this detailed examination, we outlined our various activities, encompassing business models, geographical locations, types of business relationships, industry context, and stakeholders affected by or interested in our operations. "Nature" has been acknowledged as a silent stakeholder.

Step 2: Identifying actual and potential Impact

To develop a preliminary list of our actual and potential impacts, we conducted a desk analysis that focused on our industry and value chain. This analysis was grounded in a comprehensive review of both internal documents and relevant external sources. In parallel, we engaged in stakeholder dialogues to assess our impact on the external environment and to determine the priorities that are most relevant to our stakeholders across three key categories: Environmental, Social, and Governance (ESG). During this process, we identified seven primary stakeholder groups:

- Customers
- Employees
- Rug suppliers and their employees
- Other suppliers (including subcontractors)
- Owners
- Industry associations and non-governmental organizations
- Financial institutions

The results of the stakeholder dialogue have been used to clarify the scope and significance of Rugvista's impact.

Step 3: Assessing impact significance

The outcomes of the stakeholder dialogues were compiled, and rankings within each sustainability category were established. In this phase, we also internally assessed the organization's positive, negative, actual, and potential impacts regarding each identified sustainability aspect. This evaluation considered the severity of each impact and, for potential impacts, the likelihood of their occurrence.

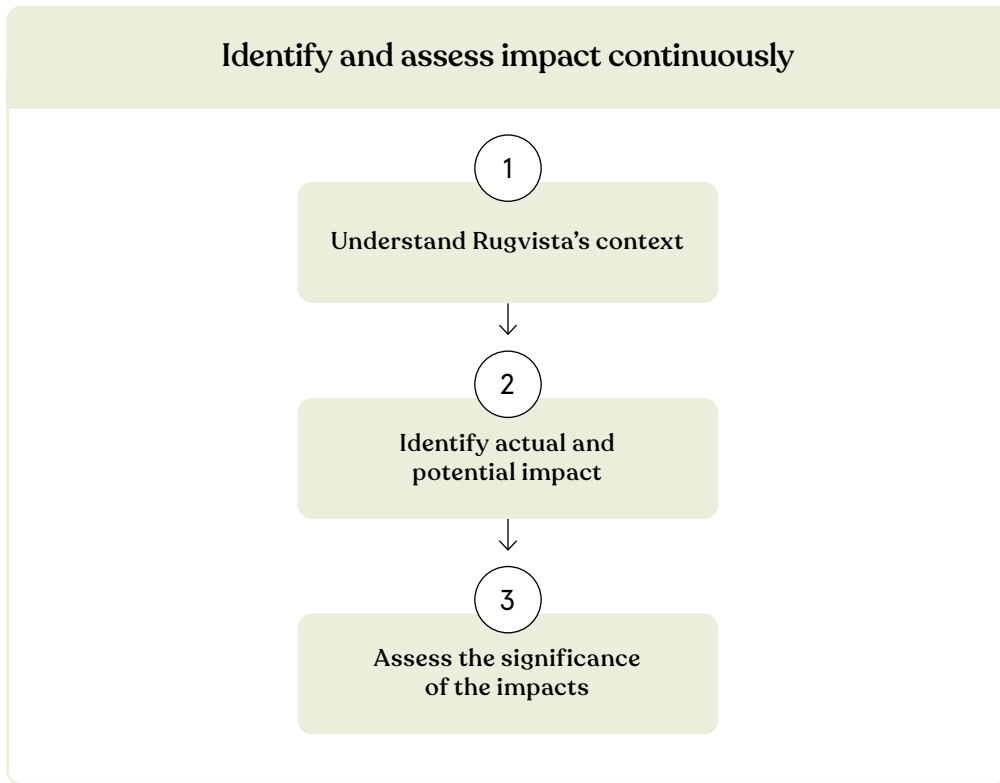
Step 4: Prioritizing significant impact areas

Based on previous steps and discussions, both internally and with external industry associations and organizations, the impact within each category (environmental, social, and governance) has been ranked from highest to lowest. Fifteen impact areas have been identified as the most significant, thus forming our material topics. These areas guide the content of our sustainability reporting.

List of material topics:

To report in accordance with GRI 2021 standards, we have updated our materiality analysis utilizing the outlined process. Differing from previous reports, the number of material topics expanded from 12 to 15. This expansion stems from an enhanced method for identifying material topics and the incorporation of new material topics that were previously grouped under broader categories. In 2024, we plan to finalize the ongoing materiality analysis in accordance with the ESRS standard, which will also take into account financial impacts. Based on the double materiality perspective, we will revise our short-term and long-term sustainability objectives to reflect the newly identified material sustainability topics.

Below are Rugvista's material topics within each focus area:





Planet



By 2030, Rugvista aims to:



1. Increase the proportion of certified, reused, recycled, or recyclable materials (purchased weight) to 50%*.
2. Reduce the company's absolute CO₂e emissions by 50% in scope 1 compared to the 2019 base year (9,7 tons).
3. Reduce the company's absolute CO₂e emissions by 50% in scope 2 compared to the 2019 base year (219 tons).
4. Reduce the company's own operations' absolute CO₂e emissions by 50% in scope 3 compared to the 2019 base year (67 tons).
5. Decrease CO₂e emissions from rug purchases by 50% per square meter of rug sold compared to the 2021 base year (56 CO₂e).
6. Use packaging made from 100% recycled or other non-fossil materials.

Objective	Goal		Result	
	2030	2025	2023	2022
Proportion of of certified, reused, recycled, or recyclable material (purchased weight)	50%	20%	13%	N/A
% change of absolute CO ₂ e emissions in scope 1 compared to the base year 2019.	-50%	-25%	-98%	-50%
% change of absolute CO ₂ e emissions in scope 2 compared to the base year 2019.	-50%	-25%	-62%	-70%
% change of absolute CO ₂ e emissions in scope 3 compared to the base year 2019.	-50%	-25%	49%	-40%
% change of CO ₂ e emissions from rug purchases, intensity target per square meter of rug sold compared to base year 2021.	-50%	-20%	-41%	-12%
Packaging made from recycled or other non-fossil materials.	100%	100%	30%	15%

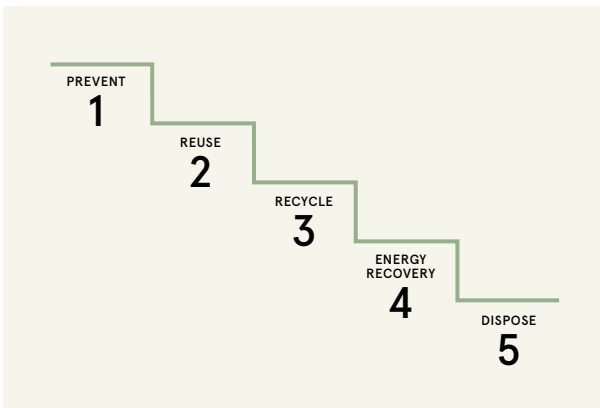
*This goal has been adjusted in 2023. Reused rugs refer to those that are at least 20 years old. Certified materials may include recycled or newly produced materials that have been reviewed and approved by a third-party, independent organization. Recyclable rugs refer to rugs that consist of only one type of material. Read more on page 33 and 39.

MATERIAL TOPIC

Circular Economy

According to the World Economic Forum, the world’s GDP is significantly or partially dependent on nature and effectively functioning ecosystems that continue to supply raw materials for our products. In the linear business models, we have traditionally operated within, resources are utilized to manufacture goods that are subsequently consumed, discarded, and transformed into waste, resulting in increasing environmental impacts and resource wastage. There is an urgent need for a shift towards more sustainable production and consumption practices. In a circular economy, products are intentionally designed to minimize environmental and climate impacts, extend their lifespan, and be repairable as required. Moreover, these products should be designed for recyclability at the end of their life cycle. Prioritizing higher levels on the waste hierarchy yields better outcomes.

The waste hierarchy, also known as the waste ladder, was established as a guideline to encourage sustainable waste management and reduce environmental impacts. This framework is integrated into several strategies within EU’s waste policy and describes various steps for waste management in a hierarchical sequence. Each step in the hierarchy represents different methods of waste management, classified according to their environmental efficiency. The hierarchy’s objective is to prioritize actions that minimize waste generation, enhance recycling activities, and reduce landfill dependency, ultimately mitigating global environmental impacts.



THREE CRUCIAL PHASES FOR A CIRCULAR BUSINESS MODEL

We have identified three key parts in the effort to create more circular products. The design phase, the user phase, and the recycling phase. These extend across our entire value chain, but the critical impact occurs early in the life cycle of the rug.

1. Design Phase

In the design phase, the future environmental impact and quality are determined by the choice of production methods and raw materials. Aspects affecting the rug’s environmental performance include material composition, such as which fibers are used and how they are combined, as well as the chemicals used in production that may hinder recycling.

2. User Phase

According to the EU’s strategy for sustainable and circular textiles, the most effective way to significantly reduce the climate and environmental impact of textile products is to extend the product’s lifespan. Circular business models, such as second hand, can make a difference, but also care instructions and the ability to repair the rug.

3. Recycling Phase

Finally, textile waste should primarily be used to create new products. Secondly, textile waste should be recycled into new fibers, which can then be used as raw material for yarn, fabric, and new textile products. The possibility of recycling should be integrated already in the design and production phase. By studying and learning more from this phase, we can directly apply the insights in the design process.

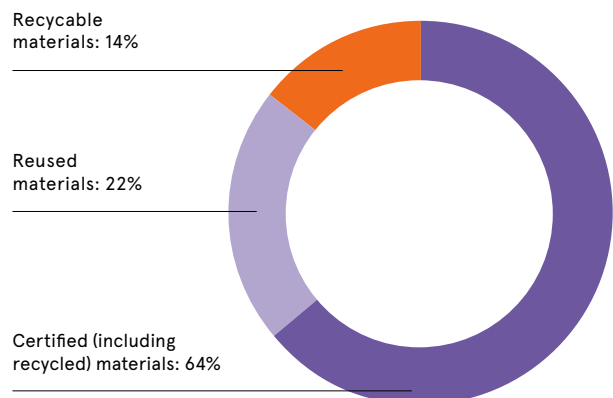
“In 2030, the textile products released on the EU market are to have a long lifespan and be recyclable, largely made from recycled fibers, free from any hazardous substances, and manufactured with respect for social rights and the environment.”

– EU’s Strategy for Sustainable and Circular Textiles

We recognize that this transition will require time, but it is essential for the long-term viability of both the planet and our business, especially as we expect the EU to introduce stricter regulations and incentives to accelerate the shift towards a circular economy.

We aim to increase the proportion of recycled, recyclable, or certified materials to 50% by 2030. In 2024, we will update our short- and long-term sustainability objectives, and more internal guidelines and KPIs will be implemented to support our design and procurement teams. Learn more about our Material Matrix on page 39.

Distribution of certified, reused, recycled, or recyclable material (relative proportion, purchased weight)



Below are the initiatives we have undertaken to foster circularity during the usage phase. This encompasses older, traditional methods that have been integral to the rug industry well before the concept of circularity was widely recognized.

Repurposing Older Rugs

Rugvista's older* rugs boast a rich history that extends across several decades. These exquisite wool rugs are collected and revitalized for renewed appreciation. We take pride in upholding this tradition of reuse within the rug industry. The restoration process employs a variety of methods:

- **Colored Vintage:** Traditional wool rugs cleaned and given new colors to give them a modern appearance.
- **Patina:** Rugs whose surface layers are carefully trimmed and recolored to highlight a beautiful, aged effect.
- **Patchwork:** Unique rugs created by combining parts from selected older rugs, which are cut and stitched together in new patterns and sizes.
- **Antique Rugs:** Special rugs between 20 to 100 years old, preserved through generations worldwide. After thorough washing, they are naturally dried in the sunshine. This category includes Herki rugs and selected Persian rugs.

*Rugvista defines older rugs as rugs that are 20 years old or older.

Rugvista RE.USE

In 2022, we launched our circular platform, Rugvista RE.USE, in partnership with Tradera. This initiative encourages our customers to make more sustainable choices by enabling them to freely sell and buy Rugvista preloved rugs, thereby prolonging the rugs' lifespan in new homes. On Rugvista RE.USE, we also offer new rugs that may have been returned

by customers, failed internal quality checks, or been used in photoshoots, yet are still in good condition and worthy of a second life. In 2023, we facilitated the sale of 238 rugs through the platform, including nine rugs listed and sold directly by our customers.

Extended Lifespan for Defective Rugs

Regarding rugs that display more significant flaws and are unsuitable for sale on Rugvista RE.USE, we have been collaborating since 2018 with Godsintösen Nordic AB (GIAB), whose business idea is based on reselling surplus or defective products to consumers. GIAB sells the rugs on returhuset.se and physically in their store Returhuset.

Recyclable Rugs

Rugs composed entirely of a single material are typically recyclable. These can include various materials like wool, cotton, or synthetic fibers, each offering unique recycling prospects. For instance, wool rugs can be repurposed by shredding them to reuse the wool in new textile products or for insulation materials. Similarly, cotton and synthetic fiber rugs can be broken down and transformed into new textiles or products. Recycling challenges arise from rugs containing multiple types of materials and the variability of local recycling capabilities. The presence of high chemical levels can further complicate recycling efforts.

As of the end of 2023, approximately 14% of our collection consisted of recyclable rugs. Our ongoing efforts in 2024 will focus on clarifying the criteria for a rug's material recyclability. Currently, we have limited this category to rugs made entirely from one type of material.



MATERIAL TOPIC

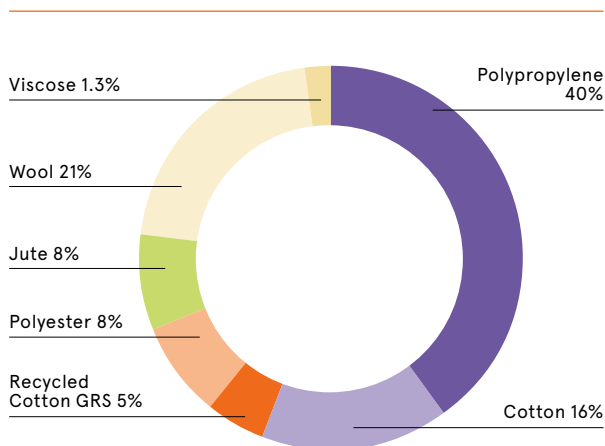
Materials

Materials constitute 94% of Rugvista’s total carbon footprint, with 80% of this impact occurring during the production stage—characterized by the use of raw materials, water, energy, and chemicals, alongside emissions generation. Clearly, our most significant impact is in this initial segment of the value chain. Following a comprehensive life cycle analysis (LCA) of our predominant materials, we have gained deeper insights and recognized the necessity for further action. Our responsibility spans from the cultivation and production of raw materials to the product’s end-of-life. The task of identifying and developing “sustainable” materials involves numerous factors. Nevertheless, we can establish the following principles:

1. All production has a negative environmental and climate impact, whether the raw materials are natural, synthetic, or recycled fibers.
2. There are no fibers that are inherently sustainable or unsustainable. It is the differences in the production of raw materials, production methods, and suppliers that ultimately determine a product’s environmental and climate impact.

For instance, viscose fiber produced through nearly complete closed-loop chemical management and powered by renewable energy sources could be a more sustainable option, while viscose produced under poor chemical management and utilizing fossil fuel energy might rank among the least sustainable choices. We rely not on our subjective judgment but on life cycle analyses backed by verified data to ascertain the true environmental impact of materials. We acknowledge the need to enhance the percentage of certified materials in our collection to effectively diminish our environmental footprint.

Main Material Purchases 2023



Material Matrix

Our evaluation of materials’ sustainability is rooted in evidence-based data. Consequently, in 2023, we developed a Material Matrix to aid our designers and purchasers in selecting more sustainable options. This matrix incorporates insights from the Higg Materials Sustainability Index (MSI) and Textile Exchange’s Preferred Fiber and Materials Matrix (PFMM), and aligns with Rugvista’s material topics identified through our latest materiality analysis.

The Higg MSI serves as a robust instrument for evaluating the environmental impacts of materials across their lifecycle, focusing on factors like global warming potential, water pollution, water scarcity, fossil fuel usage, and chemical impacts. In parallel, Textile Exchange’s PFMM extends beyond standard life cycle analysis (LCA) by addressing additional impact areas not included in the Higg MSI, such as effects on biodiversity, land use, and animal welfare during production – all pertinent to Rugvista’s material topics. Integrating these frameworks with our material topics offers a holistic view of what we classify as more sustainable materials.

The matrix was finalized in late 2023, setting the stage for 2024 when our sustainability, buying, and design teams will collaborate closely to devise and implement strategies for substituting traditional materials with certified alternatives as defined by the matrix.

The key areas identified to reducing our environmental footprint concerning materials include:

Choosing “best-in-class” fibers and materials

By the end of 2023, 13% of purchases fully met the requirements in the Material Matrix. Learn more on page 38.

Enhancing Collaboration with Top Suppliers

With the introduction of the Material Matrix, our objective is to cultivate a selection of suppliers more committed to adopting sustainable production practices. The sustainability, procurement, and design teams hold regular discussions and will further concentrate on identifying and prioritizing such suppliers throughout 2024. For more details on the criteria, we set for our suppliers, please refer to pages 40 and 46.

Increase the proportion of recycled material

Within our Material Matrix, recycled certified materials are currently highly prioritized, and we will maintain separate reporting for these materials. In 2023, 8% of recycled materials were used. However, we wish to emphasize our share of older, reused rugs, described on the previous page. Although currently not included due to the absence of certifications, these rugs are an integral part of the rug industry’s heritage.

Packaging materials

We package all our rugs to ensure their protection during transportation to customers, consistently working to maximize the use of recycled materials in our packaging to minimize negative environmental impact. Our objective is that by 2025, all our packaging will be made from circular or more sustainable materials. In 2023, we transitioned to using purchased plastic that includes 30% recycled content, thereby decreasing our usage of fossil-based plastics by 15% compared to 2022.

MATERIAL TOPIC

Emissions to Water, Air, and Soil

Through our refined analysis of critical factors and comprehensive life cycle studies of our materials, we recognize that the implications extend beyond just CO₂e emissions. Inadequate management of discharges into water, air, and soil can result in significant environmental and health impacts. Our review of the materials we utilize has uncovered pollutants in freshwater and marine environments, adversely affecting organisms and ecosystems. Additionally, it has highlighted acidification's impact on water and soil pH levels, affecting ecosystems, and emissions of particulate matter that deteriorate air quality and increase the risk of respiratory conditions and heart diseases.

Since most emissions originate from our suppliers, tracing back to the cultivation and production of raw materials, we are obligated to work with our suppliers to select more sustainable fiber options and manufacturing techniques. These alternatives should be part of a certified process throughout the material production and manufacturing stages, thereby mitigating emissions and pollutants in water, air, and soil. All certifications Rugvista emphasizes in our Material Matrix are designed to ensure controlled management of emissions into water, air, and soil. For more details, see the Material section on page 39.

Emissions into soil, air, and water from our suppliers during the production process are monitored through external audits. Additionally, 70% of our suppliers for new rug production have OEKO-TEX certification. Find further details under the Assessment of Environmental Impact of Suppliers.

MATERIAL TOPIC

Supplier environmental assessment

All newly produced rugs are manufactured by independent suppliers, mainly located in Turkey and India. During the onboarding phase, suppliers commit to comply with our Code of Conduct, Animal Welfare Policy, and the REACH regulations. New suppliers are subject to an external audit conducted by amfori BSCI or Label STEP, unless they are already participants in these initiatives. Further details can be found on pages 45–46. While BSCI audits primarily concentrate on social aspects, they also incorporate fundamental environmental protections, guaranteeing:

- Environmental permits and licenses
- Waste management to prevent environmental damage
- Water management

In 2023, amfori's Code of Conduct was updated, and the environmental aspect was expanded to include:

- Governance systems based on processes and risks
- Focus on local communities, natural resources, and climate

By following up on audit results and supporting suppliers in their continuous improvement efforts, we can gain insight into each supplier's major risks and how they are managed. Although the most significant environmental impact lies in the production of raw materials, we have a direct influence on our suppliers' impact and their potential for improvement. In 2024, we will add additional parameters to measure and monitor the environmental impact of our suppliers. For more information, see Onboarding on page 45–46.

Progress in Sustainability Initiatives - Rugvista audits two of our largest Indian suppliers with amfori BEPI

The audit results primarily highlighted a gap in knowledge or awareness regarding the establishment, measurement, and monitoring of KPIs across different environmental impact categories. While no critical environmental concerns were detected for any of the suppliers, there exists potential for enhancement across all aspects.



amfori BEPI - Business Environment Performance Initiative

The amfori Business Environmental Performance Initiative (BEPI) serves as the environmental counterpart to BSCI. BEPI's objective is to support companies in evaluating their current environmental performance and identifying opportunities for enhancement. It focuses on eight key areas of environmental performance:

1. Environmental management systems
2. Waste
3. Energy and climate
4. Chemicals
5. Water and emissions
6. Biodiversity
7. Air emissions
8. Environmental disturbances

MATERIAL TOPIC

Greenhouse Gas Emissions

In 2021, we set emission targets according to the Science Based Target initiative (SBTi) with the goal of reducing greenhouse gas emissions in Scope 1 and 2 by 46 percent by 2030 compared to 2019, and we commit to measuring and reducing our greenhouse gas emissions in Scope 3.

We calculate our carbon dioxide emissions according to the Greenhouse Gas Protocol (GHG Protocol), where the carbon footprint is calculated using documented emission factors. The emission factors we use are sourced from public databases such as UK DEFRA and Ecoinvent. We are committed to transparency in our calculation methods and will consistently refine our methodology as we assimilate new learnings and incorporate advancements in methodologies.

Scope 1 & 2

Our CO₂e footprint in Scope 1 and Scope 2 currently encompasses emissions from owned or leased vehicles, as well as electricity and heating of our facilities in Malmö, which include offices and warehouses. In 2022, our CO₂e footprint within Scope 1 and 2 saw a significant decrease compared to 2021, attributed to reduced emissions from owned or leased vehicles, electricity, and district heating. However, there was a slight increase in electricity consumption and heating at our facilities in Malmö, including offices and warehouses, in 2023. Rugvista has successfully reduced Scope 1 and 2 emissions by 64 percent since 2019, thereby achieving our goal according to SBTi. Nevertheless, we remain committed to setting new goals in 2024 and beyond.

Scope 3

We have set an ambitious target to cut our greenhouse gas emissions for purchased materials by 50 percent CO₂e/sqm of rug sold compared to 2021. This calculation includes purchased goods and services, fuel- and energy-related activities at our suppliers, as well as upstream transport and distribution. Throughout 2023, we actively enhanced the accuracy of our data, particularly in refining our method for calculating the

composition of materials in our rugs. This improvement has facilitated a more precise calculation of purchased materials. Combined with the decrease in the proportion of conventional wool, these factors are the main drivers behind the reduced CO₂e impact of the materials.

Average CO₂e per sqm of carpet sold: 32kg

Employee Commuting and Business Travel:

As travel restrictions gradually eased, our employees began returning to the office more frequently. Consequently, the number of visits to suppliers also rose in 2023 compared to the previous year. With our expansion throughout the year, CO₂e emissions increased from 31 tons to 76 tons, with emissions related to employee commuting being a significant factor. This increase is expected as the company grows, and maintaining relationships with suppliers through regular visits remains essential for long-term success. Moving forward, we will shift our reporting focus from the total of employee commuting and business travel to measuring the CO₂e impact per employee. Employee Commuting and Business Travel: 10.5 CO₂e/employee

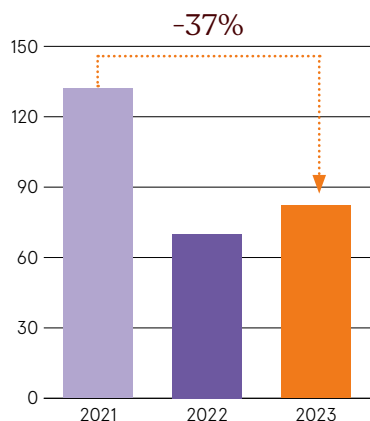
Inbound and outbound deliveries:

All transportation, both incoming and outgoing, is managed by our business partners. In 2023, our inbound and outbound transport resulted in emissions of 2400 tons of CO₂e, marking a 15% increase from the 2100 tons emitted in 2022. This rise in emissions correlates with increased sales. Consequently, we have opted to measure the transportation impact as follows: CO₂e per square meter of sold rug for incoming transport: 1642 tons CO₂e
CO₂e per square meter of sold rug for outgoing transport: 727 tons

Returns

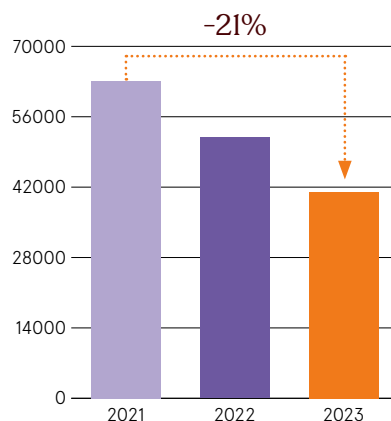
Managing returns presents a sustainability challenge for the entire e-commerce sector. We are consistently enhancing the product detail pages on our website to assist customers in making informed decisions when selecting a rug. This proactive approach helps minimize unnecessary returns, thereby enhancing the customer experience and reducing CO₂e emissions. In 2023, our average return rate was 14.9% (compared to 15.8% previously), reflecting a decrease of 0.9%.

Scope 1+2, tons of CO₂e



--- Change from 2021 to 2023

Scope 3, tons of CO₂e



--- Change from 2021 to 2023

Rugvista's emissions by reporting category

Emission source according to GHG Protocol reporting categories	Data source	Emission factor	Ton CO ₂ e 2023	Ton CO ₂ e 2022	Ton CO ₂ e 2021 (basår scope 3)	Ton CO ₂ e 2019 (basår scope 1&2)	Percentage share in 2023:
Scope 1							
Company cars	According to mileage trackers	The UK government's conversion factors for greenhouse gases	0.2	4.86	8	9.7	0.00%
Scope 2							
District heating	Invoices	Beis, 2021	82.2	65	46	219 (Reported in total)	0.20%
El (location-based)	Invoices	UN 2022, IPCC 2006	4.8	7.6	100		0.01%
El (market-based)	Invoices	UN 2022, IPCC 2006	0.2	0.2	Reported together with location-based		0.00%
Scope 3							
3.1 Purchased materials and services	Supplier questionnaire	Ecoinvent, 2022	36171	48589	60055	N/A	87.94%
3.2 Fuel and energy-related activities	Supplier questionnaire	UN 2022, IPCC 2006	2405	1089	7	N/A	5.85%
3.4 Upstream transport and distribution	Supplier questionnaire	UK DEFRA	713	689	3037	N/A	1.73%
3.6 Business travel	Employee questionnaire	UK DEFRA	23	7	4	N/A	0.06%
3.7 Employee commuting	Employee questionnaire	UK DEFRA	76	31	17	N/A	0.18%
3.9 Downstream transport and distribution	Supplier questionnaire	UK DEFRA	1660	1398	Reported together with 3.4	N/A	4.04%
Total (Market Based)			41131	51873*	63274		

*A minor error has been corrected in our Scope 3 CO₂e emissions data for 2022. This adjustment does not affect our overall sustainability goals.

MATERIAL TOPIC

Biodiversity

According to the World Economic Forum, the world's GDP is wholly or partially dependent on functioning ecosystems. Businesses globally depend on nature's services, including clean water and raw material access. In 2023, we intensified efforts to assess and mitigate our impact on biodiversity, recognizing the rug industry's notable influence, especially in raw material sourcing and manufacturing processes. By year's end, we refined our materiality analysis, identifying biodiversity as a critical area requiring increased focus and initiatives.

Our materiality analysis, concluded in late 2023, led us to prioritize the selection of raw materials and manufacturing techniques as key strategies for minimizing biodiversity impact. We have opted to partner primarily with Textile Exchange, as they prioritize biodiversity in their criteria for preferred fibers. By year's end, 8% of our material purchases complied with the standards outlined in our Material Matrix.

In 2024, we aim to extend our efforts, seeking additional methods to assess and enhance our biodiversity impact.

*Biodiversity encapsulates the variety of life forms on earth, encompassing diverse animals, plants, and microorganisms, while ecosystems describe the interactions and coexistence of these life forms within a shared environment. The health of biodiversity is measured by observing alterations (loss/growth) in ecosystem dynamics.

MATERIAL TOPIC

Water

Identifying water as a critical material topic reflects our concern over its usage within the production footprint. Significant water use is observed in the sourcing of raw materials, particularly during cotton production processes. Over 50 percent of cotton's total environmental impact is linked to water consumption.

In 2023, cotton represented around 20 percent of our total material purchases, marking a slight increase, partly due to the introduction of a new line of bathroom rugs predominantly made of cotton.

Hazardous water emissions represent a significant environmental impact associated with many conventional materials. The certifications we have selected to collaborate with typically adopt a comprehensive approach to water management, allowing us to address water-related impacts from a holistic perspective. We monitor water use and potential risk of hazardous emissions to water through supplier audits, detailed further in our Supplier Environmental Assessment on page 40. In 2023, we further investigated our suppliers' water consumption to acquire additional insights into the management and recycling of water. This primarily applies to suppliers where rug washing is part of the production process.

Our commitment to managing water use among our suppliers will continue through 2024.





People



By 2030, Rugvista aims to:



1. beyond our tier 1 suppliers, include 50% of tier 2 suppliers in our work with social audits for improved working conditions.
2. Rugvista's Employee Net Promoter Score should aim to achieve a target of 60.

KPI	Mål		Resultat		
	2030	2025	2023	2022	2021
<i>Supply Chain</i>					
Number of rug suppliers included in Rugvista's social auditing system (%)	100%	100%	100%	100%	100%
Number of tier 2 rug suppliers included in Rugvista's social auditing system (%)	50%	10%	n/a	n/a	n/a
Number of conducted audits	n/a	n/a	661	607	350
Number of Zero Tolerance cases	0	0	0	0	0
<i>Our People</i>					
Achieve an Employee Net Promoter Score (eNPS) of 80 by 2030.	80	60	31	47	44
At least one performance review per year for each employee	100%	100%	100%	100%	95%
Gender quality; proportion of women in management	40–60%	40–60%	46%	57%	50%

MATERIAL TOPIC

Workers in the value chain

(human rights, working conditions, forced labor, and freedom of association and collective bargaining)

At Rugvista, we collaborate with carefully selected suppliers for the production of our rugs. Given that a large portion of production is situated outside Europe, often in developing countries, addressing, and mitigating social risks in our supply chain is essential. We have established a systematic approach for identifying and mitigating these risks effectively. Our suppliers must adhere to our code of conduct when signing contracts, which is based on the United Nations Global Compact's ten principles. This code's requirements are consistent with the International Labour Organization's core conventions and REACH chemical standards, among others, and apply to all phases of production. It is the duty of our suppliers to communicate our standards to their subcontractors and ensure compliance.

To ensure adherence, production units within the supply chain are subject to audits according to the social standards set by amfori BSCI or LabelStep, conducted by accredited independent auditors. Any deviations from the standards are addressed through a corrective action plan, and a persistent lack of improvement results in the termination of the partnership with the supplier.

We are committed to continuously improving human rights, working conditions, and social standards, supported by our affiliations with amfori BSCI and LabelStep. Our focus areas include:

1. Occupational Health and Safety: We promote open dialogue between workers and management to improve safety standards.
2. Sustainable Working Hours: We aim to enhance work time regulations through regular audits and dialogue.
3. Workplace Dialogue: We support employee representation and the right to union membership and collective bargaining through education and dialogue.
4. Compensation and Benefits: We strive for equal and fair compensation for equivalent work throughout the value chain, thereby ensuring that workers and their families have a sufficient income for a reasonable standard of living.



MATERIAL TOPIC

Supplier Assessment of Social Conditions

The Supply Chain Assessment Cycle is a fundamental aspect of our dedication to human rights and social conditions. Through this cycle, we have the ability to pinpoint and mitigate any risks that could impact workers' rights within the supply chain. Our evaluation framework adheres to the standards set by amfori BSCI, Label STEP, and incorporates our proprietary internal methodologies. Every supplier is obligated to comply with the auditing procedures established by either amfori BSCI or Label STEP, with systematic audits applied irrespective of their specific system affiliation.

In 2023, Rugvista conducted a total of 661 audits, a slight increase from the 607 audits performed in 2022.

LabelSTEP

During 2023, 603 audits were conducted by Label STEP. No zero-tolerance incidents were reported. Label STEP primarily focuses on the production of handmade rugs made by individual home weavers or in small workshops.

- Through our collaboration with Label STEP, we have continued our audit activities in Iran, navigating challenges like significant inflation and currency volatility, which complicate the task of measuring and comparing wages effectively.
- In Afghanistan, addressing the wages of carpet weavers remains a critical issue within our supply chain. The importance of ensuring fair working conditions and adequate income for these workers is amplified by the country's unstable political landscape, making this a key priority for us in 2024.

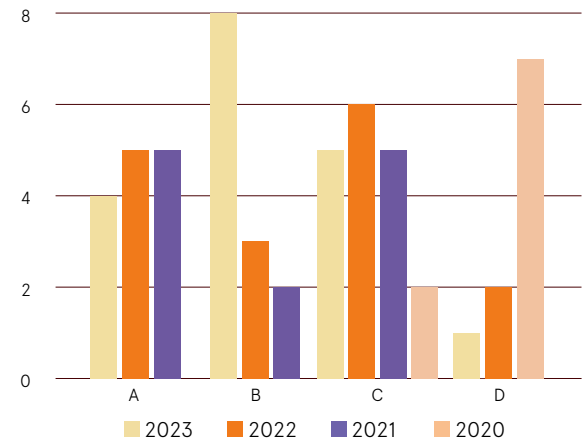
amfori BSCI

By December 31st, 18 suppliers underwent audits via amfori BSCI. These audits encompass workers at production sites in Turkey and Egypt, as well as larger facilities in India. The results of the audits show an overall positive development, both among established and new suppliers. The frequent issues detected are:

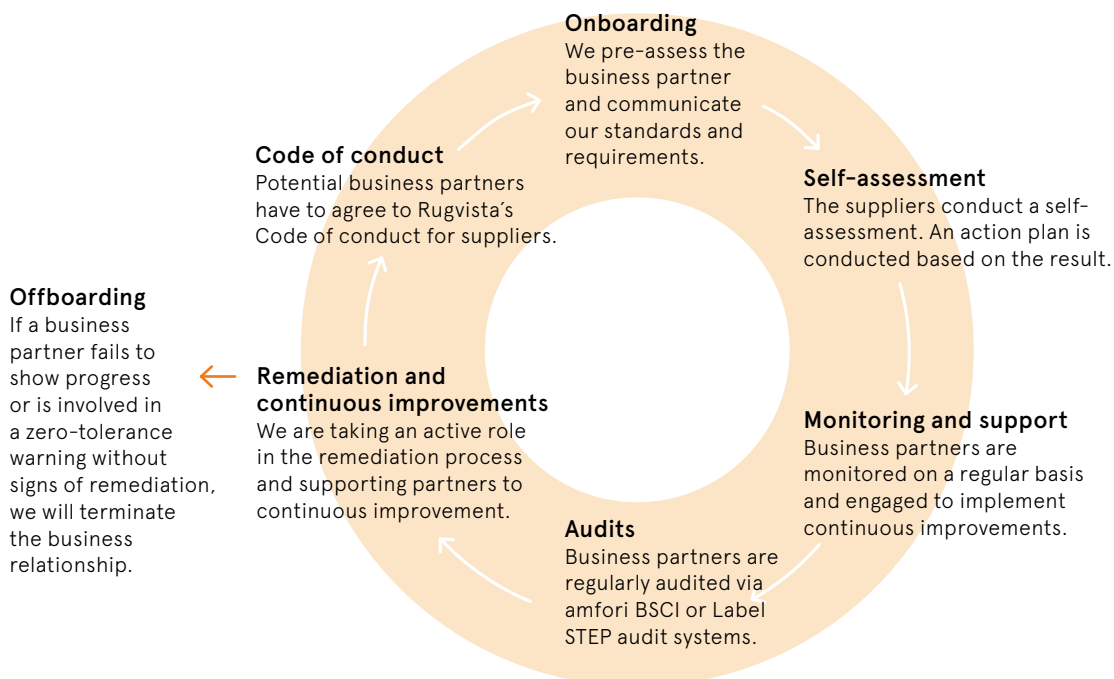
- Incomplete timekeeping systems
- Insufficient work environment and safety protocols
- Shortcomings in workers' influence and remuneration

We collaborate methodically with our suppliers to craft improvement plans and monitor the execution of these initiatives.

Results of Amfori Audits
Per grading – all suppliers



Supply chain assessment cycle



MATERIAL TOPIC

Our Organization and Our Employees

We are dedicated to fostering a workplace that promotes healthy and engaged employees, within an inclusive corporate culture that supports continuous improvement, innovation, and high engagement. Our goal is for our employees to serve as proud representatives, inspired to make a difference. Thus, we are focused on enriching the employee experience across all our endeavors. We strive to be an attractive employer for all who are part of Rugvista.

To assess employee satisfaction and their likelihood to recommend us as a great place to work, we conduct monthly eNPS surveys. The December 2023 score was 31 (47), showing a drop from the previous year yet maintaining a positive stance. We have identified the factors contributing to this decline and intend to address them throughout 2024.

Our Framework for Employee Development and Work Environment

We have developed a framework that supports the crucial work of our leaders in recruitment, organization, and employee development. The framework focuses on four dimensions of our employer proposition:

- Skills development, training & feedback
- Work environment, health & safety
- Culture & colleagues (including inclusion and equality)
- Compensation & benefits

Through the top 2 box score model, we regularly evaluate these four pillars. In the fourth quarter of 2023, we achieved the highest scores ever for all four dimensions, indicating significant progress toward achieving our People vision.

Skills development, training, and feedback

We engage in annual structured feedback collection along with performance and feedback discussions between employees and managers at least biannually. These dialogues encompass areas such as skill, performance, goal fulfillment, and alignment with our company's core values. This procedure aids our leaders in offering structured feedback and defining clear expectations and pathways for growth through tailored development plans. We are convinced that this approach significantly enhances our employees' engagement and performance levels. Throughout the year, the average training per employee was 11 hours (14), reflecting a reduction of 3 hours per FTE. This decrease primarily resulted from an extensive health and safety training program implemented in our warehouses in 2022.

Top 2 Box Score:

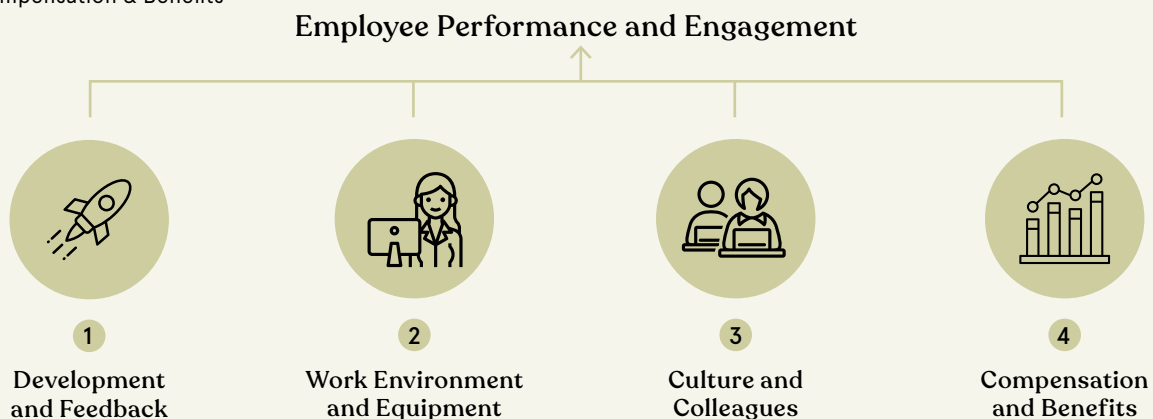
Goal: >85% are satisfied with their personal feedback and development plan by end of the year.

Result: 86% (86%)

Our Framework

We have developed a framework to support our leaders' critical work in recruitment, organizational, and employee development. The framework focuses on four dimensions of our employee proposition:

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



This framework underlies our approach to attracting potential future employees, allows us to consistently enhance our employment proposition, and clarifies our expectations of our employees and leaders. The purpose of the framework is to ensure all employees are engaged, experience their work as motivating and meaningful, and recognize that exceptional performance is acknowledged and rewarded.

Work Environment, Health, and Safety

The safety and well-being of our employees at work stand as our primary goal. We adhere to a stringent zero-tolerance approach towards workplace accidents, actively identifying and mitigating potential risks to avert incidents. Every incident is documented and scrutinized to craft strategies for prevention and to prevent future occurrences.

Over the course of the year, the absenteeism rate due to illness was recorded at 6.5% (5.9%) in our warehouses and 2.9% (3.5%) at our headquarters. We are dedicated to fostering a health-conscious environment to minimize sick leave, notably through initiatives like providing massages during work hours.

Top 2 Box Score:

Goal: >85% are satisfied with our work environment and tools by year-end.

Result: 91% (86%)

Compensation and Benefits:

Our office personnel are remunerated following our comprehensive employee framework, whereas our blue-collar staff are rewarded in line with collective bargaining agreements. Additionally, we provide a substantial wellness allowance and a benefits package designed to support a sustainable lifestyle, which encompasses health-enhancing activities and various discounts. We advocate for the use of public transportation by subsidizing a portion of the monthly expenses. As members of the Swedish Trade Federation (Svensk Handel), we uphold collective agreements with Handelsanställdas Förbund and Unionen.

Top 2 Box Score:

Goal: >75% are satisfied with their compensation and benefits by year-end.

Resultat: 81% (78%)

Culture and Colleagues (Inclusion and Equality):

We maintain a steadfast commitment to the equality of all our employees, enhancing collaboration and fostering our collective development. We provide an inclusive workplace where every individual can feel secure and comfortable in sharing their thoughts and opinions. The pillars of openness, diversity, and inclusion are essential to our success. We take great pride in being a diverse team of approximately 100 employees from over 30 different countries.

Top 2 Box Score:

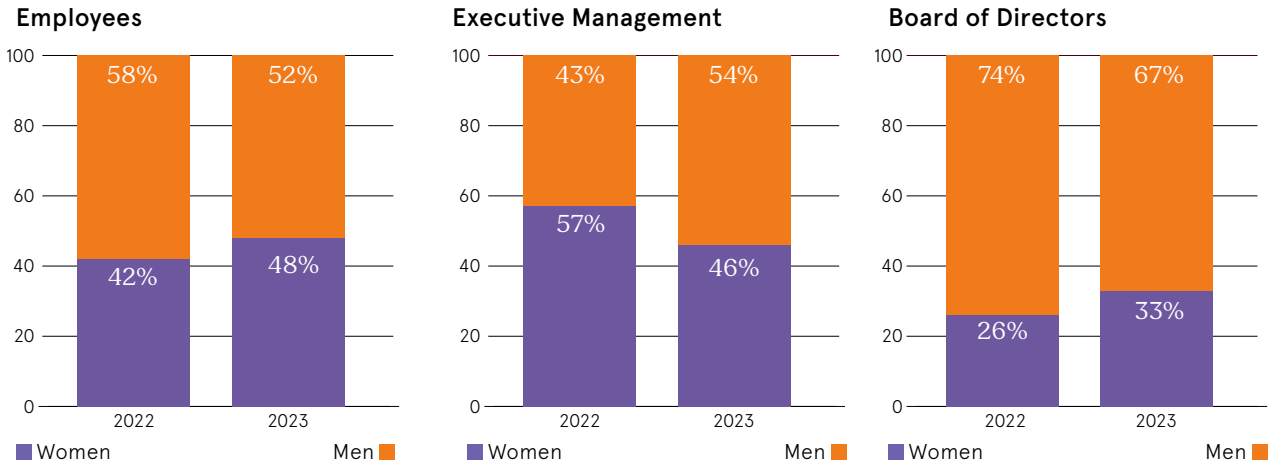
Goal: >85% understand our culture and values by year-end.

Result: 87% (84%)



GENDER EQUALITY

During 2023, our average workforce consisted of 90.2 employees, a slight decrease from 92.5 in the previous year. Among these employees, 48% were female and 42% were male. Women constituted 46% of our management team.



Focus: KPI'S own organization

KPI	Mål		Resultat	
	2030	2025	2023	2022
Training hours per employee	16	12	11	14
Absentee rate in fulfillment centers	3%	4%	6.6%	5.9%
Absentee rate in office	3%	3%	2.9%	3.5%
Employee turnover rate (%)	10-20%	10-20%	10.6%	15%
Occupational injuries	0	0	6	7

Main Focus for 2024

People

We continue to strive for a positive social impact on our employees and everyone involved in our value chain. This includes providing a safe and inclusive work environment and upholding responsible business practices. In 2024, we will prioritize the following initiatives to achieve these goals:

- **Continue** to require new suppliers to sign our agreements and code of conduct before the first order.
- **Continue** educating suppliers and their subcontractors in social and environmental best practices.
- **Attract, motivate,** and retain employees by enhancing our employee framework and clarifying potential career paths within the company.
- **Investigate all violations** of our code of conduct and policies.
- **Persist in regularly conducting** employee surveys and assessments of the social work environment, ensuring diligent follow-up on the findings.
- **Work towards our zero-vision** for health and safety by promoting an inclusive work environment and preventing work-related injuries.





Business

By 2030, Rugvista aims to:



1. have 100% of all tier 2 subsuppliers mapped.

Our core principle is to operate as a responsible company. By adhering to our code of conduct and guidelines, we aim to enhance awareness and ensure the observance of responsible practices and regulatory compliance among our employees and partners. We foster long-term relationships with suppliers to encourage their development while maintaining a commitment to sustainability. Our purchasing methods are designed to ensure the fair treatment of suppliers' employees and to promote a healthy work environment.

KPI	Goal		Result		
	2030	2025	2023	2022	2021
Percentage of suppliers who have signed the code of conduct.	100%	100%	100%	100%	100%
Mapped tier 2 suppliers (as % of Rugvista purchase value)	100%	100%	79%	67%	72%
Number of corruption incidents reported.	identify all	identify all	0	0	0

MATERIAL TOPIC

Anti-corruption, regulatory compliance, and ethics.

CODE OF CONDUCT AND OTHER POLICIES

Rugvista's codes of conduct, policy documents, and other guidelines form the foundation of our sustainability initiatives and associated risk management. These documents are reviewed annually.

Sustainability policy documents include:

- Rugvista's code of conduct for employees
- Rugvista's code of conduct for suppliers
- Rugvista's anti-corruption policy
- Rugvista's whistleblower policy
- UK Modern Slavery Act

Regulatory Compliance

We require all company levels, including the board of directors, management, and all employees, to follow our ethical standards and guidelines, as well as applicable laws and other relevant regulations. New employees must sign the employee code of conduct, and all suppliers are obliged to accept our supplier code of conduct.

Corruption Prevention

There are corruption risks in the regions where Rugvista's suppliers are based. Ethical conduct, characterized by respect and integrity, is vital to our business and central to

our values. Our policies clearly outline our expectations for both employees and suppliers, enforcing a zero-tolerance policy towards all forms of corruption. Moreover, we provide ongoing training to relevant personnel within the organization to confront and mitigate corruption risks.

Continuous Development of the Supply Chain

Supply chain transparency requires a comprehensive understanding of our suppliers and their operational processes to assist them responsibly and effectively. Our supply chain is comprised of approximately twenty suppliers, primarily located in Asia and Europe. We are committed to fostering sustainable and mutually beneficial relationships with key partners in the supply chain. All manufacturing facilities are subject to audits by amfori BSCI or Label STEP to ensure adherence to compliance and ethical standards.

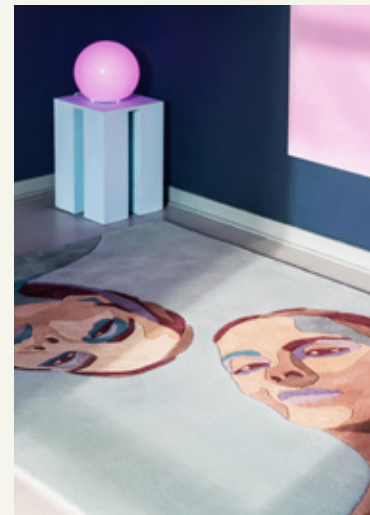
Prior to initiating collaboration with a new supplier, we conduct an in-depth assessment to identify and mitigate potential risks related to human rights and environmental concerns. As part of the onboarding process, suppliers are required to disclose all their production locations and subcontractors. Our ultimate aim is to achieve complete transparency throughout our supply chain, extending beyond tier 1 and tier 2.

Main Focus for 2024

Business

Our long-term focus is to maintain good governance and responsible business practices. For 2024, this translates into the following key priorities:

- **Continue mapping** our subcontractors and their suppliers.
- **Ensure the implementation** of our code of conduct for our tier 2 suppliers.
- **Implement our** external whistleblower system in the supply chain.
- **Engage** current and potential investors in our sustainability ambitions.
- **Prepare** for upcoming laws and requirements, including the Corporate Sustainability Reporting Directive (CSRD) and Corporate Sustainability Due Diligence Directive (CSDDD).



Sustainability Risks

Sustainability risks refer to risks that are directly or indirectly associated with environmental hazards, climate change, codes of conduct, and accountability risks. Sustainability risks can occur throughout the operation, and we categorize them based on our focus areas: Planet, People, and Business.



Sustainability is integrated into our approach, facilitating the identification and management of sustainability risks in our operations. While internal procedures and controls can manage many risks, others, such as political or cultural, are more complex and require in-depth changes across the entire industry. We view long-term partnerships and continuous dialogue with suppliers as key to addressing and mitigating these risks. The most significant risks for Rugvista are outlined below, while the sections for each focus area in our sustainability report provide more detailed information.

FOCUS AREA PLANET:

Resource Scarcity

Rugvista's operations impact the environment through the use of various natural resources such as silk, cotton, wool, electricity, fuel, and water. Depletion of the world's natural resources, loss of biodiversity, and adverse effects on the climate can lead to raw material shortages, production disruptions, capacity issues, and rising prices. A primarily linear production and business model, which currently relies mainly on new raw materials, could affect the ability to secure new products and Rugvista's operations and profitability.

Risk Reduction Plan: Rugvista actively works to reduce the climate impact of respective materials, to increase the share of recycled, reused, recyclable, and certified materials, and to support the implementation of more circular processes throughout the entire value chain. Reducing dependence on virgin raw materials makes Rugvista less vulnerable. Read more under Materials on page 39 and Circular Economy on page 37.

Emissions to Water, Air, and Soil

Textile production significantly impacts the environment, involving high consumption of water, chemicals, and energy throughout the manufacturing process, during goods transportation, while products are used and maintained, and when they are no longer usable. Failures in controlling the use of various raw materials and emissions to water, air, and soil within Rugvista's supply chain can lead to substantial negative consequences for Rugvista's reputation, stakeholder relationships, and exposure to risks of non-compliance with future laws and regulations.

Risk Reduction Plan: Rugvista is working to increase the proportion of certified materials. For certified materials, the entire production process, including the manufacturing of raw materials, is regulated and monitored, for instance, in terms of emissions and chemical usage. The goal is to further increase the share of suppliers whose production is audited, with a special focus on environmental impact (BEPI) and increase the use of certified raw materials according to our material matrix. Read more under Emissions to Water, Air, and Soil and about amfori BEPI on page 40.

Climate Change Caused by Greenhouse Gas Emissions

Textile production significantly impacts the environment negatively through the emission of greenhouse gases, for example, methane due to enteric fermentation in the process of producing wool. Climate change affects the entire world, but certain countries and regions are at higher risk, and Rugvista's operations depend on functioning supply chains. If climate changes cause disruptions in production and ultimately affect product availability, it could significantly negatively impact Rugvista's operations and profitability.

Risk Reduction Plan: Rugvista has set goals in accordance with the Science-Based Targets Initiative (SBTi) and works to increase the share of certified materials and products with proven



reduced climate impact. Increasing the proportion of products with limited climate impact can contribute to achieving long-term external and internal sustainability goals, comply with upcoming laws and regulations, attract new employees, and provide a credible offering to customers with responsible products. Read more under Greenhouse Gas Emissions on page 41 and Materials on page 39.

Biodiversity and Ecosystems

Loss and reduction of biodiversity disrupt the balance in ecosystems and can lead to raw material shortages and increased raw material prices, negatively impacting the ability to secure products and, in the long run, significantly affect Rugvista's operations, profitability, and stakeholder relationships.

Risk Reduction Plan: Rugvista aims to increase the share of certified materials that have less impact on biodiversity and ecosystems. Current audits consider environmental aspects, but the goal is to deepen this work within the framework of amfori BEPI. Read more under Biodiversity on page 43 and amfori BEPI on page 40.

Water Usage

Water usage is significant in the cultivation of certain raw materials and in the dyeing and washing processes. Responsible water use in the manufacturing process can reduce the risk of local water scarcity for communities and ecosystems. A lack of water can also affect the availability of other raw materials and impact prices and production. A shortage of water in Rugvista's production areas can affect the ability to secure products, result in price increases, and lead to negative publicity, reputational damage, and affect relationships with stakeholders.

Risk Reduction Plan: Rugvista aims to increase the share of certified materials that have a reduced impact on water usage and to increase the number of suppliers where production regarding environmental impact, such as water usage, is audited by a third party. Read more under Water Usage on page 43.

FOCUS AREA PEOPLE:

Violation of Fundamental Labor Rights

Rugvista's rugs largely originate from developing and low-cost countries, where there is generally a higher risk of violations of fundamental human rights and labor rights. Risks of violations include the right to freedom of association and collective bargaining, excessive overtime, unhealthy and unsafe work environments, child labor, and illegal and insecure employment. Misconduct among our suppliers can result in substantial fines, criminal or administrative sanctions, and negative consequences for Rugvista's reputation, stakeholder relationships, product quality, and ultimately profitability.

Risk Reduction Plan: Rugvista's suppliers commit to complying with Rugvista's code of conduct for business partners, which includes requirements regarding human rights, working conditions, prohibition of child and forced labor, and employees' right to fair compensation. Compliance is monitored through our external auditing system and regular follow-ups in our ongoing supplier dialogue. This includes investigating whether there is a functioning grievance mechanism at our suppliers. In the event of observations, whistleblower reports, or issues identified during audits, a corrective action plan is developed with the supplier, which is then followed up to ensure progress is made. In cases of zero-tolerance incidents, cooperation ceases if the supplier does not immediately show willingness to collaborate and implement the measures outlined in the agreed corrective action plan. We observe that ongoing monitoring and dialogue with suppliers over time improves production conditions and the work environment.



FOCUS AREA BUSINESS:

Product Safety

Customers must be able to trust the safety of our products when using our rugs. Rugvista's rugs comply with the REACH regulation, which restricts the use of certain chemicals. According to the supplier agreements, Rugvista's suppliers are obligated to adhere to the REACH regulation and conduct regular sample checks to ensure that prohibited chemicals are not used in the production of the rugs. Violations of REACH can lead to sales bans, product recalls, environmental sanction fees, and in severe cases, prosecution for environmental crimes, which in turn can lead to significant negative consequences for Rugvista's reputation and stakeholder relationships.

Risk Reduction Plan: We work systematically with long-term supplier collaboration and ongoing dialogue with our suppliers, where monitoring compliance with the code of conduct is key. Suppliers regularly perform chemical analyses on products, and Rugvista can also conduct sample checks.

Unethical Business Behavior

Production in developing countries with widespread poverty and unstable political situations exposes Rugvista to corruption-related risks. In many developing and low-cost countries, there is generally a greater risk of violations of laws and regulations concerning bribes and corruption. Violations can result in substantial fines, criminal or administrative sanctions, and have negative consequences for both Rugvista's reputation and stakeholder relationships.

Risk Reduction Plan: We have a zero-tolerance policy against all forms of bribes and corruption, as stated in the code of conduct and Rugvista's Anti-bribery and Corruption Policy. Suppliers are regularly reviewed against the code and reminded

of their commitments. We also ensure that there is access to an effective grievance mechanism at our suppliers. Since 2022, Rugvista's whistleblower channel has been available globally, including for individuals in the supply chain, to report serious misconduct. In 2024, Rugvista will work to further spread awareness of the channel and how it can be used.

Political and Social Instability and External Factors in Production and Supply Markets

Uncertainty in geopolitics, security, and trade, such as trade restrictions, wars, increased protective measures for national security purposes, and natural disasters, can significantly impact our operations and affect our ability to secure products.

Risk Reduction Plan: Responsible purchasing is central to our operations. We continuously monitor developments in our production and procurement countries and strive for a diversified supplier base to maintain ethical and sustainable purchasing practices. Through our collaboration with amfori and LabelStep, we strengthen and improve these processes further. For more information about these partnerships, see page 33.



Auditor's Opinion Regarding the Statutory Sustainability Report

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

Assignment and Distribution of Responsibility

The Board of Directors is responsible for the sustainability report for the year 2023 on pages 26-54 and for its preparation in accordance with the Swedish Annual Accounts Act.

Scope and Emphasis of the Review

Our review has been conducted in accordance with FAR's recommendation RevR 12 Auditor's Opinion on the Statutory Sustainability Report. This means that our review of the sustainability report has a different focus and is significantly less extensive compared to the scope and emphasis of an audit according to International Standards on Auditing and

good auditing practice in Sweden. We consider that this review provides a sufficient basis for our statement. It has been conducted in line with International Standards on Auditing and good auditing practice in Sweden. We believe that this review provides a sufficient basis for our statement.

Statement

A sustainability report has been prepared.

Malmö den 18 april 2024

Ernst & Young AB

Hanna Fehland

Auktoriserad revisor

