

Sustainability

2022 - Annual Report



ajproducts.com

A first glance

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This is AJ Produkter AB's sixth sustainability report and covers the financial year 2022. The report covers AJ Produkter AB (556190-7329), a wholly-owned subsidiary of AJ Postorder AB. The report was compiled in accordance with the regulations in Chapters 6 and 7 of the Swedish Work Environment Act.

The board of directors for AJ Produkter AB has also approved the sustainability report when signing the annual and consolidated accounts

Foreword

2022 was another year shaped by several major events. AJ Produkter successfully navigated the challenges that arose, whilst increasing our sustainability efforts, and delivered a solid result.

The European economy showed signs of recovery in early 2022 after a couple of years marked by restrictions due to the pandemic. Although the pace of recovery varied between our markets, there was increased demand for our B2B range in line with the return to the workplace, and we saw a shift away from the consumer side in all markets.

Expansion of our central warehouse almost doubled our storage capacity, which has already been reflected in improved delivery reliability in all markets and reduced transport emissions linked to temporary warehouses during the peak season.

The deplorable war in Ukraine that began in February 2022 created additional uncertainty in most markets. AJ Produkter acted quickly by immediately terminating all business with suppliers from Belarus (no business relations existed with Russia). We have also donated SEK 2 million to charities that support the humanitarian crisis in Ukraine.

Inflation returned as a major challenge during the year, reaching its highest level in ten years in the Euro zone. The increase in inflation was due to many factors such as disruptions in supply chains, higher energy prices and an increase in demand as economies reopened. Volatility linked to raw materials, energy and transportation reduced our margins in 2022, resulting in larger than normal price increases in most business areas.

AJ Produkter's digitisation journey continued to evolve as we completed the installation of the HRM system to streamline all HR-related processes in all markets. We also invested in a new cloud-based business system, which began roll-out in 2022 with a completion date set for 2023. It will streamline processes across the group and help our sales and finance teams focus less on administration and more on value-creating activities for our customers in the future.

We also made progress in our environmental sustainability work. Solar panels were purchased and installed at head office with a peak output of 500 kW, a decision was made to replace all company cars with electric and hybrid cars in Sweden, and resources were allocated to work with life cycle analyses and environmental product declarations of our range.

During the autumn, we carried out a generational change at AJ Produkter: founder Anders Johansson handed over the role of CEO to Enock Johansson. That transition can be seen as a clear symbol of how we, as a family business, have always shown consideration about what we pass on to future generations. Taking responsibility for the future is part of our DNA, as well as one of our core values.

We look forward to continuing the journey together with our employees, customers and partners to make sustainability a natural part of our business. We hope this report provides an accurate picture of our sustainability initiatives. Enjoy!



ENOCK JOHANSSON
CEO

Sustainable development



Global sustainability effort

As part of sustainable development we all have a responsibility, not least for future generations. It may sound like a really big commitment and feel overwhelming but doing nothing at all is not an option. We can all change our behaviour to some extent and find new solutions to impact and contribute towards sustaining the Earth's resources for future generations.

BACKGROUND

The issues of environmental harm and concerns about air, ground and water pollution were first raised in the 1960s, along with the issue of deforestation. Up until then, the UN had focused on peace, human rights and the eradication of poverty, but in 1972, nature and environment were also on the agenda at the Stockholm Conference. This conference is considered to be the first milestone in the UN's work on sustainable development.

The concept of sustainable development became global in 1987 when 'Our common future' was launched by the Brundtland Commission's report¹. The definition of sustainable development is:

”Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”

In 2015, the UN member countries adopted Agenda 2030, which contains 17 Global Goals with the purpose of achieving environmentally, socially and economically sustainable development by 2030. Every country in the world is expected to help achieve those goals, with the wealthiest countries taking the lead and contributing the most.



AGENDA 2030, UN GLOBAL GOALS

End poverty, protect the planet and improve the lives and prospects of everyone, everywhere.

CLIMATE GOALS

The UN Climate Agreement was also signed the same year (2015), commonly referred to as the 'Paris Agreement'. The goal of the Paris Agreement is to achieve global net zero carbon dioxide emissions by 2050. The EU also set the goal of reducing emissions by at least 55% by 2030 compared to the baseline year of 1990. Sweden's goal is to achieve net zero emissions by 2045. The IPCC² has shown in a progress report that human impact is the underlying reason behind global warming. Rapid global warming is caused by the burning of coal, oil and natural gas, and impoverishment of global ecosystems.



PARIS AGREEMENT, UN CLIMATE AGREEMENT

Keep global warming below 2°C, with the aim of not exceeding 1.5°C.

CHANGE

The pace of environmental work needs to increase and the whole of society needs to be involved, so that we can hand over a society to future generations in which the major environmental problems are solved. Unfortunately, development is not yet going in the right direction. Earth Overshoot Day has been pushed back again. Humanity had used up all the biological resources that the Earth regenerates in a year by 28th July. Generationsmålet (the generation goal), a guide for environmental work in Sweden, specifies the four most important areas of improvement: biological diversity, ecosystems, management of natural resources and environmental impact from Swedish consumption.

¹ UN World Commission on Environment and Development

² Intergovernmental Panel on Climate Change, the UN's scientific climate panel



In focus

AJ Produkter



About us

AJ Produkter is an entrepreneurial company started in 1975. We want to create innovative and smart working environments and solutions for offices, warehouses, industry, schools and public areas. By making sustainability a part of our business, we work to support sustainable development, the climate goals and the transition.

OUR VISION

We make it easy for everyone to create a better work environment.

OUR MISSION

We are entrepreneurs who create smart work environments and solutions for offices, warehouses, industries, schools and public areas. We offer a combination of sustainability, awareness and personal service backed by the right quality and price and delivered in a customer-centric and friendly manner.

OUR WAY FORWARD

We've been part of people's everyday lives for almost 50 years. AJ Produkter was founded in Sweden and has its origins in an area known for its strong entrepreneurial spirit and working together. We create sustainable and smart solutions for different work environments featuring Scandinavian design.

We make everyday life easier; we make it frictionless. That means every day, millions of people in 19 countries rely on us while they are teaching, learning, packing, travelling, healing and playing. We are proud of our contribution and determined to continue our journey together with our customers to shape an even better workplace.

Our strategy focuses on being customer-centric and working with efficient and effective operations based on sustainability and digitisation, so that people can be part of something bigger, can create and can make a change to become their best self.



”We are totally committed when it comes to making people feel good at work.”

ENOCK JOHANSSON, CEO

OUR CORE VALUES - OUR WAY OF BEING

Our four core values make up the foundation of who we are and express the way we treat each other internally, externally and in the community. They guide our work and influence our decisions at all organisational levels.

COMMITTED

ATTENTIVE

KNOWLEDGEABLE

GENUINE



The business

AJ Produkter operates in 19 countries. We have three manufacturing facilities, which are part of the production company in the AJ Group.

THE ORGANISATION

AJ Produkter is a 100% family-owned company, with its head office and central warehouse located in Halmstad, Sweden and a showroom and sales offices in Stockholm. The company includes 13 subsidiaries located in Europe and a purchasing office in China. We have a manufacturing company with three plants located in Poland, Slovakia and Lithuania, producing office and school furniture, storage cabinets, pallet racks, office screens and sofas. The manufacturing unit in Lithuania was acquired in autumn 2022.

AJ Produkter and the three factories currently comprise approximately 1,100 employees. The 2022 sustainability report covers AJ Produkter and our three factories. The factories are primarily included with a focus on resources and climate calculations.

During 2022, the AJ Group also acquired DPJ Holding AB to complement our existing position and customer base. Both companies will operate separately, as separate brands and organisations. The group structure also includes companies that own and manage forest in Sweden and Latvia as well as its own business premises. With our roots in Hylte, Sweden, the forest has always been close by. Forest land has financial, social and ecological value. The forest is important from many perspectives and using certifications such as FSC and PEFC promotes these values along with sustainable forestry management.

47 years in the business

13 subsidiaries

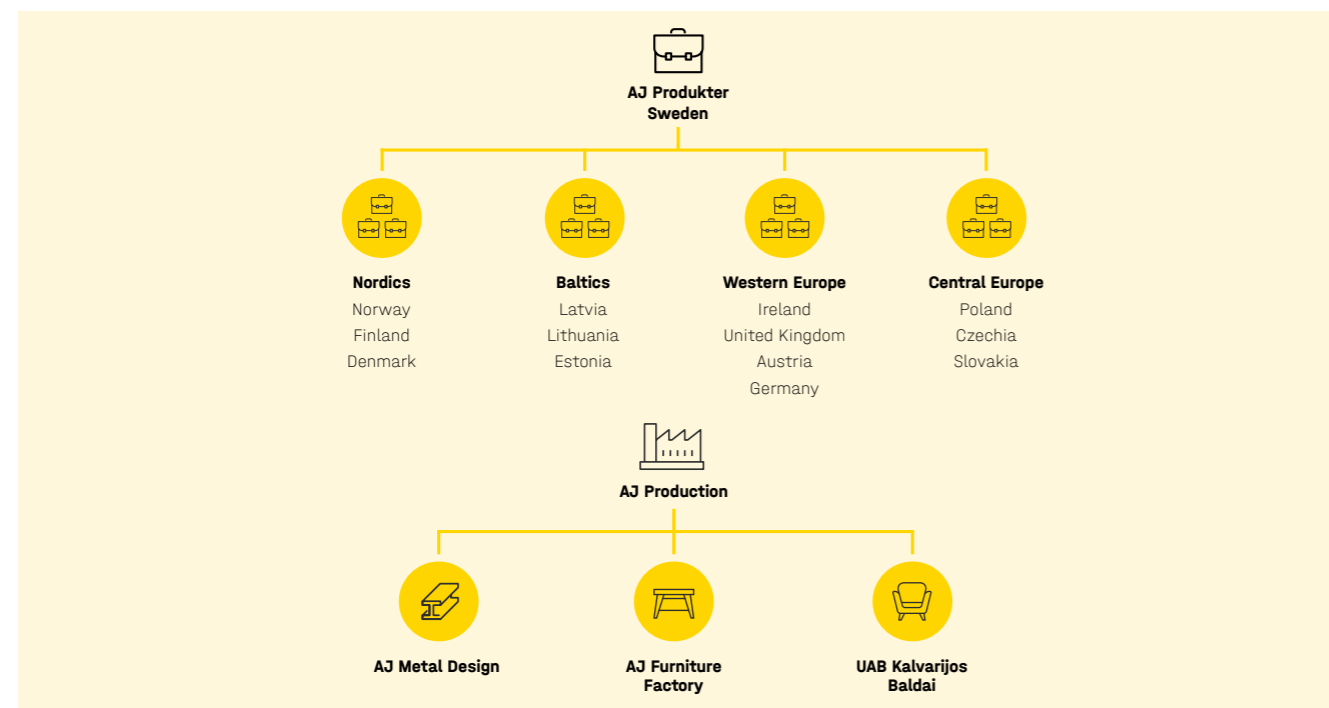
3 factories

1100 employees

14,500 products in our range

19 countries

540,000 customers throughout Europe



Value chain

Climate change affects us all and it is critical that we resolve the challenges in reducing global warming. It is our responsibility to act within our value chain to reduce emissions where most effective and where we can have the largest impact. It's not only about reducing our climate emissions, but also about how we affect the environment and people throughout the value chain - in the processing and transport of raw materials, in the production of products from our suppliers and in our factories, in our offices and warehouses, at the sales stage, and beyond for use by the customer and how our products are disposed of or recycled after use.



SUPPLIERS
 AJ Produkter collaborates with more than 300 suppliers. In-house production accounts for 40% of the Group's total purchases. In total, 88% of the Group's suppliers are located in Europe and only 12% are located in Asia. We have our own staff in Asia, whose primary duty is to ensure that our Asian suppliers meet strict requirements. We conduct periodic supplier assessments supported by our systematic CSR work in the supply chain. Criteria such as human rights, labour rights, quality and environmental requirements as well as anti-corruption are central in our purchasing work.



PRODUCTION

POLAND — AJ FURNITURE FACTORY
 The AJ Furniture Factory produces wooden furniture for offices, schools and industrial environments. The factory became a part of the AJ Group in 1996 when a small carpentry operation in Slupsk was acquired. The factory has expanded over the years and the company currently has 275 employees. This year, a new production hall of 8,400 m² was commissioned. The factory is certified as an FSC-approved manufacturer, meaning that we can buy and sell wood products from FSC-certified suppliers.

SLOVAKIA — AJ METAL DESIGN
 AJ Metal Design produces metal furniture, such as storage cabinets, school lockers, pallet racks and shelving. The factory started producing products for the AJ Group in the 90s and became a part of the Group in 2016. The factory is located in the Hrnčiarovce nad Parnou area and has 236 employees.

LITHUANIA - UAB KALVARIJOS BALDAI
 AJ has been a partner in the furniture manufacturing company UAB Kalvarijos Baldai since 2016, but in autumn of 2022, the acquisition was completed and the company is now part of the Group's production unit. UAB Kalvarijos Baldai specialises in the manufacture of textile furniture, such as acoustic screens and sofas. The factory is located in the Lithuanian town of Kalvarija, approximately 170 km west of the capital Vilnius, and has 62 employees.

HEAD OFFICE AND WAREHOUSE
 AJ Produkter's head office and central warehouse is located in Halmstad, Sweden and was built in 2012. A 28,000 m² expansion of the property began in the spring of 2021 and was completed in 2022; the total area now amounts to 54,000 m². There are 300 employees on site in Halmstad.



SALES
 AJ Produkter has been successfully improving workplaces for over 47 years. We offer a range of 14,500 products for offices, schools, warehouses and industrial facilities along with well-designed complete solutions to help create a pleasant and practical workplace. Our sales via e-commerce, catalogues, contracts and projects have a customer-centric approach where the focus is always on the customer's needs. Our customers can always make a purchase online, talk to our sales team via phone, chat or email and meet us in our showroom.

TRANSPORT AND DISTRIBUTION
 The transport and distribution of goods and products account for a considerable part of our greenhouse gas emissions throughout the value chain. Internal and external transportation are included in the climate calculation this year and presented later in the report. Through our choice of modes of transport and collaborating with hauliers, we can reduce our emissions and use of fossil fuels.

CUSTOMERS AND USERS
 We have customers in 19 countries. We have our own subsidiaries in 13 of those countries and sell via agents in the others. The Group's largest market is the Nordics, followed by the Baltics, Central Europe and the UK and Ireland. Our customers range from small and mid-sized companies to multinationals and public organisations.

Materiality analysis

To update AJ Produkter's sustainability strategy, market analysis, risk analysis, stakeholder dialogue and materiality analysis were carried out during the year. Ten sustainability issues divided into three focus areas were prioritised, on which AJ Produkter will focus its sustainability work and report content in the future.

UPDATED MATERIALITY ANALYSIS 2022

AJ Produkter's previous materiality analysis was carried out in 2018. To ensure its continued relevance, an updated stakeholder dialogue and materiality analysis was carried out during the winter of 2022. The latest materiality analysis aimed to update AJ Produkter's material sustainability issues. Stakeholder dialogue included more stakeholders' perspectives than the previous analysis as well as identifying AJ Produkter's impact on sustainable development.

In addition to stakeholders' perspectives on impact, a market analysis and risk analysis were carried out to provide insight into the issues where AJ Produkter has the most impact. The company's most significant issues were identified based on the results of those analyses and stakeholder dialogue.

STAKEHOLDER DIALOGUE

AJ Produkter conducted a structured stakeholder dialogue during the winter of 2022 to better understand our impact on the environment, economy and people, including their human rights, as well as stakeholder expectations of our sustainability work. The dialogue consisted of qualitative interviews and an interactive workshop. Seven qualitative interviews were conducted with one of our vice presidents, representatives from our subsidiaries in Norway, Denmark and Ireland, the managing directors of our factories in Poland and Slovakia, and representatives from our factory in Poland. An interactive workshop was held with representatives from our head office in Sweden to evaluate the company's impact on the various issues in our value chain. The outcome of the stakeholder dialogue was used to directly inform the materiality analysis.

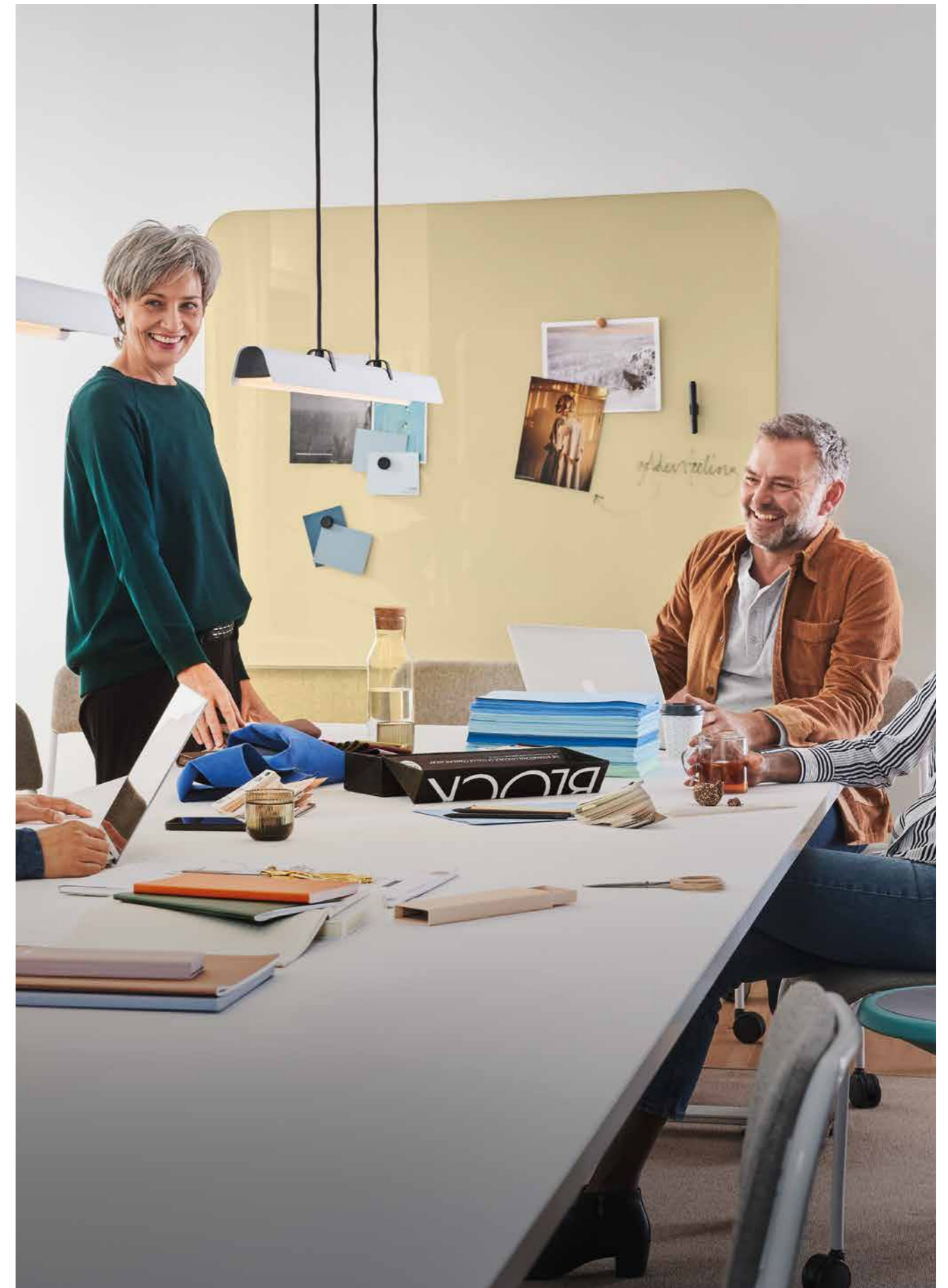
THREE FOCUS AREAS - TEN SUSTAINABILITY ISSUES

Resource management	People	Sustainable governance
<ul style="list-style-type: none"> Climate impact and neutrality Energy use Material use Waste management including hazardous waste Circular solutions 	<ul style="list-style-type: none"> Our work environment - Our well-being and skills Human rights in the supply chain Customers' health and well-being 	<ul style="list-style-type: none"> Business ethics and anti-corruption Sustainability management and governance

SUSTAINABILITY STRATEGY

Based on the company's materiality analysis, our sustainability strategy has been updated and expanded, and now includes the following three focus areas: Resource Management, People and Sustainable Governance.

Within these focus areas, ten sustainability issues have been prioritised. The idea going forward is to increase our skills and knowledge within these sustainability areas. They will also be incorporated into the business and form the basis of future reports.



Resource management



Climate impact

Calculation according to the GHG protocol gives us control and identifies opportunities to reduce our emissions. At operational and product levels, work is underway to collect and calculate our greenhouse gas emissions.

CLIMATE CALCULATION

In order to make more focused action plans and goals, we need to know how much we emit and where in the value chain the biggest climate emissions occur. We have started climate calculation according to the GHG protocol¹ based on the Operational Control approach.

AJ Produkter Sweden, the subsidiaries companies and the three production units will report data as of 2022. We calculate our direct emissions in Scope 1 and indirect emissions in Scope 2. In Scope 3, we report emissions from purchased transport, waste management in our own operations and business travel². The plan is to gradually report more indirect emissions in Scope 3.

Electricity consumption in Poland makes up most of our emissions from electricity and heating. The burning of natural gas in Slovakia is also a source. Purchased transport constitutes the largest part of our total reported climate emissions. We switched to calculating in the ESG reporting tool Position Green in 2022. We have recalculated the emissions for 2021 based on updated emission factors. This has led to an increase in our greenhouse gas emissions from heating and electricity for 2021 compared to last year's reporting, which is due, among other things, to an increase in fossil fuels in the residual mix.

SCOPE PER SOURCE (TONS OF CO ₂ E)	
Scope 1	2022
Stationary combustion	981
Internal vehicles	194
Leakage of refrigerants	2
Scope 2	
Electricity purchased (location-based)	2 918
Electricity purchased (market-based)	3 216
Heat purchased	23
Total emissions Scope 1 and 2³	4 416
Scope 3	
Transportation purchased	3 843
Waste management within our own operations	103
Business travel	253
Total for reported activities in 2022³	8 615

³ Based on the market-based Scope 2 figure



The main external sources on which the calculations in this report are based are: International Energy Agency (IEA/OECD), Department for Environment, Food & Rural Affairs (DEFRA), Association of Issuing Bodies (AIB) and Network for Transport Measures (NTM).

¹ GHG Protocol - Greenhouse Gas Protocol. A global standard used to facilitate the reporting of greenhouse gas emissions by organisations.

² As we have not yet been able to collect data for a complete Scope 3, we exclude the following activities for the year 2022: purchased goods and services, capital goods, fuel and energy-related emissions, commuting, leased assets, processing of sold product, use of sold products, disposal of sold products, leased assets, franchise and investments.





TRANSPORT

One of the greatest environmental improvement challenges for businesses globally is reducing their transport emissions to improve their environmental and carbon footprint. Transport is a prioritised environmental aspect at AJ Produkter, as well as a priority in terms of sustainability.

INTERNAL TRANSPORT

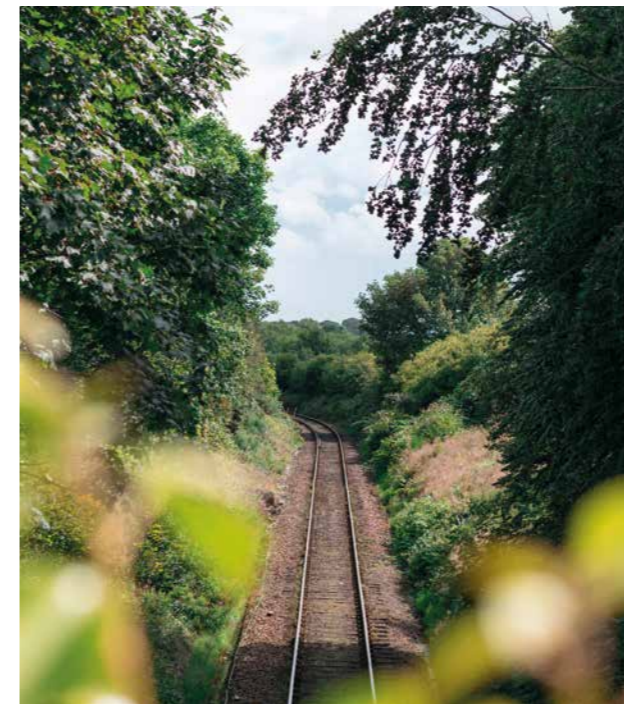
In previous years, we have reported total carbon dioxide emissions and grams of CO₂/km from company and pool cars owned in Sweden. For vehicles that the organisation owns or controls (owned or leased vehicles), we report according to GHG this year, and include subsidiaries and factories.

AJ Produkter Sweden decided to replace all company cars with electric or hybrid cars in 2022. 40 vehicles have been purchased for delivery by the first quarter of 2024 at the latest. There are ten charging stations at the head office parking lot.

Our subsidiary in Norway has been using electric vehicles in its operations for a number of years. The proportion of electric vehicles is 63% and the rest are diesel, with the addition of Adblue. The assembly team uses electric vehicles daily, which works very well, especially when working in their local area.

Business trips must be made in accordance with the guidelines set out in our global travel policy, which applies to all employees. The travel policy supports the management of our travel costs and gives us an overall picture of business travel and its greenhouse gas emissions.

We report emissions linked to our vehicles and business travel according to the GHG protocol for 2022.



TRANSPORTATION PURCHASED

The transport and distribution of goods and products is a major part of our business and accounts for a considerable element of our greenhouse gas emissions. The work of our freight forwarders in phasing out fossil fuels and reducing emissions by improving their vehicle fleets, increasing the amount of biofuel used and reducing fuel consumption during driving, for example, affects the results. It's also important to fill available capacity better, consolidate to reduce unnecessary transport and choose modes of transport with low emissions.

In recent years, we have begun collecting data and emission reports with the aim of gradually expanding our calculations; we aim to report emissions in Scope 3 when we have annually comparable figures. During the year, a Transport Manager was appointed at AJ Produkter, which contributes to closer cooperation with our freight forwarders and enables increased focus on efforts to reduce emissions linked to our transportation.

Collection of data and emission reports has been ongoing since 2020 with the aim of expanding our calculations to be able to account for transportation purchased in Scope 3. We have focused on collection of the large inflows from Asia as well as our European suppliers. Excluded flows are Turkey, as we do not have comparable annual figures. On outgoing flows, we have excluded the Baltic countries and Ireland due to missing data.

EMISSIONS	2021	2022	CHANGE
Incoming shipments (tCO ₂ e)	1 878	2 009	+7.0 %
Outgoing shipments (tCO ₂ e)	1 774	1 834	+3.3 %
Total greenhouse gas emissions from transport purchased (tCO₂e)	3 652	3 843	+5.2 %

UNNECESSARY TRANSPORTATION

When we talk about reducing unnecessary transportation, it relates to transport damage, returns, open purchase orders, incorrectly ordered goods, incorrect picking, etc. This year, we increased our focus on transport damage amongst other things. We monitor transport damage per country monthly and have seen a reduction over time. Improvement is focused on the flows that are increasing or that are already high in the statistics, as well as on improving the packaging of products that are often damaged.

During the year, we changed routines for replacement orders and ran internal training regarding lashing loads. Load protection pads are now used on outbound distribution where part of the journey goes by sea. This has reduced the amount of damage to the first terminal significantly. Efforts to improve the packaging of products that stand out in the statistics are ongoing, and results may take some time to become apparent.

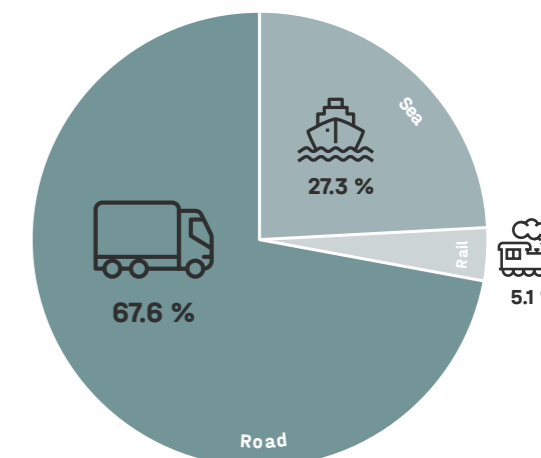
FILLING AVAILABLE CAPACITY

We work continuously to fill goods vehicles to increase filling capacity for outgoing shipments. The fill rate has increased for a number of years, but this year went down to the same figure as for 2018. A likely reason is the design of the pallets for replacement orders, which may have negatively affected the fill rate.

As part of our purchasing strategy 2022 to 2025, we intend to consolidate more volume with fewer suppliers to further improve capacity use on inbound shipments.

SHIPPING TYPE

The forms of transport we primarily use are road, sea and rail. The majority of sea transport comes from Asia. Within Europe, trucks and trains are used for domestic and intercountry transport as well as for local distribution. Occasional product samples are sent by air but the proportion compared to previous years has decreased significantly. Our focus going forward is to continuously review our transport and move more from road to rail.

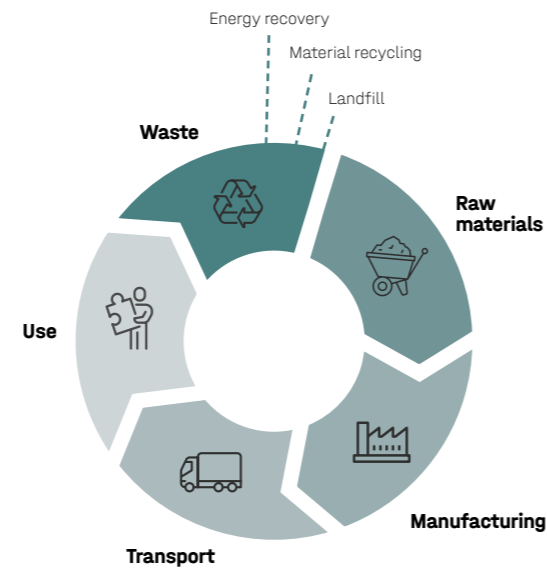


LIFE CYCLE ANALYSIS OF OUR PRODUCTS

We calculate our climate emissions on our products through life cycle analyses, also known as LCAs¹. The purpose is to see where in a life cycle the largest emissions are found and to identify areas for improvement. All processes and flows are said to be followed from 'cradle to grave', that is, from the extraction of raw materials until they are no longer used by humans but leave the system in the form of exhaust gases or waste.

Life cycle analyses give us information about the impact of manufacturing, the use phase and the end of the product's life or its recyclability. Major influencing factors can include which raw materials are used, production methods, transport and energy use. In 2022, we started analysing products that are manufactured in our own factories, such as lockers and desks for schools. Our LCAs will generate ten environmental product declarations, called EPDs². The goal is to be able to report EPDs in 2023.

EPDs are requested by our larger customers and in public procurement. We have also started to collect EPDs from some of our suppliers and put them into BIMobject³. Information contained in BIMobject gives architects and engineers more opportunities to climate-classify interior fixtures and fittings.

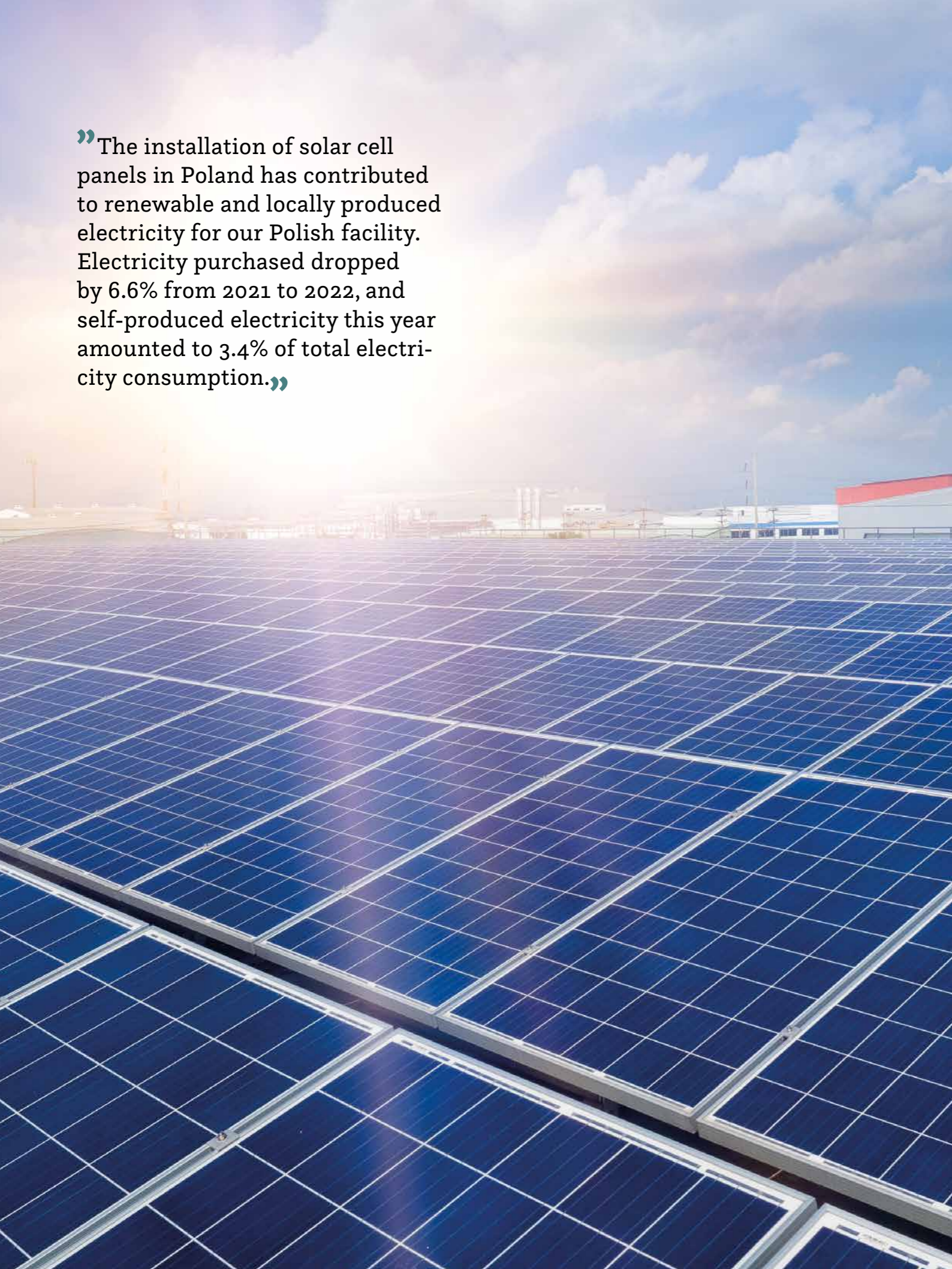


Our goal continues to be to work more on environmental assessments i.e., to create ways to measure and calculate the environmental and climate impact of our products. The requirement to report greenhouse gas emissions for a product throughout its life cycle is becoming more common and our ambition is to increase our competence and know-how in this area.

A life cycle specialist was appointed this year and in 2023 we will implement a tool that will facilitate and streamline such work. The goal for the coming year is for us to be able to produce a larger amount of EPDs on our own.

- ¹ LCA - Life Cycle Analysis - method for evaluating a product's environmental impact during its life cycle.
- ² Environmental Product Declaration - summarises the results of an LCA and clarifies the product's climate and environmental impact.
- ³ BIMobject - global marketplace for the construction industry that provides architects and engineers with information to design buildings faster, smarter and greener.





”The installation of solar cell panels in Poland has contributed to renewable and locally produced electricity for our Polish facility. Electricity purchased dropped by 6.6% from 2021 to 2022, and self-produced electricity this year amounted to 3.4% of total electricity consumption.”

Energy consumption

Efforts to reduce our energy consumption and increase energy efficiency are an area of focus. Investments in our own electricity production are being made at some of our plants with the aim of reducing the use of energy from external sources. Active choices are also made when purchasing energy, with the focus on phasing-out fossil fuels such as coal, oil and natural gas.

AJ PRODUKTER - HALMSTAD, OFFICE AND WAREHOUSE

The AJ Produkter building in Halmstad, Sweden was constructed in 2012 and consists of offices and warehouse facilities. A 28,000 m² expansion of the property began in the spring of 2021 and was completed in 2022. The total area now amounts to 54,000 m².

The property is heated by district heating from a local supplier. In mid-2020 we moved from purchasing regular district heating to certified district heating¹, which resulted in a lower climate impact. Greenhouse gas emissions from district heating consumption were reduced by almost 98%². The electricity purchased comes from solar, wind and water plants and is labelled 'Good Environmental Choice'. Solar panels have been purchased and are to be sited on parts of the new extension. Installation will begin in the first quarter of 2023.

After the extension, warehouse area increased by 93%, which has affected energy consumption. However, electricity consumption only increased by 30% and district heating consumption by 39%. We have five ventilation units with heat recovery, four of which are new and were commissioned in 2022. The units recover heat from the exhaust air and help keep heat consumption down. LED lighting was installed in the new storage area and the lighting in the old storage area will be changed to LED in 2023.

ENERGY CONSUMPTION	2021	2022	CHANGE
Electricity (kWh) purchased	1 460 000	1 898 463	+30 %
District heating (kWh)	841 230	1 167 440	+39 %
Total energy consumption heat and electricity (kWh)	2 301 230	3 065 903	+33 %
Total greenhouse gas emissions from heating and electricity (tCO₂e)³	1,6	2,2	+39 %

¹ Also called the P-labelled or Green district heating. Certified district heating is generated from heat production which uses primarily wood chips and biogas as fuel, as well as waste heat from industry.

² For normal district heating, the contribution from energy transformation is 88.0 grams CO₂e/kWh and for certified district heating the contribution is 1.9 CO₂e/kWh based on 2021 figures.

³ Based on Scope 1 figures and the market-based Scope 2 figure.

AJ FURNITURE FACTORY

AJ Furniture Factory has expanded over the years, including a new production hall of 8,400 m² this year. The property's total area with warehouse, office and production now amounts to 26,500 m².

The energy used in the factory comes from renewable and non-renewable sources. AJ Furniture Factory recycles sawdust from manufacturing into energy which helps in heating up the facility. In autumn 2021, the factory's first solar panels were installed. Installation continued in 2022, when the second stage of the solar panel installation was put into operation. The third stage is planned for 2023.

The factory invested in a new ventilation system this year, which has reduced the power requirement by 20 kW. They also implemented an MES (Manufacturing Execution System) program that enables an increase in efficiency and optimises the use of resources and energy consumption.

The installation of solar panels in Poland has contributed to renewable and locally-produced electricity for our Polish facility. Electricity purchased dropped by 6.6% from 2021 to 2022, and self-produced electricity this year amounted to 3.4% of total electricity consumption. This has contributed to greenhouse gas emissions from heating and electricity being reduced by 6.6%.

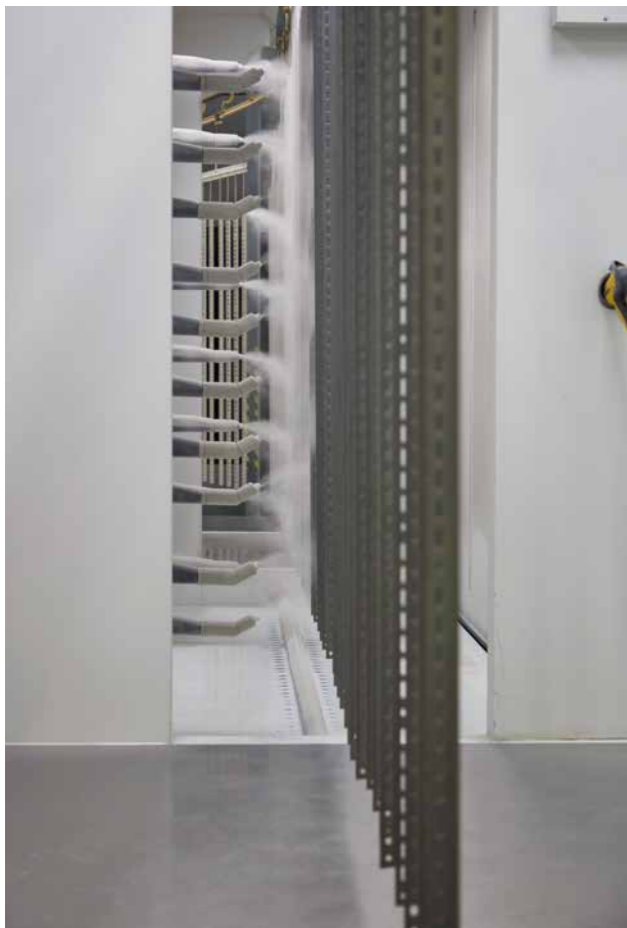
ENERGY CONSUMPTION	2021	2022	CHANGE
Sawdust (kWh)	598 400	680 040	+13.6 %
Electricity (kWh) purchased	3 019 009	2 819 187	-6.6 %
Electricity (kWh) own production, solar panels	7 630	96 218	+1161.0 %
Total energy consumption heat and electricity (kWh)	3 625 039	3 595 445	-0.8 %
Total greenhouse gas emissions from heating and electricity (tCO₂e)³	2 574	2 404	-6.6 %

AJ METAL DESIGN

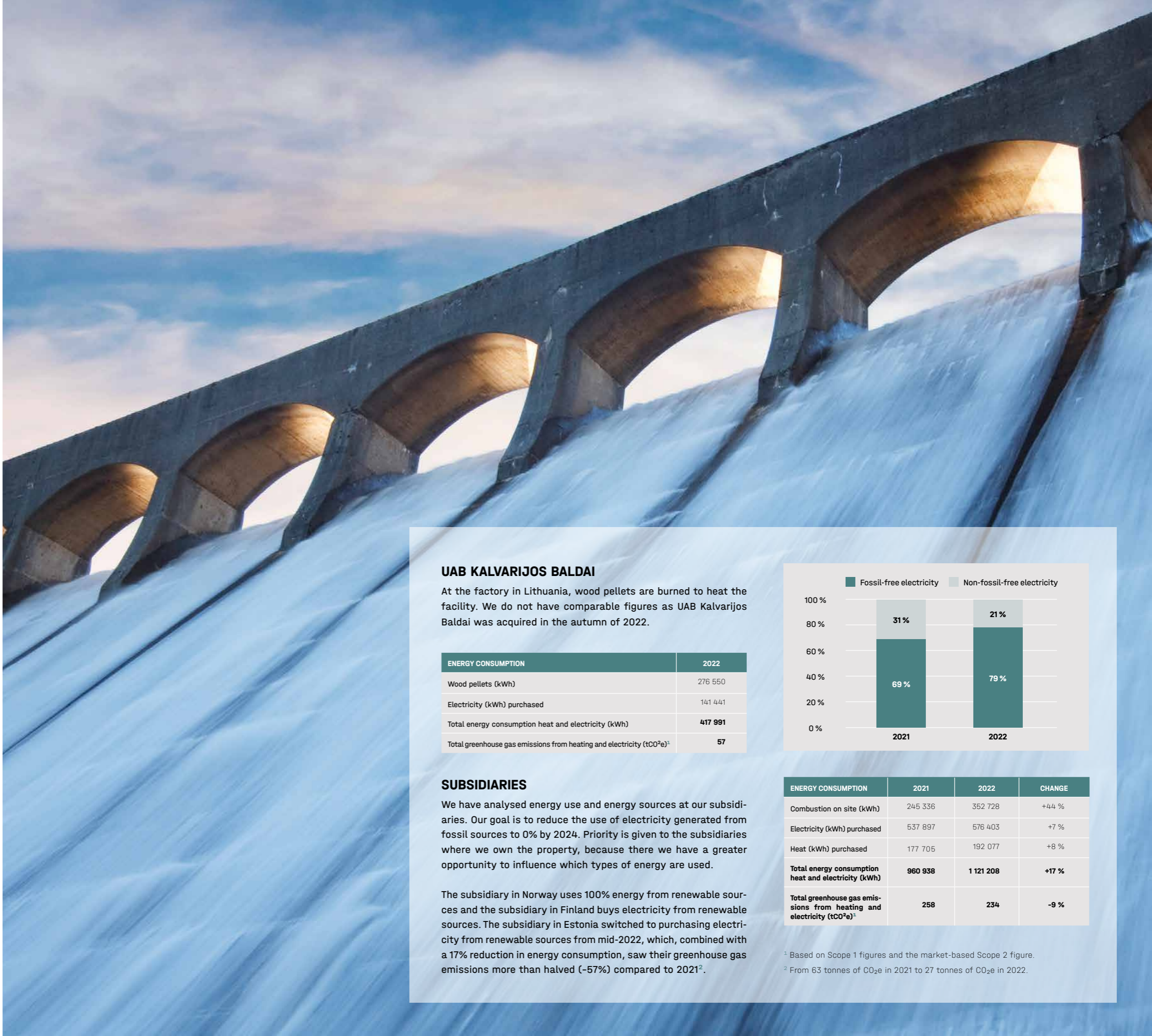
The factory in Slovakia has been expanded over the years to a current total of approximately 23,000 m². AJ Metal Design has worked in a structured manner with energy issues and is certified according to the energy management system ISO 50001.

Due to sharply increased costs for electricity in 2021, origin-labelled electricity was not purchased in 2022, which is the major reason why greenhouse gas emissions increased this year. Investment in solar panels is planned in 2023, with the aim of reducing the use of energy from external sources.

ENERGY CONSUMPTION	2021	2022	CHANGE
Natural gas (kWh)	4 924 044	4 921 737	-0.05 %
Electricity (kWh) purchased	3 507 764	3 335 679	-4.90 %
Total energy consumption heat and electricity (kWh)	8 431 808	8 257 416	-2.10 %
Total greenhouse gas emissions from heating and electricity (tCO₂e)¹	899	1 514	+68.50 %



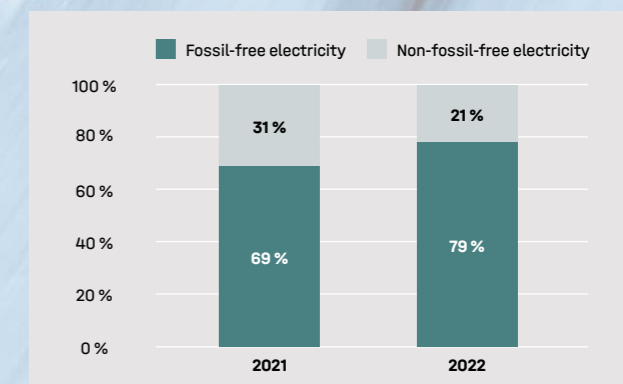
To reduce energy consumption, the factory continuously implements measures. By streamlining shift times on one of the painting lines, the consumption of gas has been halved from 2,500 to 1,250 m³ per working week. All office lights have now been replaced with LEDs and all windows serviced to reduce heat loss in the winter.



UAB KALVARIJOS BALDAI

At the factory in Lithuania, wood pellets are burned to heat the facility. We do not have comparable figures as UAB Kalvarijos Baldai was acquired in the autumn of 2022.

ENERGY CONSUMPTION	2022
Wood pellets (kWh)	276 550
Electricity (kWh) purchased	141 441
Total energy consumption heat and electricity (kWh)	417 991
Total greenhouse gas emissions from heating and electricity (tCO₂e)¹	57



SUBSIDIARIES

We have analysed energy use and energy sources at our subsidiaries. Our goal is to reduce the use of electricity generated from fossil sources to 0% by 2024. Priority is given to the subsidiaries where we own the property, because there we have a greater opportunity to influence which types of energy are used.

The subsidiary in Norway uses 100% energy from renewable sources and the subsidiary in Finland buys electricity from renewable sources. The subsidiary in Estonia switched to purchasing electricity from renewable sources from mid-2022, which, combined with a 17% reduction in energy consumption, saw their greenhouse gas emissions more than halved (-57%) compared to 2021².

ENERGY CONSUMPTION	2021	2022	CHANGE
Combustion on site (kWh)	245 336	352 728	+44 %
Electricity (kWh) purchased	537 897	576 403	+7 %
Heat (kWh) purchased	177 705	192 077	+8 %
Total energy consumption heat and electricity (kWh)	960 938	1 121 208	+17 %
Total greenhouse gas emissions from heating and electricity (tCO₂e)¹	258	234	-9 %

¹ Based on Scope 1 figures and the market-based Scope 2 figure.

² From 63 tonnes of CO₂e in 2021 to 27 tonnes of CO₂e in 2022.

Material use

A product's environmental impact is largely determined as early as the design and product development phase. Reducing material consumption, using more renewable and recycled materials and eliminating the use of hazardous substances in our products are all part of our efforts.

MATERIALS AND CHEMICAL CONTENT

Our goal is to ensure that our products are high quality with respect to functionality and safety, have a long lifespan and do not harm people or environment. We comply with current legislation and the legal requirements that exist at product and chemical level. The fundamental requirements for our products are REACH, POPs regulations, CE, RoHS and the European Union Timber Regulation.

New legal requirements are constantly imposed on chemicals that are not permissible for further use as they are harmful to people or environment. For proactive and smart work, a systematic work methodology is necessary to keep the documentation updated and work preventively by replacing materials or substances that are no longer permissible.

Our development of a Material Portal has continued throughout this year. In it, we can collect and secure the documentation of

the materials in our products in a structured way. At supplier level, data is collected on the type and amount of material, any content of hazardous substances and the proportion of recycled material. The Material Portal will begin to be implemented in the spring of 2023 for a small number of suppliers and will then be expanded annually.

This year, we acquired an XRF scanner for testing chemical elements in products. With its help, we can test products ourselves and detect the presence of dangerous substances. We are currently focusing on familiarising ourselves with the equipment, devising routines and creating a control plan.

AJ Produkter also became a member of the Swedish Chemicals Group RISE in 2022, a network focusing on chemicals and environmental issues.



ENVIRONMENTAL ASSESSMENTS

We have products in our range that are used in offices, schools, warehouses and industry, which means a number of different requirements and ideals apply to them. Some of our customers are part of the public sector, such as municipalities, regions and state authorities. Public procurement is closely linked to sustainable development and the climate and environmental goals relevant to each country. The guidelines and strategies that are issued by governments and parliaments are often reflected in procurement processes and framework agreements early on, and also form a guide for our sustainability work at AJ Produkter.

Some of our products meet the requirements for FSC labelling of wood raw materials and OEKO-Tex and EU Ecolabel for textile raw materials. Our range includes products certified in accordance with the Nordic Swan Ecolabel, Möbelfakta (a Swedish reference and labelling system), Byggsvarubedömningen (Building Product Assessment) and

GS. The assessments include requirements for the materials used and focus on the chemical content, emissions and sustainable forestry, but also on the traceability of the entire product. The aim is to ensure that it has a minimal impact on people and the environment. This means that we have control over our operations and can identify and carry out risk analyses of our subcontractors. Focus in 2022 continued to be on making more construction product assessments, which resulted in a further 39 products being assessed.

NUMBER OF ENVIRONMENTALLY-ASSESSED PRODUCTS IN OUR RANGE

179 Möbelfakta certificate

48 Nordic Swan Ecolabel

111 Building Product Assessment

BUILDING PRODUCT ASSESSMENT

The Byggsvarubedömningen (or Building Product Assessment) assesses products for the construction industry based on their chemical content, environmental impact during their lifespan and their long-term social impact during the supply-chain phase.

MÖBELFAKTA

Möbelfakta is a complete reference and labelling system for furniture. It includes technical, environmental and production ethical requirements. Furniture labelled with this certification meets the specified demands for quality, environment, and ethical manufacturing.

NORDIC SWAN ECOLABEL

The Nordic Swan is the official ecolabel for the Nordic countries. It examines the environmental impact of goods and services throughout their life cycle and places requirements on function and quality.

Waste management

The more waste we sort, the less goes for incineration. Materials with hazardous substances are also handled correctly, which causes less damage to people and nature. Our focus must be to reduce the amount of waste, including hazardous waste, manage hazardous waste correctly and increase the proportion of waste that goes to recycling.

RECYCLING

Reducing the total amount of waste is important, but so is focusing on improvement actions that have a big impact and contribute to us moving upward on the waste management ladder. This can include improving internal processes with the aim of reducing waste or increasing the amount of waste that is sent for recycling instead of incineration, for example.

RECYCLABLE WASTE MATERIALS

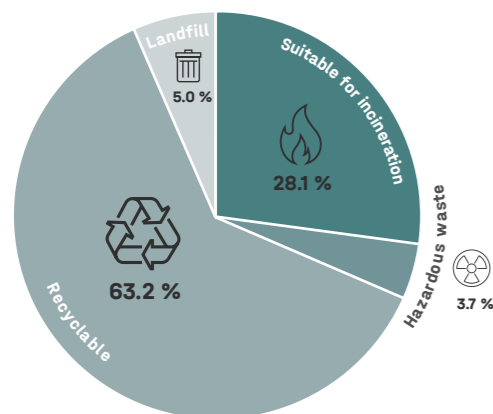
DISTRIBUTED BETWEEN OUR DIFFERENT UNITS

UNIT	2021	2022	CHANGE
AJ Produkter, Halmstad	24,0 %	26,5 %	+10.3 %
AJ Furniture Factory	70,8 %	61,4 %	-13.4 %
AJ Metal Design	88,2 %	89,4 %	+1.4 %
UAB Kalvarijos Baldai	No data	No data	N/A
Subsidiaries	No data	52,5 %	N/A

AJ Metal Design has reviewed its management of hazardous waste, created a new area for storage and increased collection frequency. AJ Furniture Factory started a project in the autumn of 2022 to reduce the generation of waste. The implementation of water-based paints that took place in 2021, has significantly reduced the amount of hazardous waste from paint and paint residues this year.

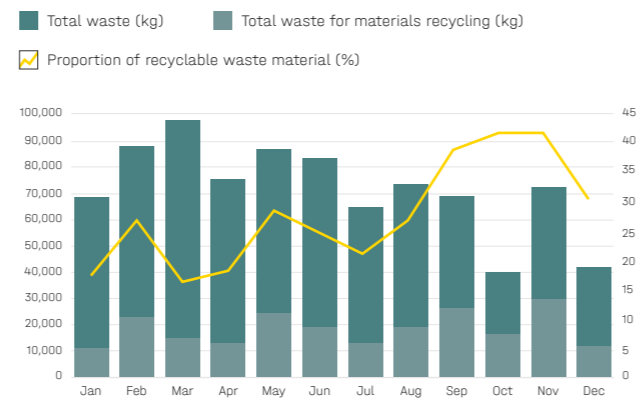
WASTE FROM OUR UNITS 2022

BROKEN DOWN INTO FOUR WASTE CATEGORIES



COMPANY WASTE HALMSTAD 2022

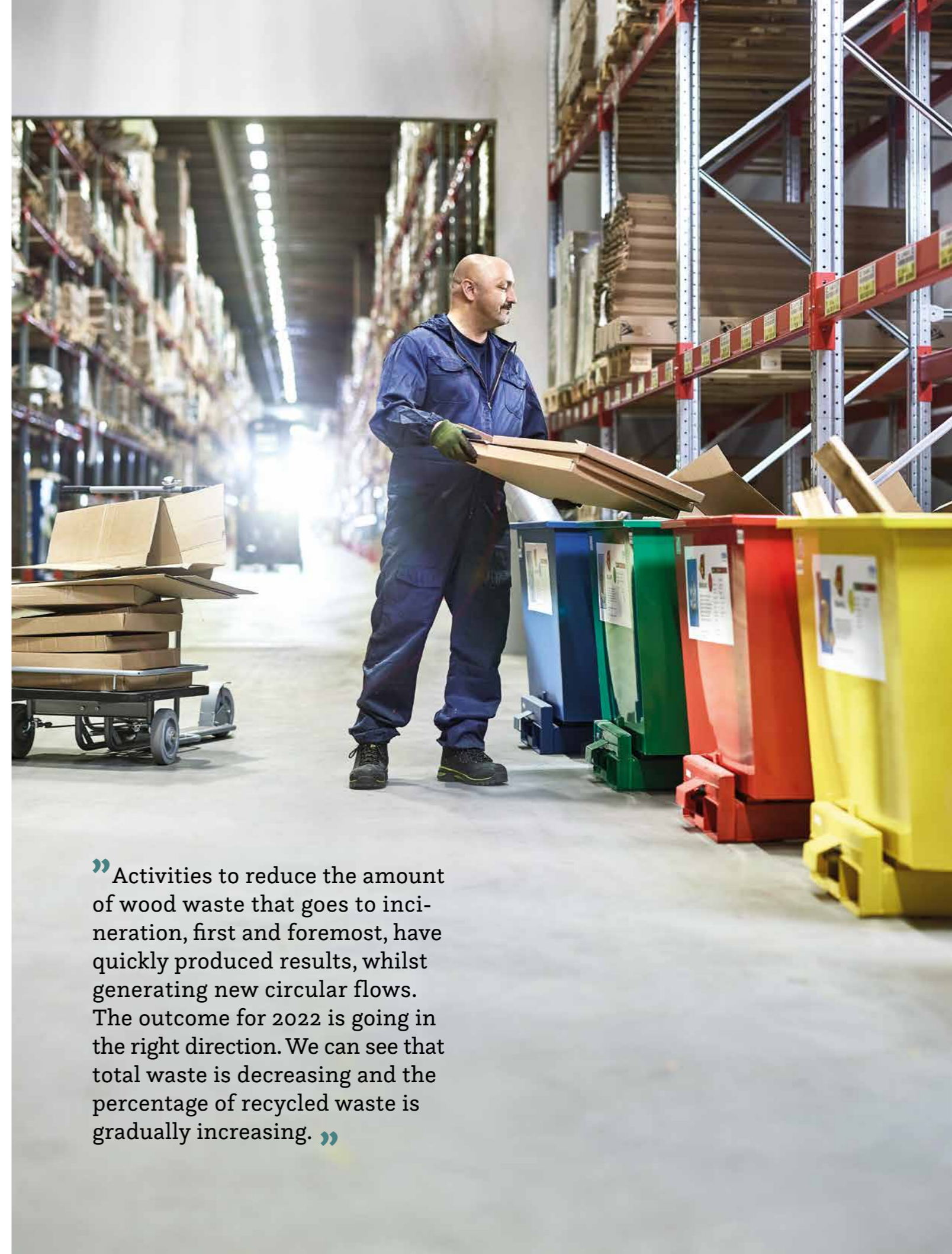
MATERIAL RECYCLABLE WASTE BY MONTH



The proportion of recyclable waste is low from our operations in Halmstad. We have several improvement activities underway with a goal of increasing the percentage to 40% by 2023. We measure this every month and post key figures on the intranet.

Activities to reduce the amount of wood waste that goes to incineration, first and foremost, have quickly produced results, whilst generating new circular flows. The outcome for 2022 is going in the right direction. We can see that total waste is decreasing and the percentage of recycled waste is gradually increasing. The goal for 2022 was to reach up to 30% recyclable waste, which was achieved in the last months.

At our warehouse in Halmstad, waste is sorted in recycling stations and environmental stations, and is then collected by Stena Recycling for further recycling. We have expanded the possibility of further sorting as the new recycling centre built recently has more streams. The waste types that can be currently recycled and made into new material are: metals, corrugated cardboard, paper and LPDE (packaging plastic).



“Activities to reduce the amount of wood waste that goes to incineration, first and foremost, have quickly produced results, whilst generating new circular flows. The outcome for 2022 is going in the right direction. We can see that total waste is decreasing and the percentage of recycled waste is gradually increasing.”

Circular solutions

By more careful use of the Earth's resources and ensuring that available resources keep circulating, we can reduce our climate and environmental impact. Reuse, recycling and repair are some of the key methods. Circulating materials that have already been extracted and reusing products that have already been produced are important parts of the circular economy.

PRODUCT DEVELOPMENT

When we develop products, the needs of the customer and the user are key. The needs of the outside world are constantly changing and new challenges require attention, curiosity and flexibility. The demands of well-informed and aware users, customers and society are increasing, and with them transparency and clear values. In today's fast-paced world, information is expected to be close at hand and problems to be solved easily.

We seek to develop new design principles, in which one of the cornerstones is to design for a sustainable and circular future. AJ Produkter sets out its working method internally by developing solutions and designing products for a long lifespan, with more durable materials and extended traceability with the help of our new tool, the Material Portal.

CIRCULAR FLOWS

PALLET HANDLING

The Pallet Project, which started in 2021 in collaboration with head office in Halmstad and the factory in Poland, is now up and running. The aim was to improve the quality of pallets from the factory, so that they can be used longer and circulate further. Pallet sizes have been adjusted and adapted to the products and our use. We can use the majority of pallet sizes in our flows and the sizes that do not work are sent back to Poland for reuse. The project has resulted in higher quality pallets, which increased their lifespan and reduced our waste.

At our warehouse in Halmstad, we also handle a large number of pallets from various suppliers. In 2022, we started a collaboration with an external partner for handling pallets that we can no longer use in our flows. For example, pallets could be the wrong size to send on to the customer, are worn out or have broken. The pallets are now taken care of by an external partner primarily for reuse, repair or use of parts, with the aim of reusing as many pallets as possible. This circular solution has also reduced waste and costs.

SPARE PARTS

The process for handling our spare parts has been reviewed this year. In recent years, we have increased our spare parts range by approximately 150 items per year but this year it was increased by 570 items. Sending a spare part instead of replacing with a brand new product is beneficial in many ways. With more spare parts in



our range, we increased the chances of our customers being able to repair a product.

Customers can now have spare parts sent to them when they have been in contact with one of our salespeople. We need to make spare parts more easily accessible to our customers, for example by having them available on our website. The EU is rapidly developing new requirements linked to sustainable consumption and the circular economy at the same time as customers are increasingly wanting to be able to repair instead of buying new.

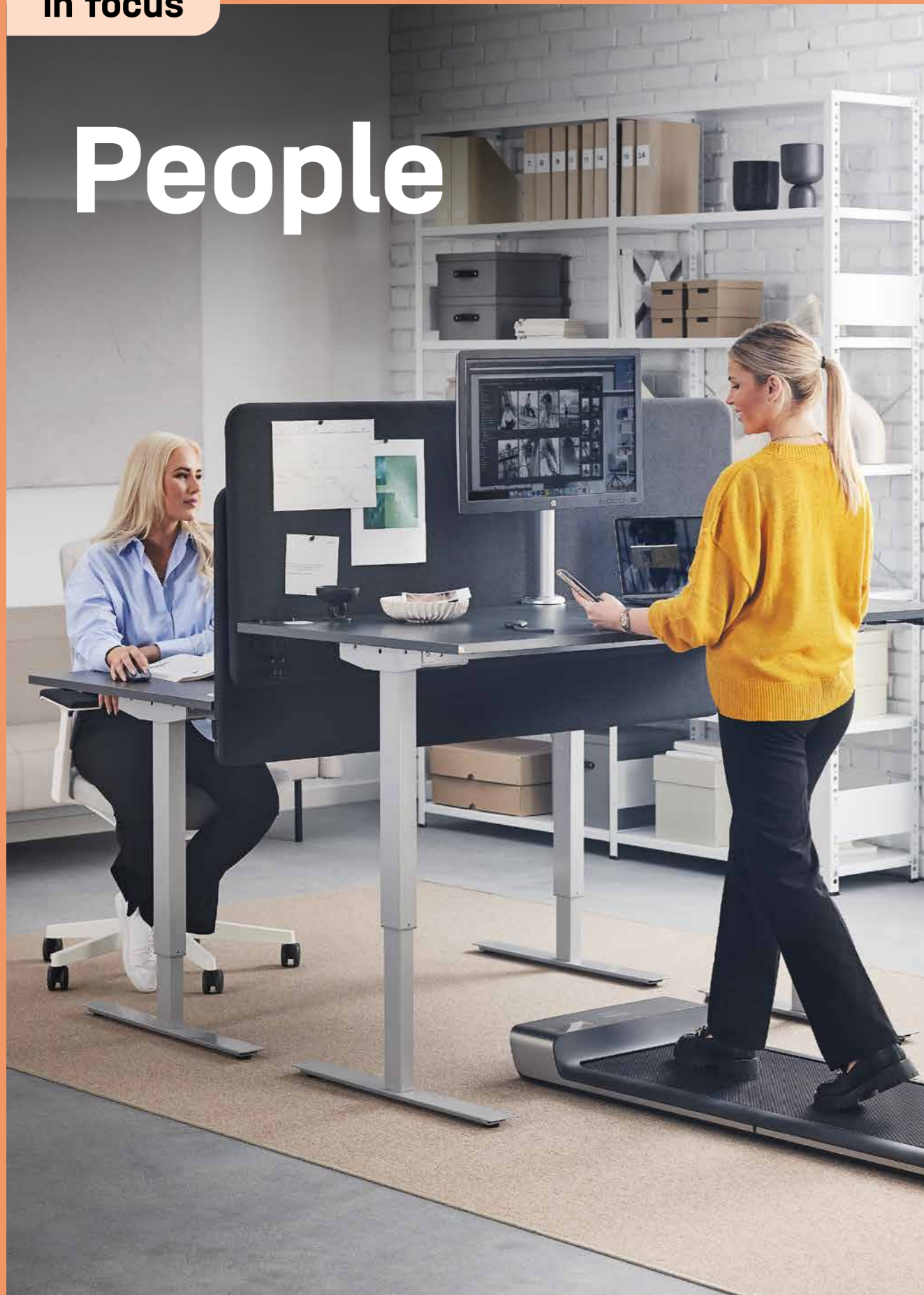
MANUFACTURER'S RESPONSIBILITY

We are subject to manufacturer's responsibility when it comes to packaging, electronic products and batteries. The basic idea is to reduce the amount of waste and ensure residual waste produced is recycled and used to make new products. As a company, it is our responsibility to contribute to achieving the recycling targets and ensure that the packaging, electronic products and batteries that we put on the market can be collected and recycled. AJ Produkter Sweden is connected to the collection systems FTI and El-Kretsen. Our subsidiaries report in their respective countries.

We performed a major review this year to ensure that correct data is reported to FTI and El-Kretsen. We have collaborated with FTI and ensured that the data for our packaging reporting is up to date and accurate. We have also checked that codes and weights are correctly set on electrical equipment and batteries.



People



Our work environment

There are many factors that affect wellbeing in a workplace. A good work environment with a focus on ergonomics, safety, employee wellbeing and skills contributes to a pleasant workplace.

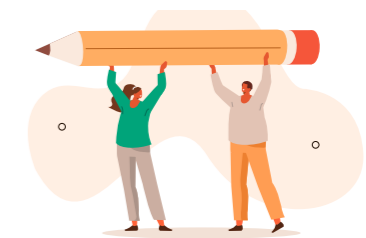
ERGONOMICS AND SAFETY

Physical work environment factors such as noise, light, ergonomics, movement and exercise are important for our physical and mental health. We conduct continuous efforts to prevent accidents and incidents and to minimise work-related diseases or injury. The goal is to have zero sick leave linked to the work environment. We are continuously developing and improving our systematic health and safety management system and our internal control of the work environment.

”The entire company is working hard to establish a positive safety culture and develop safety skills among staff and, to some extent, also among suppliers.”

Some of the things we achieved in 2022:

- Built a new office and warehouse in Lithuania better suited to our business.
- Expanded our central warehouse in Sweden and doubled the area for better flow, which leads to increased safety and a better working environment.
- Improved the premises at our factory in Slovakia to have a more inspiring work environment.
- Trained everyone at the central warehouse in ergonomics and safe lifting.
- Moved to new premises in Stockholm that better meets our needs.



AJ METAL DESIGN

We continued work with SMED (Single-Minute Exchange of Die) on a roll-forming line to shorten setup times and increase efficiency, which also counteracts stress.

We are proud that the TCIR (Total Case Incident Rate) value in 2022 improved compared to 2021. We reached 1.97 TCIR which is below our target of not exceeding 2.5 TCIR.

- By replacing an older spray box, we reduced the risk of dust particles for employees in production, which improved safety conditions along with ergonomics, maintenance costs and efficiency.
- To improve ergonomics, we have started using lifters, especially when moving and repairing the forklift batteries.
- We also started registering incidents and risks for administrative staff to improve safety and raise awareness.
- We have switched to safer fire doors that can withstand fire for a longer period of time.
- We fitted new safety covers for compressed gas cylinders for safer storage in severe weather conditions.

”We work to improve the health and well-being of employees by offering benefits such as wellness allowances, physical exercise and activities for increased well-being.”



AJ FURNITURE FACTORY

Employee well-being and commitment is a priority area. AJ Furniture Factory has introduced visualisation boards and the BBS (Behaviour Based Safety) method, which helps employees to influence and improve their work environment. The level of BBS notifications in 2022 remained at 97%. The TCIR value went up this year from a low of 0.41 to 1.69. The goal for 2022 was not to exceed 1.70.

- The new production hall completed in August 2022 gave us new organisational opportunities that improved ergonomics at many workstations.
- We launched audits at our suppliers to increase their awareness and develop a culture of best safety practices, care for the environment and the best LEAN practices. We are proud that we can share our knowledge and that our organisation raises the standards for the employees of our suppliers.
- We improved ergonomics by moving to automatic unloading of the saw.
- We fitted sit-stand workbenches for the assembly department that can be raised and lowered. They have significantly improved working conditions for the employees.

”To contribute to a healthy work/life balance for the benefit of our employees and their loved ones, we introduced subsidised membership cards to sports facilities in our local area. This is to promote healthy habits.”

Our well-being

From a social perspective, people feel good at work when they are able to use their strengths and skills and collaborate with others in an encouraging and inspiring work atmosphere. Everyone should know the purpose of their job and their own responsibilities. This is the type of work environment we always strive to create. AJ Produkter should be an attractive workplace with healthy staff who want to stay with us long-term. We aim to be a workplace characterised by openness, inclusiveness and gender equality.

WELLNESS AT WORK

Job descriptions and our Code of Conduct and policies make it clear how work is to be performed at AJ Produkter. Through annual employee performance reviews, evaluations and workshops, we want to increase dialogue and are keen to take in views and suggestions for improvement.

Some of the things we achieved in 2022:

- Built a gym at head office where we offer several different sessions each week, for example, crossfit, mindfulness and yoga. Those who prefer to train alone or with a colleague can, of course, do so.
- Offered nutritional counselling for all employees.
- Created a 1.3 kilometre walking loop around head office, passing a fish pond with fish the employees can feed. The loop is frequently used at lunchtime and during short meetings, to promote movement and fresh air.

AJ Produkter is a flat organisation. We cherish closeness, openness and a family spirit in which we know and understand each other. Although our organisation is large, we also want to be small. We need to work closely together to reach our common goals. By being genuine and engaged, we are good colleagues and together we can develop and become more successful.



BREAKDOWN - EMPLOYEES (INCLUDING TEMPS)			
	Women	Men	Total
AJ Produkter Sweden	37 %	63 %	328
Subsidiaries	58 %	42 %	186
AJ Furniture Factory	35 %	65 %	260
AJ Metal Design	22 %	78 %	244

GENDER EQUALITY AND DIVERSITY

AJ Produkter aims to reflect society as a whole and be a workplace characterised by openness, inclusiveness and gender equality. We see it as a given that women and men should have equal working conditions and career development opportunities. All managers who start with us undergo training in inclusive leadership, about the right of all our employees to work in and be part of an equal organization.

We strive to increase the proportion of women in the warehouse in Sweden and working in production at our factories in Slovakia and Poland, which are the parts of the company dominated by men. We are aware that some work is physically demanding and we constantly seek to find aids for heavy lifting and repetitive tasks.

Everyone's position is equally important at AJ Produkter, even though we have different roles. It is a particular point of pride and importance to us that employees should see AJ Produkter as an inclusive and open workplace to which they feel strongly connected.

BREAKDOWN - MANAGEMENT POSITIONS			
	Women	Men	Total number of managers
AJ Produkter Sweden	19 %	81 %	32
Subsidiaries	54 %	46 %	24
AJ Furniture Factory	44 %	56 %	16
AJ Metal Design	17 %	83 %	6



EMPLOYEE SATISFACTION SURVEY

We had a response rate of 84% to the employee satisfaction survey in 2022. Running surveys to find out what the employees think, how they feel and what they see as our strengths and areas of development is important, but even more important is the follow-up work. After each survey, the total result is presented to everyone in the organisation and then each department works through its results. The aim is to ensure that we preserve strengths and work on what we need to improve. The same work is done from the management to improve company-wide issues.

We strive to reach our goals for the company as a whole, which is +30 on eNPS (Employee Net Promoter Score) and 80 on EI (Employee Index). What stands out in the survey is that time for recovery at work has low values, which indicates an intense work pace and is something we are working on. In general, we do not have a lot of overtime and the question of work/life balance has high positive values, which shows that there is time for recovery outside of work hours.

ENPS EMPLOYEE LOYALTY - Measured on a scale of -100 to +100			
	2020	2021	2022
AJ Produkter Sweden	21	20	22
Subsidiaries	34	31	30
AJ Furniture Factory	n/a	n/a	1 ¹
AJ Metal Design	n/a	n/a	
Total	n/a	n/a	14

¹ Measured together in 2022

EI EMPLOYEE INDEX - Measured on a scale of 1 to +100			
	2020	2021	2022
AJ Produkter Sweden	76	79	79
Subsidiaries	81	85	84
AJ Furniture Factory	n/a	n/a	74 ¹
AJ Metal Design	n/a	n/a	
Total	n/a	n/a	78

Skills

Skills supply is crucial for the company's development. Finding the right employees and ensuring that they develop and thrive in the company is an investment for the future.

AJ ACADEMY

In 2022, we further refined the pre- and onboarding program, which extends over a year, to cover all new recruits within AJ Produkter and our subsidiaries. We measure satisfaction levels in the various sub-programs every month and are proud of the reception the introduction has received. The introduction includes a visit to head office where we conduct a tour, basic product training and where participants get to meet the various departments to find out what they do and get to know colleagues in other departments.

BREAKDOWN - EMPLOYEES (INCLUDING TEMPS)

Area	Outcomes	Goals
Introduction for white-collar workers - Sweden	9.11	9.0
Introduction for blue-collar workers - Sweden	9.10	9.0
Introduction for subsidiaries	8.93	9.0
My first year for white-collar workers - Sweden	8.38	8.5
My first year for blue-collar workers - Sweden	8.86	8.5
My first year for subsidiaries	8.75	8.5

In April 2022, we implemented an HRM system, People@AJ, which secures all our internal HR processes and creates a clear process flow. It makes it easier for managers to do the right thing and creates reassurance in the parts of the onboarding process that must be in place to on- and off-board employees at AJ Produkter. We have chosen to profit from ongoing learning to consolidate new knowledge and support managers and employees during the change journey, which is a large part of working life today where a lot changes quickly.

Another major initiative was carried out in 2022, the AJ Sales Academy. Together with an external supplier, we developed customised sales training based on respective work areas within Sales: Sales Management, Customer Service and Project Sales & KAM. The rollout of the program will continue in 2023 and the aim is to strengthen skills and create the right conditions for our salespeople.

To create closer leadership for the employees in our central warehouse, we are using more team leaders with direct personnel responsibility. To prepare them for the task, they have undergone an extensive leadership program.

EDUCATIONAL COLLABORATION

We want to be a modern and attractive workplace and we think it is important to collaborate with engaged students. Students who have completed their degrees or an internship with us are seen as positive elements in our business that help us develop. In some cases this may also lead to an employment offer.

It is important for us to constantly develop and improve ourselves. Employee satisfaction surveys are a way of gaining insight and working periodically with result-oriented activities. That the employees enjoy themselves and feel committed is a prerequisite for us to reach our goals together and feel good at work.



Human rights

AJ Produkter has a large supplier base and believes that business must be done in a responsible and professional manner. Like us, our suppliers must respect and stand up for human rights, labour law, environmental responsibility and anti-corruption at all levels.

PURCHASING STRATEGY AND VISION

Our purchasing strategy is based on three cornerstones:

- Supplier performance
- Sustainability
- Procurement optimisation

”Identify, design and develop a world-class supplier base that creates a competitive edge and maximises customer benefit.”

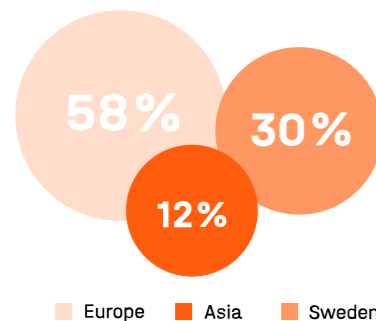
AJ PRODUKTER SOURCING VISION

SUPPLIERS

AJ Produkter collaborated with more than 300 suppliers in 2022. As part of our purchasing strategy for 2022-2025, we intend to consolidate more volume with fewer suppliers. This year we reduced the number of suppliers by 9%.

The Group carries out in-house production at three factories in Europe. The products produced at these factories include office furniture, storage cabinets and pallet racks. In-house production accounts for 40% of the Group's total purchases. In total, 88% of the Group's suppliers are located in Europe and only 12% are located in Asia. We have our own staff in Asia, whose primary duty is to ensure that our Asian suppliers meet the imposed requirements. Quality control is usually performed by the local staff but can also be done in collaboration with staff from Sweden.

When Ukraine was invaded by Russia, AJ Produkter's management decided not to continue doing business in either Russia or Belarus. This applies to direct suppliers and their sub-suppliers, as well as suppliers to our own factories.



SUPPLIER ASSESSMENT AND REQUIREMENTS

All our suppliers must meet a number of criteria. When selecting suppliers, assessments are carried out on the basis of their ability to deliver, financial status and the supplier's ability as well as their desire to meet our quality and environmental requirements.

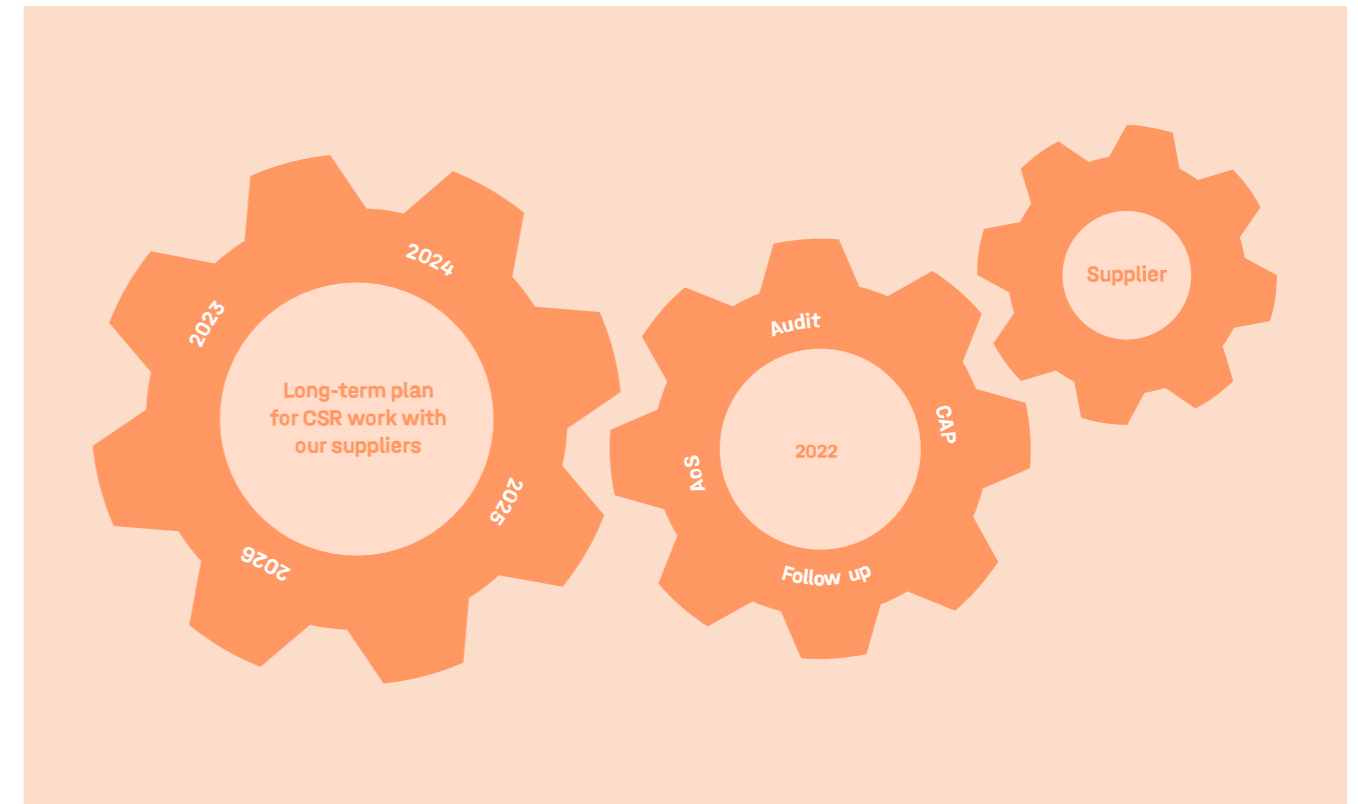
The supplier agreements are negotiated and agreed centrally by the head office to ensure that the company's purchase guidelines and policies are followed. Under the terms of the supplier contracts, our suppliers and their subcontractors are required to comply with our rules and guidelines on social responsibility, sustainable development and business ethics, as well as requirements based on the UN Global Compact.

The goal is to reach 100% signed supplier agreements with our largest active suppliers¹, that is, those who will account for 80% of our purchase volume by 2023. Today we are up to 95%. We had hoped to have reached our goal by now with better progress in 2020 and 2022 but unfortunately we have not been able to make visits to our suppliers due to the pandemic.

We assess our suppliers on an ongoing basis with regard to aspects such as delivery reliability, quality, communication and fulfilling our CSR requirements. To strengthen our ability to follow up and improve cooperation with our suppliers, during 2022 we hired two SQA, Supplier Quality Assurance, specialists.

¹ As procurement volumes can be impacted positively over time and both existing and new suppliers can be added, the goal is considered to be achieved at 98%.

FACTORS ASSESSED WHEN CHOOSING A NEW SUPPLIER	<ul style="list-style-type: none"> • Financial status • Delivery capacity • Environmental and quality requirements
SUPPLIER AGREEMENTS	<ul style="list-style-type: none"> • Social responsibility • Sustainable development • Business ethics
ASSESSMENT CRITERIA	<ul style="list-style-type: none"> • Delivery security • Quality • Communication
RISK ASSESSMENT CSR	<ul style="list-style-type: none"> • Economic • Social • Environmental



HUMAN RIGHTS DUE DILIGENCE

Our greatest risk with regard to human rights, corruption and social issues is at supplier level. Work on risk assessment was further developed during 2022 and the five-year plan was updated with new goals. CSR work was the primary focus for our largest and most important contractual suppliers.

CSR stands for Corporate Social Responsibility. There are three areas of responsibility

- Economic
- Social
- Environmental

Every year, due diligence work is carried out in accordance with the Norwegian Openness Act and upcoming HRDD legislation, which involves systematically reviewing CSR in the supply chain. The purpose is to make sure that all suppliers follow the relevant legal requirements and also follow our requirements and guidelines in the area.

As basis for our requirements, one of the areas we start from is the 10 principles in the UN global compact where requirements are specified within the following domains:

- Human rights
- Labour rights
- Environment
- Anticorruption

The work is based on a five-year plan that prioritises which suppliers are to be reviewed that year. A risk assessment is carried out on the selected suppliers, where parameters such as in which

country the product is manufactured, if the supplier has sub-suppliers in high-risk countries (according to Amfori BSCI²) and if the product or the materials used in themselves may involve an increased level of risk. This assesses, for example, whether the supplier has certified management systems and whether they have previously been audited (by us or someone else).

The next step comprises a more detailed revision of the suppliers that have the highest risk factors. In the revision, the above-mentioned detail areas are reviewed. Verifying documentation should be available and any deviations should be documented in a corrective action plan (CAP). The last step is to follow up, and only when any deviations in the action plan are resolved, can the supplier's CSR work be approved.

During this year's CSR process, 6 suppliers were examined. No serious deficiencies were discovered during the audits but a total of 14 minor deviations were corrected. The most common deficiencies are that the supplier's own CSR processes are incomplete or too weak down its supply chain, weaknesses in fire protection (for example blocked fire hydrants) and lack of safety data sheets for chemicals used in production.

OUR NEXT STEP

In 2023, our B-suppliers will be the primary focus of our CSR efforts. The goal is to conduct in-depth audits of the suppliers that have an increased risk, based on the point system that we use.

² BSCI, The Business Social Compliance Initiative, is a European business-driven collaboration initiative to help companies improve working conditions in their global supply chain. Every country in the world has been given a risk value based on factors such as accountability, political stability and efficiency, obedience to the law and corruption.

Customer health and well-being

We have built a business on the idea of improving people's working environments. We work with furniture and equipment; we are not in the health industry. HOWEVER, we can make a big difference to health and well-being in many different workplaces through our products, and we are very happy to do so.

MAKE IT EASY TO STAY ACTIVE AT WORK

The body is designed to be in motion, and varying your working position frequently is the key to a sustainable working life. Reducing sedentary time also reduces the risk of heart and vascular diseases as well as diabetes. So, the best working position is the one you are not currently in! That's why we work hard to spread awareness of the importance of movement at work and to produce products that make it easy to stay active in any type of workplace.

ALTERNATE STANDING AND SITTING

The best combination in an office is to work at an ergonomic sit-stand desk, and to vary between an office chair and some kind of 'active seating'. This allows workers to easily change between standing, sitting normally and sitting actively. Perfect for health and well-being.

Standing on an anti-fatigue mat to take the strain off your legs, knees and back is recommended. Then, when you sit down, you need an office chair that can be adjusted according to your height and weight and that provides good support for the arms, lower back and legs. The advantage of switching to sitting on a balance stool, balance ball or saddle chair occasionally is that they work the back and torso muscles and provide a better posture, without you even noticing the effort.

PROVIDE VARIETY IN SCHOOLS

Active furniture is also appropriate in schools because it helps children stay focused and gives them an outlet for their excess energy. What's more, activity is good for both the body and mind. Increased blood circulation improves both attention and concentration, while an active everyday life reduces the risks of suffering from diseases later in life. It's also well known that physical movement improves students' learning ability. All good news in other words!

THE PROBLEM OF NOISE

Few things affect working in an office as much as disruptive noise. It's not just work that suffers; the increased effort to stay focused may cause strain in the neck and shoulders, and perhaps also headaches. The same applies in schools, where high noise levels impair the ability of students to concentrate and learn. It's also tiring to have to concentrate on learning and listening to the teacher speaking in noisy conditions. The teachers are also affected: research shows that when noise levels rise, so do people's heart rate, blood pressure and adrenaline levels. Over time, noise can also lead to tinnitus and hearing loss. Something must be done.

HOW PEACE AT WORK CAN IMPROVE APPETITE

Fortunately, solutions are available in the form of sound-dampening products that block and absorb noise and create a peaceful working environment. Furnishing with soft materials such as fabric-covered floor screens and desk screens, acoustic panels, carpets and upholstered furniture such as armchairs and sofas are what's needed. Desks with sound-absorbing desktops, chairs with skid bases and bookshelves for open storage also contribute to a better sound environment in the school. All of which are included in our range.

Furthermore, studies show that the senses of hearing and taste are connected. It's simply more difficult to taste food properly in noisy environments. Since both students and staff need their lunch break to recover and recharge, we have products that allow even the school canteen to offer an appetising sound level.

EVERYTHING FOR ERGONOMIC LIFTING

Lifting and carrying heavy loads are common work tasks in many workplaces. To prevent strain on the body, we offer a wide range of lifting aids. It is not enough just to provide pallet trucks or lifting tables though: everyone must know how to use them, they must be easily accessible and there must be time to use them safely. Promoting an ergonomic way of working is an investment in employee health and means that many injuries can be prevented.



CUSTOMISED FOR INDUSTRY

Pain from strain-related problems as a result of monotonous work leads to many sick days in the industrial sector. Fortunately, furniture and fittings can be adapted to work tasks, increasing the likelihood of more productive days. With a workbench that can be raised and lowered, working height can be adjusted according to individual needs, which is perfect if several colleagues share a workplace. For prolonged standing work, an anti-fatigue workplace mat is recommended to prevent wear and tear on the body.

A good work chair has an ergonomically designed back and seat that provides support and relief for both the lumbar and thigh areas. It also has an adjustable seat angle, so that the sitting position can be adjusted as needed. A mobile stool relieves strain on the back, knees and ankles caused by working positions such as squatting or kneeling. They also usually have shelves for tools, screws and nuts so that you don't have to stretch and have what you need close at hand.

INSIGHTS AND INFORMATION

We make an active effort to gather knowledge about life in different workplaces, while following trends and news. Why? We want our range to be relevant and beneficial to our customers.

An example: We commissioned Kantar Sifo to interview 400 warehouse managers in Denmark, Norway, Finland and Sweden in 2022. The questions touched on various aspects of the physical work environment and provided a wealth of insight into what changes Nordic logistics companies want to see in the future. The answers were compiled in the "Warehouse Report 2022" and will make our range even better adapted to customers' needs in the future.

We also work to spread knowledge. Our website is constantly filled with inspiring reading - all to help customers create a better, more pleasant and healthier working environment.

Sustainable governance



Business ethics and anti-corruption

It is of utmost importance for us to do business in a responsible and legal way and we are firmly against any form of corruption. We have determined that we run the greatest risk when purchasing new goods as part of the sourcing process.

Our Code of Conduct, which applies to all employees in the AJ Group, contains guidelines that clearly describe how our business is to be run. All employees have a duty to ensure that the Code of Conduct is adhered to. Therefore, it's important to communicate the Code, which we do even before a new employee starts at AJ Produkter via our digital preboarding program.

We have set up a whistleblowing procedure which enables employees to report any suspicion of misconduct anonymously. By 'misconduct' we mean violations of the law and regulations, and to some extent serious violation of internal policies. AJ Produkter has total prohibition on adopting retaliation against whistleblowers and to guarantee the whistleblower's anonymity, we have chosen to hire an external party.

To ensure that a code of practice with regards to ethics is applied for the supply chain, all of the AJ Group's suppliers and subcontractors must comply with the AJ Group's rules and guidelines regarding social responsibility, sustainable development and business ethics as well as the requirements of the UN Global Compact, which is based on the UN Declaration of Human Rights, the ILO conventions on Fundamental Principles and Rights at Work, the Rio Declaration and the UN Convention against Corruption.

Bribery and corruption are an obstacle to free competition and constitute criminal activity that is subject to serious legal consequences. In 2022, AJ Produkter had no reported cases of corruption and no supplier agreements have been terminated due to suspicion of corruption. As part of increasing internal financial control, we have software that helps us control outgoing payments. This is to ensure that we are not exposed to fraud or other irregularities, and that no secondary employment conflicts with the company's interests.





Sustainability management and governance

Our ten new sustainability issues form the basis of our sustainability work and clarify the focus going forward. With the help of management systems and digital tools, we can secure processes and collect information in a structured way. We see broadening collaboration both internally and externally as an important part of sustainability work.

MANAGEMENT SYSTEM

AJ Produkter has been certified according to management systems for quality and environment, ISO 9001 and ISO 14001 since 2011. 11 subsidiaries were included in the group certificate in 2021 and the remaining two subsidiaries were certified this year.

AJ Furniture Factory is ISO 9001 certified and in March 2022 was also approved for environmental, health and safety management systems, ISO 14001 and ISO 45001.

AJ Metal Design is certified according to management systems for ISO 9001, ISO 14001, ISO 45001 and ISO 50001.

PLATFORM FOR SUSTAINABILITY WORK

Last autumn, in collaboration with Position Green, we started implementing a platform for collecting sustainability data. The intention is for the platform to support us in the work of reporting, following up and analysing. We started by collecting data for climate calculation according to the GHG protocol¹.

THE MATERIAL PORTAL

Part of the management of our sustainability work will also be the Material Portal, which will be implemented in the spring of 2023. In it, we can collect and secure structured documentation of the materials in our products. At supplier level, data is collected on the type and amount of material, any content of hazardous substances and the proportion of recycled material.

COLLABORATION

The importance of collaboration with others is considerable and vital to progress. The demand for sustainability is growing more and more, due to ever-increasing legal and market requirements. We have expanded collaboration within the field and participate in networks where we can exchange experiences as well as receive support for our work on sustainability. We are members of the Network for electromagnetic compatibility (EMC) and this year we became a member of the RISE Chemical Group. We also became a representative on Möbelfakta's criteria council last year and sit on the SIS (Swedish Institute for Standards) technical committee.

¹ Greenhouse Gas Protocol, the international standard for measuring emissions.

Social engagement

"Nobody can do everything but everyone can do something." When we look at the world around us, we often realise how well off we are. We also realise that we can and want to contribute to others having a better life. That knowledge is the foundation of our social commitment, which is primarily focused on helping children.

WE HAVE SUPPORTED YENNEGA PROGRESS SINCE 2012

Yennenga Progress is a Swedish non-profit organisation that actively works toward community building by developing the concept of 'The Good Village'. What started with a preschool in Burkina Faso in 2001, is now a structure for welfare communities in micro format that can be used in multiple locations. The focus of its work is on education, health and infrastructure from a local perspective. It also works with entrepreneurship and organisation to help communities function and be able to develop to become self-sufficient.

The former preschool in the village of Nakamtenga now takes students up to high school level. AJ Produkter has supported the project since 2012, through efforts including contributing furniture for all classrooms in the school. We've also been responsible for the principal's salary for several years. Education gives young people the power to change and a functioning school environment is a prerequisite for that. It's work we are more than happy to contribute to.



AJ SPORTS ACADEMY GETS KIDS MOVING

We want children to feel good at school and in their free time, and we know that physical activity plays an important role in well-being. That's why we sponsored a camp week in Nyköping, on the east coast of Sweden, where children from the surrounding area could experience the joy of movement during the autumn holidays. During the week, they got to try sports such as padel tennis, floorball and crossfit, along with a lot of other fun activities. All under the guidance of qualified trainers and with the hope they will want to make exercise a natural part of their lives in the future.

Twenty children and young people participated in the camp in 2022. One of the leaders who offered tips and advice was Caxton Njuki, a sports and health coach who coaches children and adults in various settings.

HOPE FOR UKRAINIAN REFUGEES

The war in Ukraine touches us all deeply. We've all followed the reporting of thousands of people killed or injured as a result of the madness of war. We've also read about how millions of Ukrainians have been forced to flee, either because their homes have been destroyed or to protect themselves from impending attacks. According to reports, nearly 14 million Ukrainians have been forced to leave their homes since the outbreak of war. Many have gone to other countries, but there are said to be approximately 6 million people in refugee camps inside Ukraine.

We at AJ Produkter want to do what we can to help these people. That's why we've chosen to support the UN refugee agency UNHCR and their important work in helping refugees on the ground in Ukraine. We also support UNICEF, the UN Children's Fund in their work to give Ukraine's children hope for a future without war.



We also annually support:

- Generation Pep - promotes an active and healthy life for children and young people.
- BRIS Sweden (Children's rights in society) - campaigns for a better childhood by standing up for children's rights and making children's voices heard.
- Aktiv Skola (Active schools) - contributes to better schools by focusing on drugs, grooming, health, the environment and bullying.
- Städa Sverige (Clean up Sweden) - creates environmental projects through which young athletes are paid for picking up litter in their local area.

Key partnerships

COMPANY-SPECIFIC



TRYGG E-HANDEL

TRYGG E-HANDEL is a certification for e-commerce companies. This symbol shows the consumer that the company is serious and stable and that all purchases are safe and secure.



ISO 9001 AND 14001

ISO 9001 and 14001 certification of management systems for quality and certification of management systems for the environment.



AAA MAX CREDIT RATING

AAA is the highest credit rating a limited company can have and is awarded to companies that demonstrate stability over time, both in periods of economic growth and recession.

NETWORK - MEMBERSHIPS



POSITION GREEN

Position Green is a platform for measuring and monitoring sustainability data. AJ Product's collaboration with Position Green contributes to the development of our sustainability work and reporting.



NETWORK FOR ELECTROMAGNETIC COMPATIBILITY (EMC)

Membership of the EMC sustainability network contributes to skills development and the exchange of experience within sustainable business development.



SIS TECHNICAL COMMITTEE

By sitting on the SIS (Swedish Institute for Standards) technical committee, we get an early insight into which new standards are underway

PRODUCT-RELATED



THE NORDIC SWAN ECOLABEL

The Nordic Swan is the official ecolabel for the Nordic countries. It examines the environmental impact of goods and services throughout their life cycle and places requirements on function and quality.



BYGGVARUBEDÖMNINGEN

Byggarbetsinspektionen assesses building products on the basis of their chemical content, environmental impact during their life-cycle and by extension also the social impact in the supply chain.



PACKAGING AND NEWSPAPER COLLECTION (FTI)

AJ Produkter is affiliated with FTI and thus fulfills its manufacturer responsibility when it comes to collecting and recycling packaging materials.



ELKRETSEN

AJ Produkter is affiliated with El-Kretsen and thus fulfills its manufacturer responsibility with respect to collecting and recycling electronic waste and batteries.



RISE CHEMICAL GROUP

A network and knowledge platform run by RISE. The network provides the company with global monitoring, tools and knowledge exchange within chemicals and environment-related issues for products and production.



MÖBELFAKTA'S CRITERIA COUNCIL

AJ Produkter sits as a representative on Möbelfakta's criteria council. The council's task is to ensure that Möbelfakta's criteria are relevant and current and in line with ISO 14024.



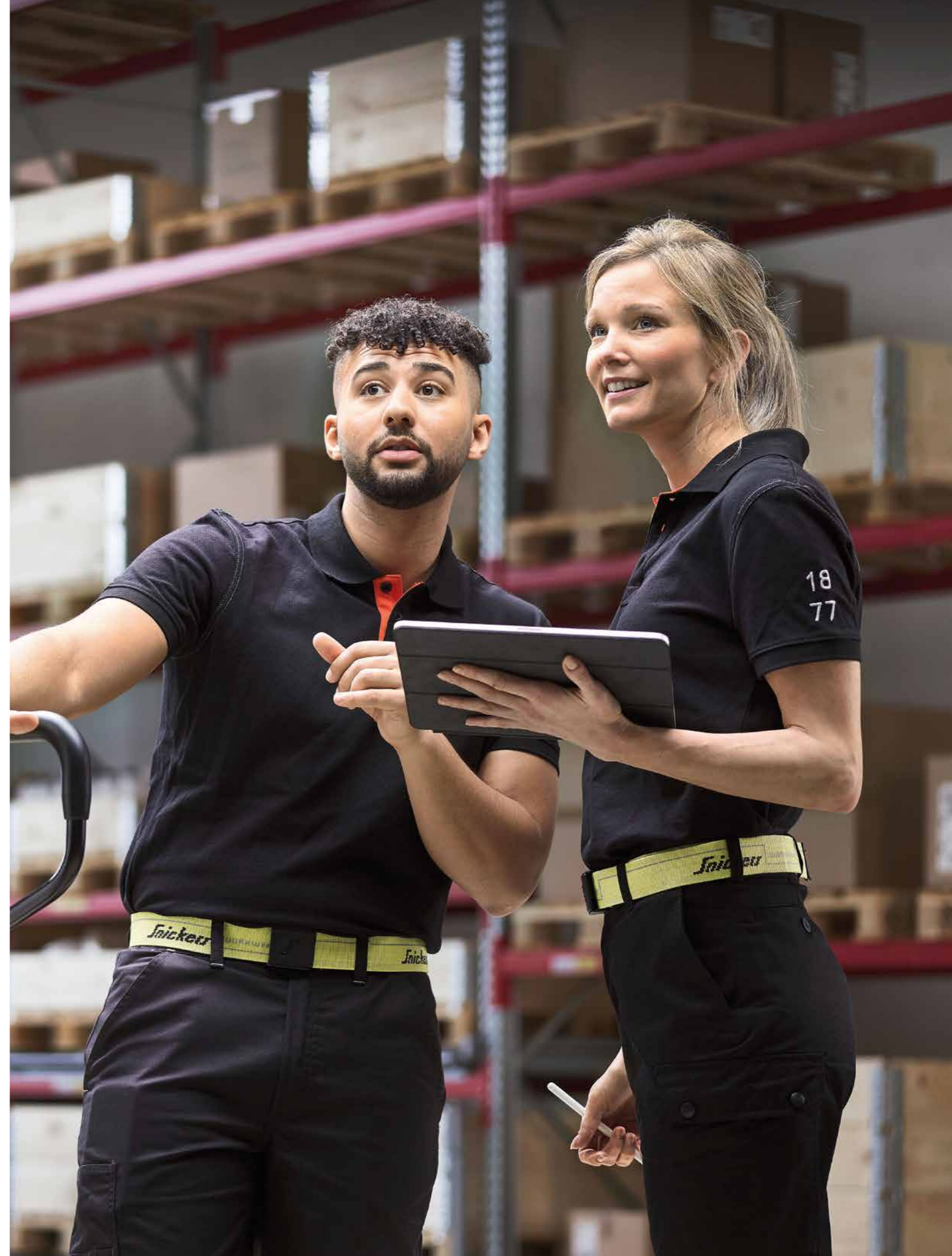
GEPRÜFTE SICHERHEIT

The GS symbol (Tested Safety) is a quality and safety symbol. The product has been inspected and meets the latest safety requirements stipulated in the German Device Safety Act.



MÖBELFAKTA

A complete reference and labelling system for furniture. It includes technical, environmental and ethical requirements related to manufacturing. Furniture labelled with this certification meets the demands of quality, environment, and ethical manufacturing.





Auditor's comments

AUDITOR'S STATEMENT REGARDING THE STATUTORY SUSTAINABILITY REPORT

For the Annual General Meeting of AJ Produkter AB, org. no. (Sweden) 556190-7329

ASSIGNMENT AND DIVISION OF RESPONSIBILITIES

The Board of Directors is responsible for preparing the Sustainability Report for 2022 and for ensuring that it has been prepared in compliance with the Swedish Annual Accounts Act.

FOCUS AND SCOPE OF THE AUDIT

Our audit has been conducted in accordance with FAR's auditing standard RevR 12. Auditor's statement regarding the statutory sustainability report. This means that our review of the Sustainability Report has a different aim and is of significantly smaller scope than the aim and scope of an audit in accordance with the International Standards on Auditing and generally accepted auditing standards in Sweden.

We believe that this audit provides sufficient grounds for our statement.

STATEMENT

A sustainability report has been prepared.

Halmstad, 11th May 2023
Ernst & Young AB

Henrik Nilsson
Authorised public accountant



ajproducts.com