

Rusta sustainability report

Financial year 2018/19



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A word from our CEO

The most sustainable mixed low-price retailer in the Nordics by 2021

At Rusta, we want to make it easy for our customers to renew and refill their homes, without having to compromise on our shared responsibility towards future generations. We think everyone should be able to make sustainable choices, regardless of the size of their wallet.

Ever since the foundation of Rusta, back in 1986, “great value for money” has been our guiding principle. That same idea also provides the foundation for our sustainability approach. When we say, “great value for money”, we mean more than just low prices. It also means that our products are of good quality, and that we, as a company, act in a way that is ethically, socially and environmentally sound. That is part of Rusta’s business.

In recent years, Rusta has placed great commitment and emphasis on sustainability. A sustainability strategy and policy were established, as well as a vision for what our sustainability work should lead to: “offering sustainable products for life at home”. Subsequently, systematic and long-term work has followed in order to gradually make the business more sustainable.

The ways in which we can contribute to a sustainable society are many, especially when it comes to production, distribution and use of our products. Being on site where our products are made enables efficiency, while ensuring that quality, production, working conditions and transport are all managed in a sustainable manner. During the year, we have continued to develop the quality of Rusta’s range of products, as well as our work within sustainability. We are good, but we can always get better. This constant development is the essence of our company and guide our more than 3,000 employees.

Rusta’s Sustainability Report is an important tool for our continued work as a responsible company. Through this annual report we set targets and requirements and create systems for follow-up – aiming to create a more sustainable Rusta. Sustainability is our shared responsibility and we look forward to continue to improve and work towards long-term sustainable development. Together we make Rusta even better!

Upplands Väsby, May 2019



Göran Westerberg
CEO Rusta AB

Some highlights



Club Rusta Members

68%

Increase during the year



Sold during 2018/19 (Responsible forestry)

Single Use
Plastics 2019

Phased out this year

STOP



Visits per year

60
million



Garden decorations

-76%

Decrease of defective customer returns

Consolidated net sales

MSEK: 6,935

Waste to combustion

-38%

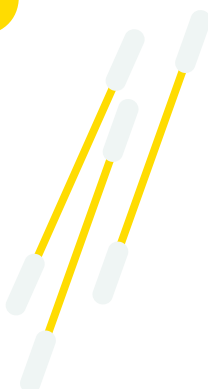
Decrease since the year before



-14 tons

Less plastic in our
cotton buds

By replacing plastic with paper
in the buds and their packaging



Rusta plastic bag

90%

Recycled plastic



**New
electrical waste
collection**

Is being tested in seven
Rusta stores

-10 tons

Less plastic on our pallets

By reducing thickness
of wrapping film in
our warehouse



Sustainable products for life at home

Back in 1986, Rusta was founded on a simple idea – to offer our customers great value for money. That same idea also provides the foundation for our sustainability work. Low prices can go hand in hand with a sustainable way of working.

From idea to product

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

In transit to the store

Our products reach the same warehouse primarily via boat, train or truck. Regardless of how we transport our products, we always choose smart packaging, fill our shipments to capacity and select the best travel route.

Soon in your own home

In our stores

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

In the home

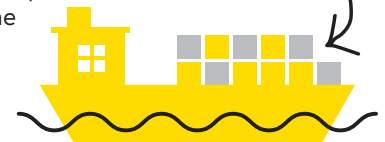
Our products should be safe and made to last, making unnecessary purchases a thing of the past. We take several steps to continuously improve our products and hire external companies to perform product testing.

Recycling paves the way to new products

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

We take care of your old stuff

RUSTA



Our operations and procurement practices

Operations

The first Rusta store was opened in Sweden back in 1986. Today we have stores in Sweden, Norway, Germany and Finland. We offer a wide range of home and leisure products at surprisingly low prices. Rusta has a core assortment, combined with inspirational and ever-changing seasonal products. Purchasing is mainly sourced through direct imports from Europe and Asia, or directly from manufacturers in Sweden.

Our Business Concept

We want our customers to feel welcome, be inspired and enjoy shopping with us. At Rusta, we make it easy for large numbers of people to buy good quality home and leisure products at the best prices.

Important events during the financial year

Rusta finished the financial year of 2018/19 with a total of 149 stores, 93 of which are in Sweden, another 30 in Norway and two stores in Germany. We also entered the fourth Rusta market with the acquisition of the 24 stores in Finland. We closed the year with 3,021 coworkers in seven countries and our sales reached 6,935 billion SEK. During the financial year, Rusta's company portfolio was supplemented with an independent holding company for e-commerce. This newly formed company will handle all e-commerce activities within the group.

We have made two significant improvements in our quality and sustainability work ahead of 2019; we merged our quality and sustainability business plans into one and we also created a new packaging strategy with great improvement potentials.

Sourcing offices

Rusta maintain a highly competent purchasing organisation with a strong local presence in Asia. By working directly with manufacturers, we establish close cooperation, working together to find the best solutions in terms of function, quality and price.

All purchasing in Asia is handled by our own sourcing offices in China, India and Vietnam. Purchasing in Europe is handled by our Head Office in Sweden and our sourcing office in Finland. Some 190 coworkers are directly involved in the Rusta sourcing activities. The team includes sourcing- and quality developers, supply planners, quality inspectors and various other specialist functions. These coworkers have the task of continuously monitor and control that Rusta's Code of Conduct is being adhered to by our suppliers. Rusta's sourcing staff have the right to, at any time, make unannounced visits to all factories producing goods for Rusta to check suppliers' compliance with our Code of Conduct. Furthermore, in accordance with our policy, Rusta's staff always visit a supplier before placing an order.



To support all our coworkers during factory visits we have created a "Supplier visit handbook" which contains all relevant Rusta requirements on sustainability and quality.



Sourcing per local office/country

Sweden and Finland	60,4% (of which 67% is local)
China	34,0% (of which 100% is local)
India	3,3% (of which 79% is local)
Vietnam	2,3% (of which 96% is local)
Sum:	100% (of which 82% is local)

Market presence

At the end of the financial year 2018/2019, Rusta had 149 stores in four countries and 3,021 coworkers in seven countries.

Store per country:



Sweden

93



Finland

24



Norway

30



Germany

2

Asia sourcing offices:



China

2



India

1



Vietnam

1



Employment, learning and development

Rusta is an open and inclusive company. Our diverse coworkers reflect the broader society in the markets where we are active. Differences create possibilities and diversity is seen as a central asset in Rusta's continued journey and future growth. At Rusta everyone is given equal opportunities and rights. We know that differences bring opportunities and we are always looking for coworkers who thrive in an inclusive and ever-changing environment. We have a zero-tolerance policy towards any kind of discrimination. If a case of discrimination is reported, Rusta's HR-department is notified and will handle the case in accordance with pre-set routines set out in our HR-policy. During the reporting period, Rusta's HR-department has handled, followed-up and closed three incidents on this matter. Together we build and develop the future Rusta based on our mission and values. Every coworker. Every day.

Total number of employees:

3,021

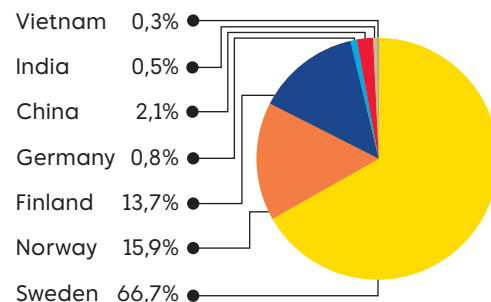
Rusta has a flat organisational structure. We want it to be easy for our coworkers to make their voices heard and to make positive changes happen. We want our coworkers to be engaged, and actively contribute to the future growth of Rusta. For this reason, we work to provide great opportunities for professional development. We seek coworkers with high ambitions, who look forward to work together with highly motivated colleagues.

Rusta is a value-driven company. The four values; simplicity, courage, commitment and togetherness have all been developed by the coworkers themselves. The values are the foundation of our business and guide us in our daily work - in all parts of our company. We actively communicate these values as well as recruit new coworkers who can stand behind and live up to them.

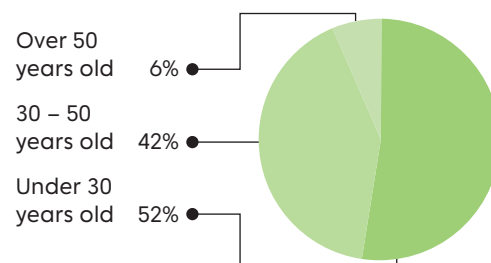
Rusta regularly performs coworker surveys. The latest survey was conducted during the fall of 2018. The response rate was 89%. A large majority of our coworkers feel that Rusta is a very good employer (77%) and would recommend working at Rusta to others. According to the same survey, the leadership index, which serves as an indication of our coworker's satisfaction with their managers, is 76%.

Some facts

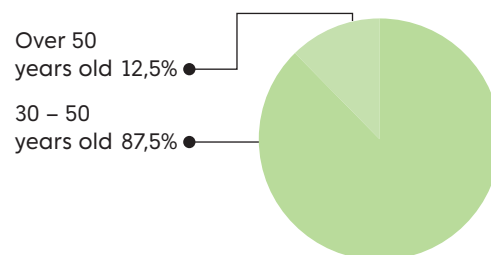
Employees by country %



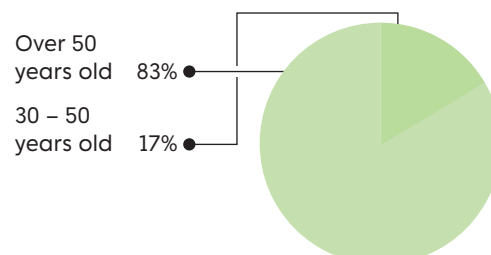
Employees gender and age distribution %



Executive Management Team Rusta AB Gender and age distribution %



Board of directors at Rusta AB Gender and age distribution %



Development talks

At Rusta all managers and coworkers regularly meet to set and follow up on performance and development needs. These dialogues are held every year and are always documented so that they may be systematically reviewed and followed up on. The development talk is designed to assure that both employees and manager will share their view on the work progress and what the future looks like in relation to the business goals set by the company. It is important that both employees and managers get to speak, share experiences and opinions on performance in relation to expectations, in order to create clarity in both directions. Only then, a plan forward can be set. The plan includes what is expected to be achieved and individual goals to support the overall objectives. It should also clarify expected behaviors used to reach the goals, in the same way as it defines what support the manager shall give the coworker to succeed.

Development and leadership

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



To support our leaders in their growth, and ultimately, Rusta has created a specially designed program which is mandatory for all managers in the company. The program builds on our leadership profile, as well as our corporate values.

A newly designed Business Acumen program for Store Managers has been rolled out and implemented. Rusta's continued expansion means that the need for strong and talented leaders is increasing. One way to meet this need is through Rusta's trainee program for Store Managers to be. The program gives coworkers, primarily sales staff and Deputy Store Managers, the opportunity to start their journey towards becoming a future Rusta Store Manager.



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

- Materials and product development
- Workplace safety
- Quality and sustainability
- Introduction trainings
- Packaging
- Store concept
- Truck driving license
- REACH and RoHS II
- Code of Conduct
- Rusta core values
- Ethical policy

When needed Rusta will fund external trainings for any coworker according to the development plan. We will also adapt to changing demands by training coworkers in new skills. It is natural to invest in the company's most valuable assets, the people.

Code of Conduct

All our suppliers and their employees shall have the benefit of good working conditions. For this reason, Rusta has formulated a Code of Conduct (CoC). In order to meet global and fundamental responsibilities in the areas of human rights, labour, environment and anti-corruption, the Ten Principles of the UN Global Compact is incorporated in the Rusta Code of Conduct. Since 2008, all Rusta suppliers annually sign and shall always fulfil the Rusta Code of Conduct.

In this Code of Conduct we state eight basic requirements that must be achieved to enter as a Rusta supplier. We call this Rusta Basic:

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

Further, we classify our suppliers based on how well they fulfill our Code of Conduct. The suppliers in the lowest category are evaluated and monitored every three months, while the suppliers in the best category are evaluated every two years.

In addition to the minimum basic requirements, Rusta's Code of Conduct also contains several demands to which the supplier shall adhere, such as good working conditions, health and safety regulations, business ethics and environment regulations, along with protection of animals and threatened species.

Forced or compulsory labour

Rusta has a zero-tolerance policy towards any form of forced or bonded labour. In some South East Asian regions for example, unscrupulous businesses hold the passports of the coworkers. Our Code of Conduct clearly states that no supplier can supply goods to Rusta if they exploit any type of forced or bonded labour. During the past year we have had one such incident come to our attention where, in line with our Code of Conduct, Rusta immediately cut all business ties with the supplier in question.

To involve, encourage and engage our colleagues around we have also created Code of Conduct for Stores, Warehouse and Sourcing offices. Two examples are shown here:

Office

- We sort our waste according to set routines
- Energy saving - Lights, Air condition
- We take actions when we discover poor quality
- Rusta Quality and Sustainability policies posted in the office
- Preventive health and safety work
- Our travels shall be as environmentally friendly as possible. We travel together when we can, and we travel only when needed.
- We practise good business ethics
- We work as a team where everyone is needed and takes part



Store

- We sort our waste according to set routines
- We take care of batteries, electronics and luminaires from our customers
- We take actions when we discover poor quality
- Rusta quality and sustainability policies are posted in the store
- Preventive health and safety work
- Date check and First in First Out (FIFO)
- We are all responsible for our working environment
- We work as a team where everyone is needed and takes part

Results financial year 2018/19:

- Code of Conduct basics secured 100% on supplier level

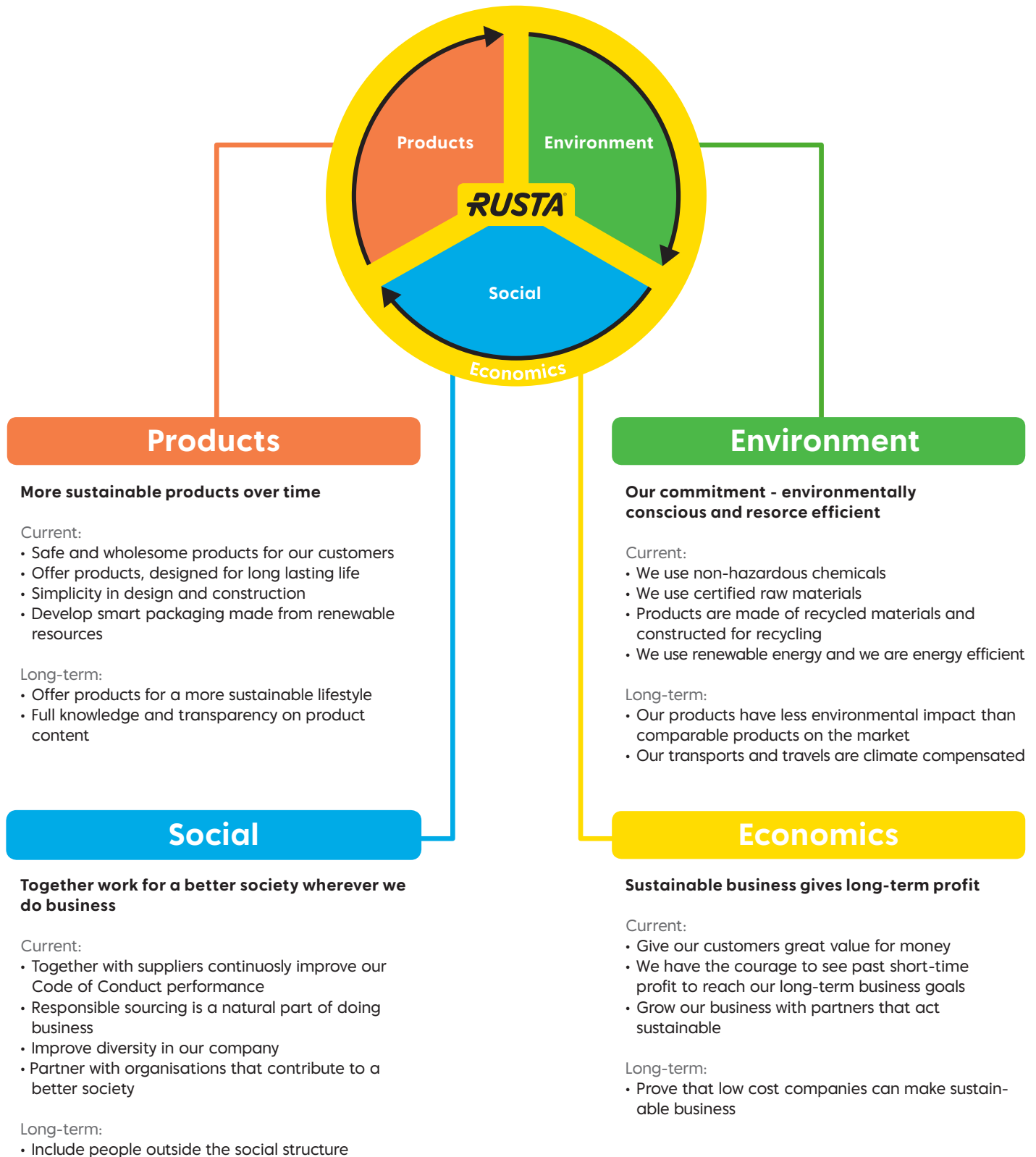
Goals financial year 2019/20:

- Factory evaluation on-going and will be finalized during calendar year 2019
- Implement Code of Conduct in all stores, offices and our warehouse

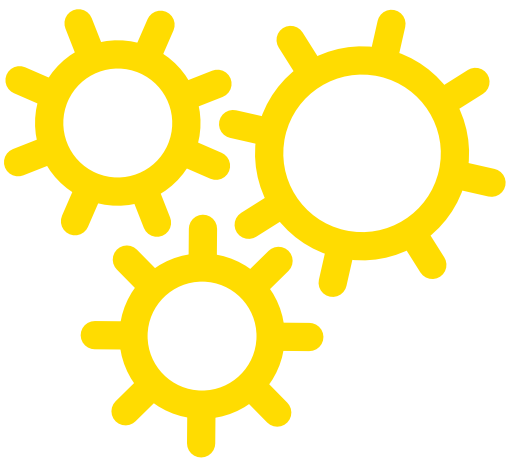
Sustainability strategy

Rusta adopted the current sustainability strategy in 2015. The strategy contains three parts:

- 1 Our sustainability vision which pervades and inspires us
- 2 Our sustainability policy states our responsibility toward the society in which we act
- 3 The four key areas of sustainability where we aim to create long-term development



Stakeholder engagement



At Rusta we continuously work on developing our processes for the identification and measurement of prioritised sustainability areas. In this process we have used a four-step approach.

The basis of our materiality analysis is the United Nation’s global sustainable development goals. We have then proceeded to combine these overarching goals with the goals that Rusta has identified based on our stakeholder dialogue on sustainability, which was performed in connection with the Rusta Sustainability Report 2017/2018. The stakeholders provided areas on which we focus on.

The stakeholder input has also been elaborated through workshops and more specific in-depth interviews. These priorities

have thereafter been anchored and confirmed through group discussions within the sustainability reporting team.

Upon finalisation, the input and the output of the analysis has been approved and supported by Rusta’s executive management.

Customers	Suppliers	Colleagues	Management	Board and owners
<p>Good working conditions where the products are made</p> <p>Long lasting products</p> <p>Reused and recycled materials</p>	<p>Communication and dialogue</p> <p>Technology improvements</p> <p>Reduced material consumption</p>	<p>Code of Conduct</p> <p>Product quality</p> <p>Reduced environmental impact</p>	<p>Product quality</p> <p>Code of Conduct</p> <p>Reduced environmental impact</p>	<p>Code of Conduct</p> <p>Product quality</p> <p>Reduced environmental impact</p>



7 Identified material aspects

Based on our sustainability strategy and the input from our key stakeholder groups, we have identified the following seven material aspects:

1 Social responsibility



Social responsibility in our supplier's factories is a prioritised issue for our key stakeholder groups. For Rusta, social responsibility is closely interconnected with our operations in Asia and we have consequently placed much focus on this aspect of our sustainability work. We are aware of the importance of continuously educating and supporting our suppliers with a specific emphasis on our Asian suppliers. Moreover, trained specialists in our Asian sourcing offices perform regular evaluations of our suppliers and factories to support their efforts to secure good and fair working conditions for their employees.

Rusta's Code of Conduct regarding labour is based on international standards, including the Fundamental International Labour Standards as defined by the International Labour Organisation (ILO). The social performance of all new suppliers to Rusta is screened and evaluated before any order is placed. There are no exceptions to this rule. An important matter related to our business is to secure that all people in our supply chain are covered by our Code of Conduct. A small (less than 0,5%), yet important, part of our production is carried out in homes in Vietnam, India and China. During the past year many of our coworkers have visited some of these villages to experience the situation for the people producing some of our items. This has been a great learning and we truly feel that we've increased

our understanding and relation with our manufacturers. We will continue to work in this area.

Apart from the basic requirements outlined above, Rusta expects suppliers to continuously work towards improving working conditions for their workforce. We are, together with our suppliers, focusing on the following three key areas, called Rusta Social:

- Health and safety: Working environment, Emergency planning and Fire safety, Physical and Chemical hazards
- Compensation: Salary, pay slip, insurances and pension
- Working hours: Records, overtime, breaks and days off

In our Code of Conduct evaluation routine, we clearly outline Rusta's business consequences in the event of a supplier's non-compliance with our Code of Conduct. The enforcement of these consequences depends on the score that is given to the supplier upon evaluation. In accordance with our Code of Conduct, Rusta ultimately has the right to cut all ties with a supplier and/or factory in the event of repeated or serious non-compliance.

Freedom of association and collective bargaining

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

Code of Conduct Rating	Business Impact: Code of Conduct rating	Business Impact: Improvement results	Follow up
High Points: ≥37	Current orders may ship, and future orders can be placed. New businesses are encouraged.		Within two (2) years
Good Points: 28-36	Current orders may ship and future orders on existing products can be placed. New business is allowed		Within one and a half (1,5) year
Average Points: 19-27	Current orders may ship and future orders on existing products can be placed.	New business/item is only allowed when at least three improvements per six months are made.	Within six (6) months
Poor Points: ≤18	Current orders may ship. No new orders can be placed.	No new business/item. New orders on existing products can be placed if at least three improvements per three months are made.	Within three (3) months
Unacceptable Fail Rusta Basic	Current Supplier: No orders can be placed. Potential Supplier: No start.	Current orders can be shipped if there is an action plan to fulfil Rusta Basics within three months. No orders can be placed until Rusta Basics are fulfilled. A potential Supplier (non-Rusta supplier) will not become a Rusta supplier.	Within three (3) months

Results financial year 2018/19:

- Suppliers' rating according to the Rusta Social Code of Conduct:

CoC-evaluations performed	Level	Social #	%
In total 223 CoC evaluations were performed. 24 out of these were non-Rusta suppliers that failed basic and never became a Rusta supplier	High	17	8%
	Good	111	56%
	Average	67	34%
	Poor	4	2%
	Failed basic	24	N/A
	Total	223	100%

- In total, 100% of new suppliers were evaluated and screened in accordance with the social requirements laid out in Rusta's Code of Conduct
- We have performed Code of Conduct trainings with representatives from 180 factories
- During the year we have ended our co-operation with 53 factories in Asia

Goals financial year 2019/20:

- All suppliers and their factories shall fulfil Rusta Code of Conduct Basics by 31st of December 2019
- 100% of our suppliers/factories shall achieve level "Average" or higher



2 Wholesome products



Rusta's ambition is to minimise the negative environmental impact from our activities, offer wholesome products for our customers and at the same time care for our coworkers. Therefore, we choose and develop products and packaging materials carefully. In line with our sustainability policy, we regularly update our chemical requirements towards our suppliers.

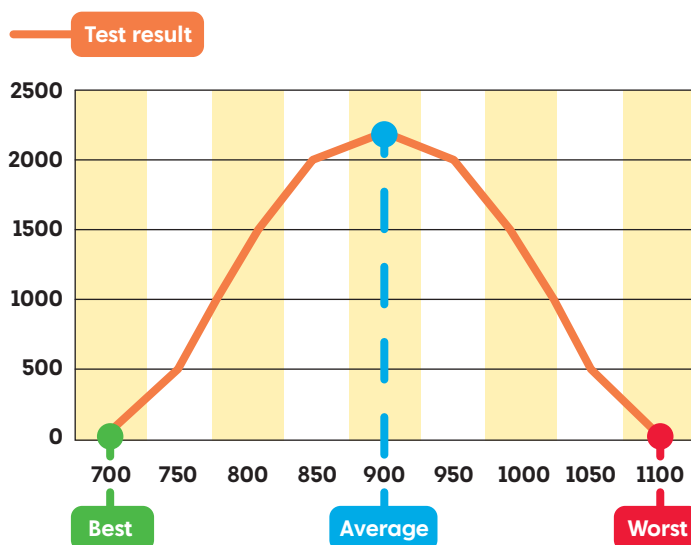
In Rusta's supplier manual we clearly state our requirements on chemical content. As a basic rule, to achieve economy of scale, Rusta always uses the strictest requirements from any of our markets for all Rusta's products. For some substances, such as Phthalates, we have even stricter requirements than the legal demands on any of our markets – all with the aim of securing the safest possible products for our customers.

In our Asian sourcing offices and in our warehouse in Norrköping, Sweden, we use X-ray fluorescence (XRF) scanners to help us analyse the chemical content in our products. We currently perform spot checks both in Asia and in Sweden on all electrical items before they can be sold in Rusta stores. We have learned that it is not enough to have clear requirements and educate our suppliers, we must also make sure that the sub-suppliers are aware of Rusta's requirements.

At Rusta we do not only consider the actual test results, we also look at the potential risk when a value is close to the allowed limit. Any test result that exceeds 80% of the allowed limit value shall lead to identification of root cause and implementation of sustainable preventive actions in production. The reason is that we test randomly, and we don't know if we have got one of the best or one of the worst results.

For example:

A test result shows 900. The requirement is maximum 1 000. The test has therefore exceeded 80% of the allowed value.



Results financial year 2018/19:

- Chemical requirements updated in May 2018
- In total 1 278 different items were scanned, using the XRF-scanner
- We have run a successful project and reduced phthalates in all our products

Goals financial year 2019/20:

- Annually update our chemical requirements towards our suppliers and factories
- Create a process for being preventive and update our requirements well before the new chemical laws are implemented
- Create a systematic approach to secure Material Safety Data Sheets (MSDS) on our homepage without human involvement

3 Effluents, energy and emissions



Rusta work together with our suppliers to improve our environmental performance. The environmental performance of all our new suppliers is without exceptions, screened and evaluated before they are accepted as a Rusta supplier. This is an integral part of our Code of Conduct.

Apart from our basic demands, that all critical environmental hazards shall be eliminated or be handled in a sustainable way, we rate our suppliers on Rusta Environment containing the following five areas:

- Wastewater
- Energy consumption
- Greenhouse gas (GHG) emissions
- Waste management
- Emission to air (not greenhouse gas)

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

We know that our largest contributor to CO₂-emissions comes from the raw materials and production of our products. Currently we have not gathered all data. Our company owned vehicles drove 398,583 km, equivalent of 76 t CO₂. Electricity consumption in our stores, offices and warehouse: was 48 GWh, equivalent of 8,843 t CO₂.

We monitor the energy consumption in our stores and warehouse to gather real-time data. We are currently working on structuring and analysing this data to allow us to set key metrics both for our own and for our supplier's operations. Today, a large majority of our Swedish stores' energy supply comes from renewable and eco-labelled sources purchased directly from the energy supplier. Going forward, Rusta will work to ensure that those stores which have outsourced their provision of energy to the respective property-owner, will also purchase energy from renewable sources.

We continuously try to find ways to reduce energy consumption. Every day we need to remind ourselves to work in the right way in all our units.

Examples of energy reducing activities are:

- Motion sensors for light sources in staff areas
- Timer and twilight relay for the exterior store signs
- Reduced lighting on the sales floor before opening
- LED-spot lights instead of halogen

We are also exchanging fluorescent lamps in existing stores to LED-luminaire. This is done when the fluorescent lamps have reached their maximum life span, which is normally six to seven years. As we have seen in the Umeå store during the year, this activity together with the LED-spot lights, reduces the yearly electricity consumption by half (290,000kWh to 145,000kWh).

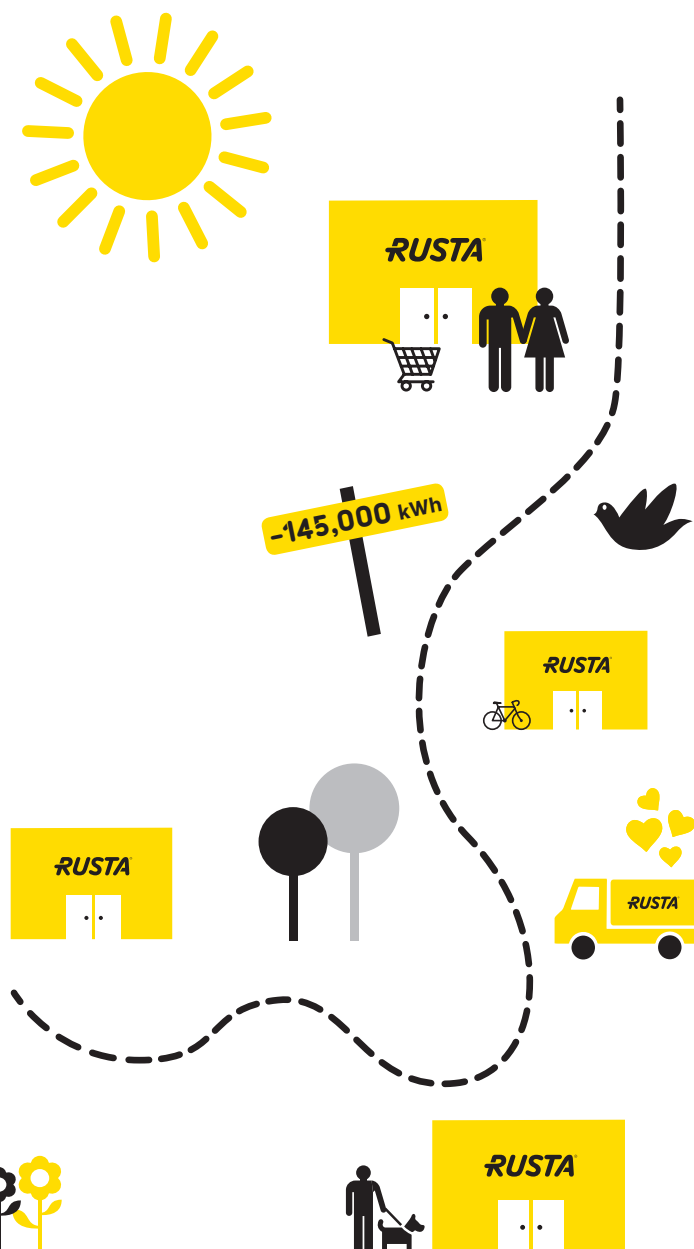
Results financial year 2018/19:

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

Level	Environmental #	%
High	7	3%
Good	17	9%
Average	131	66%
Poor	44	22%
Total	199	100%

Goals financial year 2019/20:

- Going forward, we see a need set clear objectives
- Involve our European suppliers/factories to achieve our goals
- We will initiate a systematic work to enable us to report our emissions according to the Greenhouse Gas Protocol



4 Technological improvements



We understand that, to become the most sustainable mixed low-price retailer in the Nordics by 2021, we need to partner with suppliers who are innovative, who invest in new materials and willing to invest in better technology.

Our suppliers, who are one of our stakeholder groups, have clearly expressed the need to work with technological development to meet the demands of tomorrow to improve efficiency and reduce the environmental impact. By studying this area more in detail, we can share knowledge and best practice with our suppliers.

Technological improvements are also strongly connected with IT and communication. Rusta is currently preparing for a Product Lifecycle Management system (PLM) with gradual implementation from January 2020. We also plan to have a new E-learning system in place during 2019. In our warehouse we use a Voice-picking system when goods are prepared for the stores. This allows better efficiency and less quality deviations.

Result financial year 2018/19:

- We have implemented Skype for business in all Rusta units
- Implemented a monitoring system allowing us to see the energy consumption by the hour in 65 of our stores

Goals financial year 2019/20:

- Implement a Product Lifecycle Management system
- We are in dialogue with our suppliers on this subject and will explore this area further during the financial year 2019/20 to allow us to implement key performance indicators, measurement methods and clear objectives
- Implement the energy consumption monitoring system in all stores in Sweden



5 Corruption and bribery



In our Supplier Manual (RSM), we clearly account for Rusta's business ethics policy. We have a zero-tolerance policy towards any form of bribery or corruption. We strive to act fairly and transparently throughout the different levels of our supply chain. The business ethics policy is communicated to, and signed by all Rusta coworkers and our suppliers on a yearly basis. Moreover, we closely monitor the potential impact which may occur between interrelated agents in our supply chain.

Incorporated is also our whistleblower policy. By this, we aim to encourage Rusta's internal and external stakeholders to use the whistleblower function, should they observe or suspect any conduct indicating corrupt behavior in relation to our suppliers. For this reason, during 2018 we conducted several training sessions on this topic in our sourcing offices in China, India, Sweden and Vietnam.

Results financial year 2018/19:

- Six people in the organization were dismissed due to confirmed incidents of corruption
- 100% of our suppliers in Asia have signed the Ethical policy

Goals financial year 2019/20:

- All coworkers (including our Finnish operations) who are not yet fully integrated and shall sign the ethical policy annually
- A dilemma workshop about our ethical policy will be developed and performed in all Rusta offices
- All suppliers shall sign the Rusta Ethical policy

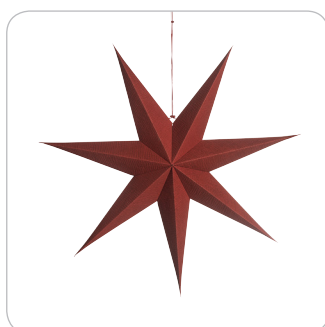


6 Raw material and carbon footprint



Rusta's main carbon footprint stems from the raw material extraction and processing used for our products. To improve our overall environmental performance, we are determined to increase the share of sustainable materials in our assortment. We have therefore identified nine "eco-labels" that we plan to highlight in our assortment to help our customers choose more sustainable products.

Some examples of Rusta's products made from recycled materials.



The Sima blanket made of recycled cotton. Bottom left Rusta plastic bag made of 90% recycled plastics. Bottom to the right is a Christmas star made of paper produced from 100% recycled cotton.



Rusta wall color, marked with the Nordic Swan Ecolabel

Some examples of "eco"-labels.



From the left: Forest Stewardship Council, Nordic Swan Ecolabel and Better Cotton Initiative.

All sustainable brands can be found on the Rusta web page.

Rusta have developed our own sustainable product logo to further encourage our customers to buy sustainable products. The logo will be implemented during the autumn. Moreover, logistics and travel are additional areas where Rusta has identified scope for improvement to further reduce our environmental impact. We are currently testing to replenish two stores by train and additionally nine stores by trucks fueled by renewable Hydrotreated Vegetable Oil (HVO) diesel.

Results financial year 2018/19:

Year	Labelled sustainable #
2017:	384 items
2018:	911 items

- At the end of the financial year, we had 911 products labelled sustainable in our assortment. This equals an increase of 237%
- Average container filling rate was 78,4%
- We have conducted five material trainings and three product development weeks

Goals financial year 2019/20:

- During 2019, all Rusta business flights will be climate compensated
- Packaging optimised to pallets
- Single wall corrugated cardboard used up to 15 kg's
- Preferably use one packaging material per package

Moreover, by 2021 we will:

- Phase out Expanded Polystyrene from all our packaging, instead switch to renewable materials
- Product dimensions optimised to pallets
- Use only wood and wood-based materials certified for responsible forestry
- In the framework of our partnership with the Better Cotton Initiative (BCI), Rusta will commit to source 100% sustainable cotton

7 Quality and durability



The Rusta customer is our main stakeholder. Rusta seeks to exceed our customers' expectations by making it easy for them to find sustainable and durable products at low prices.

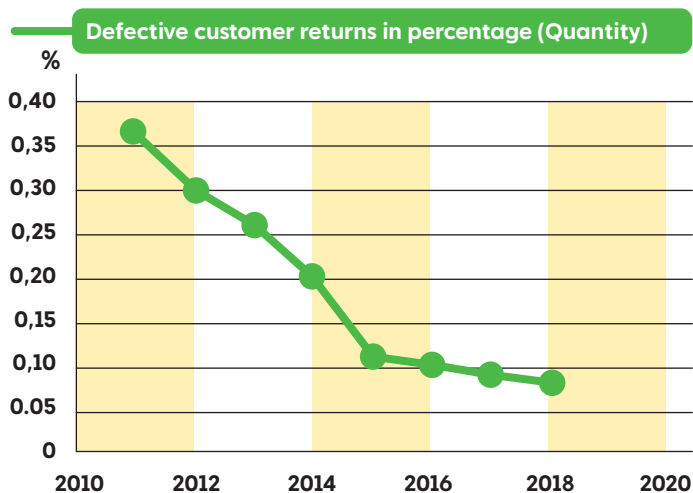
Rusta's product quality vision is to provide all customers with products they perceive as being "Great value for money". The quality strategy that Rusta set in 2011 includes:

- Customer focus
- Clear goals and KPI's
- Systematic approach
- Continuous improvements
- Minimum quality definition: Safe, durable (more than three years) and fully functional



Results financial year 2018/19:

- Defective customer returns in percentage increased with 1% while, at the same time, sales increased by 14%
- Kantar SIFO have throughout the past year made 80 interviews on a weekly basis regarding "Rusta's ability to deliver good enough quality". During this period, the positive response rate has increased by 3% overall, and by 5% with people who have stated that they are Rusta customers



A fantastic development and we will continue to improve!



Goals financial year 2019/20:

- In connection to quality and durability, Rusta has set two overarching goals:
 1. Reduction of customer returns related to poor quality with -20% per year
 2. Phase out items that are perceived as being "wear and tear-products"
- Moreover, we can see that the implementation of Rusta's quality strategy has so far been successful. Since its introduction in 2011, defective customer returns have been reduced by some 72%!

Biodiversity

Apart from our seven material aspects we know that protecting biological diversity is important. Our operations has an impact on plants, wildlife, genetic diversity and natural ecosystems. Therefore, we take active steps to contribute to biodiversity and the protection of species.

In accordance with our Code of Conduct, we communicate to all our suppliers that we do not accept products that contain parts from any flora or fauna that is listed in the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) appendices. No International Union for Conservation of Nature (IUCN) red listed species have been used in Rusta products or have been sold in Rusta stores. The Rusta Supplier Manual is updated regarding demands on genetically modified crops in food and animal feed.

Rusta are also in continuous dialogue with the International Union for Conservation of Nature (IUCN) regarding the sourcing of wood and wood-based products in our assortment.

5 Important areas

1 Wood

In our Forestry Due Diligence System, we have laid out eight criteria which we use to determine whether there may be any risks associated with sourcing a certain type of wood from a certain region and/or supplier.

Apart from this we do not accept any wood which:

- Is illegally cut
- Comes from protected areas, intact natural forests/rainforests or from high conservation value forests
- Is not produced in compliance with national and regional forest legislation
- Production may be a consequence of broader societal or regional conflicts
- Comes from natural tropical or subtropical forests which are converted to plantations
- Comes from gene modified tree-plantations

Results financial year 2018/19:

- 45% of products containing solid wood or wood-based materials were either FSC- or PEFC-certified. We also have several wooden products that are marked with the Nordic Swan Eco-label in our range

Goals for financial year 2019/20:

- Continue to increase the level of certified wood

2 Cotton

Rusta is committed to improve cotton production together with the Better Cotton Initiative (BCI). BCI exists to make global cotton production better for the people who produce it, better for the environment it grows in and better for the sector's future, by developing Better Cotton as a sustainable mainstream commodity

Results financial year 2018/19:

- 9% Better Cotton

Goals for financial year 2019/20:

- We will source only sustainable cotton in 2021 by using BCI- and recycled cotton. Our basic range of bedlinen and towels will be at least 60% Better Cotton during 2019

3 Palm oil

Rusta take full responsibility of the palm oil supply chains for all product categories. Rusta requires the suppliers to have full control of their incoming palm oil. All palm oil used in Rusta products shall be fully traceable and RSPO certified (as a minimum mass balance) from the plantations to our stores

Results financial year 2018/19:

- All our own products containing palm oil were in RSPO segregated level

Goals for financial year 2019/20:

- During the year we will continue to increase the levels of RSPO in all products sold in our stores

4 Plastic

At Rusta we want to take our responsibility towards a more sustainable way of using plastic materials. We have specified our requirements in the Rusta Supplier Manual

Results financial year 2018/19:

- We've started to remove EPS from our packagings and replacing it with renewable materials. We have also had trainings in plastic and sustainability both in Sweden and Asia

Goals for financial year 2019/20:

- During 2019 Rusta will phase out single use plastic (cotton buds, cutlery, straws and plastic glasses)
- By 2021 we will phase out Expanded Polystyrene (EPS) from our packaging
- In line with our packaging strategy we shall use only recyclable packaging materials by 2021
- By 2023 all products shall be made of renewable, recycled or recyclable plastics
- By 2025, 50% of all plastic used in Rusta products shall be renewable or recycled

5 Animal products

Rusta has clear guidelines for the treatment of animals in our supply chain. We secure that products containing leather, down and feather are produced responsibly. We only permit the use of residual products from animals slaughtered for their meat. In case the slaughter has been completed further down the supply chain, Rusta's staff will always make a site visit to the producer to verify compliance.

In 2017 we adjusted our guidelines with the help of "Djurens Rätt" (Animal Rights Sweden) and in 2018 we had a workshop together with them to learn about how we can do more for the animals

Results financial year 2018/19:

- Requirements in our Code of Conduct clarified and updated
- Rusta joined the fur-free alliance www.furfreealliance.com

Goals for financial year 2019/20:

- Annually update our requirements regarding animal products towards our suppliers and factories

Waste recycling

Rusta is determined to increase the share of waste going to re-use, recycling and recovery. We continuously strive to minimise our waste and to make use of the waste that we generate. In our stores and warehouse, we collect and review data regarding the generation, treatment and disposal of waste.

We have implemented a yearly collecting schedule with our waste management partners to minimise the hazardous waste that our warehouse and our stores generate. Together with our partner we also decide in what way the waste can and shall be handled and disposed.

In our requirements laid out in Rusta's Basic Code of Conduct, we have tried to secure that any critical environmental hazard is taken into consideration. We also evaluate how our suppliers' waste handling is managed. These activities are described more in detail under the heading Social responsibility in the factories where our products are produced.

A good example of how we have been able to secure a high share of recycled material, is in our plastic bag. In this case we make sure that the LDPE-plastic which is collected from our stores is turned into the plastic bags we sell by the cash-register. The share of recycled material in the Rusta plastic bag is now 90%.



Results financial year 2018/19:

Figures given by our waste disposal partner in Sweden shows the below numbers in kilograms of disposed waste

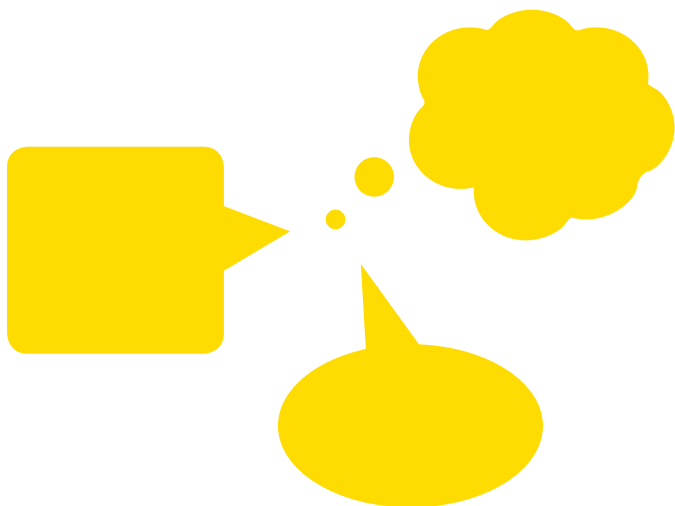
Hazardous waste	2018/2019		2017/18		Note
Recycling	59 389	88,3%	10 233	51,6%	This year's increase is due to an improved collection of electronic waste and expansion
Combustion	5 201	7,7%	8 414	42,4%	
Landfill	2 377	3,5%	938	4,7%	
Recovery	306	0,5%	263	1,3%	
Total:	67 273	100%	19 848	100%	

Non-hazardous waste	2018/2019		2017/18		Note
Recycling	3 824 756	80,6%	3 666 058	71,7%	
Combustion	872 740	18,4%	1 412 652	27,6%	Waste to combustion reduced with 38%
Landfill	46 645	1,0%	24 950	0,5%	This year's increase is due to scrapping of old safety cabinets containing concrete
Recovery	2 342	0,0%	6 167	0,2%	
Deep well injection	0	0,0%	744	0,0%	
Total:	4 746 482	100%	5 110 571	100%	

Goals for financial year 2019/20:

- Decrease the waste to combustion by 20% in total
- Decrease the waste to combustion in our head office by 50%
- Long-term we will eliminate waste to landfill

Communication and dialogue



Rusta gather, process and implement sustainability input given to us by our stakeholders. Accordingly, we do our best to continuously share information on Rusta's progress, challenges, goals and achievements to the same.

We strive to engage and inspire all coworkers in the Rusta sustainability agenda. In order to do so we arrange meetings on the topic at all levels of our organisation, as well as from all functions and departments. Moreover, we try to take all possible opportunities to discuss quality and sustainability with coworkers in the course of our daily work. Additionally, we give regular sustainability updates in various internal corporate forums. In order to share our policies and how we work with quality and sustainability to external stakeholder groups, the Rusta homepage is our primary communication channel.

Rusta are proud partners of "Médecins sans frontières" (Doctors without borders), "Mitt Liv AB", Forestry Stewardship Council (FSC), Programme for the Endorsement of Forest Certification (PEFC), "Svanen" (Nordic Swan Ecolabel) and The Better Cotton Initiative (BCI), Swedish Trade Federation and Swedish Standards Institute.

In 2018 Rusta joined the UN Global Compact. By doing so Rusta supports, and are committed to incorporating, the Ten Principles of the UN Global Compact into our business strategies, policies and procedures. In accordance with the requirement of the UN Global Compact, Rusta will share our Communication on Progress (COP) to the Global Compact and its website.

Marketing and communications

Rusta marketing activities are directed through a broad media mix with many communication channels. TV- and radio advertising, digital channels such as Rusta's loyalty program, social media and online marketing to name a few. Although, traditionally the core of Rusta's marketing activities are channeled through the distribution of the Rusta Direct Marketing (DM).

We strive to be as resource effective as possible when producing and distributing our direct marketing ads (DM). Therefore, we have chosen to use paper that meets the requirements of the Nordic Swan Ecolabel and Forest Stewardship Council (FSC). Equally the printing technique and the colours used in the production of our DM are environmentally approved. Moreover, together with our printing- and distribution partners, we continuously strive to be as resourceful and accurate in terms of distribution volume of our DM for each market. To guide our customers, a call for recycling is communicated on each Rusta DM.



About this report



This sustainability report covers the financial year 2018/19 lasting from May 1st, 2018 to April 30th, 2019. This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option and the Swedish Annual Accounts Act. The report principles for defining report content have been applied. The limitations that we have used are described in the respective chapters.

Concerning GRI we have made omissions for Management Approach 103-3 concerning GRI 302 (partial), GRI 304 and GRI 305 due to lack of systems for evaluation of our sustainability progress. Such systems will be developed and implemented within the following year. Topic-specific disclosures have been partly omitted for all KPI's above, plus GRI 406-1 and GRI 416-1 due to lack of data. For 404-2 we have partial fulfillment. Systems and tools for data collection will further be developed for more distinct data disclosure. For further information please see our GRI Content Index.

The latest Rusta sustainability report was published in August 2018. Our report, published on an annual basis, describes our prioritised areas within sustainability as well as the relevant targets and key performance indicators linked to these areas.

During the financial year 2018/19, we have continued our work according to the materiality analysis which we performed during 2017/18. We have also made certain progress with our material aspects. The materiality analysis, together with Rusta's sustainability strategy, forms the basis of this sustainability report. Based on the input from our stakeholders we have organised several workshops and forums, which have, in turn, led to further actions and improvements within the sustainability area. The way in which we have identified the most significant sustainability aspects are described in the chapter "Stakeholder engagement".

This report has been reviewed and approved by the board of directors at Rusta and examined by our auditors to ensure the

report fulfills the requirements in the Swedish Annual Accounts Act. It is our intention and aim that it shall give our stakeholders useful and transparent information on our progress.

During the fall of 2018 Rusta joined the world's largest corporate sustainability initiative, United Nations (UN) Global Compact. Therefore, this report, which is also our Communication on Progress, reflects Rusta's approach and active support to the ten principles of UN Global Compact. Rusta's activities in the sustainability field follow the United Nation's global sustainable development goals.

Since the latest report, Rusta has acquired a Finnish retail company named Hong Kong. At the time of the acquisition Hong Kong had 24 stores and one sourcing office in Finland. Since the summer of 2018 Hong Kong stores has been supplied with a smaller number of Rusta-items and slowly we are ramping up supply. According to plan we will start merging the IT-systems of the two companies during October 2019. The stores in Finland will be rebuilt and converted into Rusta stores during August 2019 until summer 2020. In Finland, the stores will be Rusta stores with the addition of three businesses which has been running successfully in Hong Kong for many years and constitutes approximately 50% of the current turnover. These businesses are Fishing, Garden and Do It Yourself (DIY). Step by step, we integrate our Finnish business into our sustainability and quality ways of working.

To find out more about Rusta's sustainability work please visit www.rusta.com

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

Auditor's report on the statutory sustainability report

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

Responsibilities of the Board of Directors

The Board of Directors is responsible for the statutory sustainability report for the financial year 2018/19, and that it has been prepared in accordance with the Annual Accounts Act.

Responsibilities of the auditor

My examination of the statutory sustainability report has been conducted in accordance with FAR's auditing standard RevR 12 Auditor's opinion regarding. This means that my examination of the statutory sustainability report is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. I believe that the examination has provided me with sufficient basis for my opinion.

Conclusion

A statutory sustainability report has been prepared.

Stockholm, July 8, 2019

Sten Håkansson
Authorised Public Accountant



RUSTA[®]

