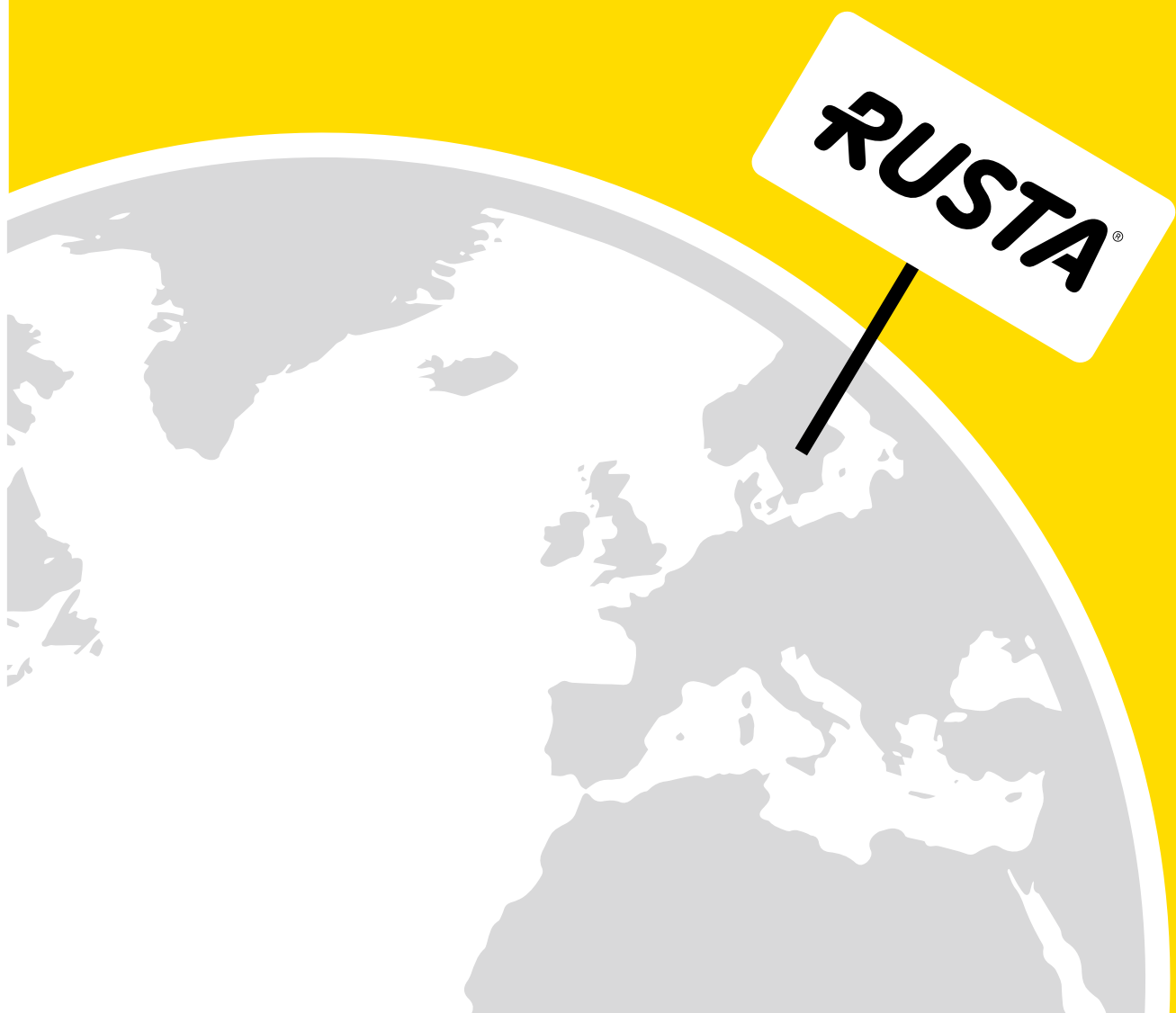


# Rusta sustainability report

Financial year 2019/20



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# A word from our CEO

## It shall not be expensive to make sustainable choices

In recent years, we at Rusta have been highly committed to progress in the area of sustainability.

Rusta has recently formulated a vision of becoming the most trusted low-price retailer in Europe. The first step towards realising this overall vision is working to become the most sustainable low-price retailer in the Nordics. For us, this means that we at Rusta must constantly reinvent what it means to become a more responsible retail group - all in order to continue integrating our sustainability-related activities into our business logic.



**Göran Westerberg**  
CEO Rusta AB

We have developed a tangible action plan for how we want our business to change in the direction of our overall vision. Some milestones are more comprehensive and long-term. For example, by 2025 Rusta will source half of all the plastic raw material we use from renewable or recycled sources. Other goals are more short-term and concrete. We will, for instance, increase the amount of sustainable materials we sell by producing and marketing more products from, for instance, Forestry Stewardship Council (FSC), Better Cotton Initiative (BCI) and Nordic Swan Ecolabel.

Our efforts to become more sustainable have so far yielded tangible results. During 2019/2020, we have continued to develop our sustainability work in the following areas:

- We design our packaging as efficiently as possible, the more products that can be transported together, the better. We saved some 16 050 pallets (equal to transport of 486 containers)
- We climate-compensate all our travels by flights
- Our central warehouse is heated with geothermal heat
- Standing contribution to Doctors Without Borders and UN Women Sweden
- Educated all offices in our guidelines and business ethics policy. Good business ethics are a prerequisite for good business

At the same time, we are humbled by the fact that Rusta is so far only in the first part of its sustainability journey.

Upplands Väsby, May 2020

# Some highlights

**76%**

Responded that Rusta is a very good employer!

Facts from the latest Great Place To Work co-worker survey

Forestry Stewardship Council (FSC)-certified products

**8 200 000 pcs**

Sold during financial year 2019/20



Share of Better Cotton Initiative (BCI)  
from: **9** **70%**

During financial year 2019/20

**NOMINATED**



Employer of the year award

**Rusta Central Warehouse**



New all-time high  
Consolidated net sales

**MSEK: 7 379**

**Reduced electricity**  
consumption in comparable  
stores with an estimated

**450 000 kWh**



**All Asian factories NOW**

on level average or higher  
according to our  
Code of Conduct social evaluation

**16 050**  
pallets saved  
by optimising  
packaging  
solutions

Equal to 486 containers/trucks

**4**

**%**

Increased filling rate on  
our distribution-pallets  
(Warehouse to store)

Equal to 356 truck deliveries

Reduced defective  
customer returns  
with a further:

**14%**

From financial  
year 2018/19

# 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

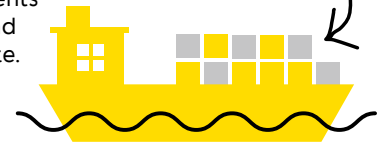
We actively work for better production and working conditions at our suppliers. Each year our suppliers are required to sign our Code of Conduct and Ethics policy, to ensure safe and healthy working conditions. We also place great importance on which materials are used in our products.

Where your favourite products are made



## In transit to the store

Our products reach one consolidated warehouse primarily via boat. Regardless of how we transport our products, we always choose smart packaging, fill our shipments to maximum 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.

Visit one of our many stores



## In the home

Our products shall 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.

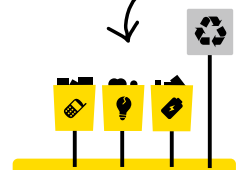
Home sweet home



## Recycling paves the way to new products

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

We take care of your old stuff



**RUSTA**





# Our operations and procurement practices

## Operations

Rusta is a Swedish family-owned company founded in 1986. Our Group currently has 3 232 employees in its 162 department stores in Sweden, Norway, Finland and Germany.

### Our Business Concept

At Rusta, we make it easy for large numbers of people to refill and renew home- and leisure products.

## Important events during the financial year



- Rusta opened 13 stores during the financial year of 2019/20 and ended the year with a total of 162 stores, 99 of which are in Sweden, another 35 in Norway, 25 in Finland and three stores in Germany.
- Rusta closed the year with 3 232 co-workers in seven countries
- Rusta sales reached 7,379 billion SEK.
- During the financial year, Rusta has added a brand called Ciqola Carpets under the independent holding company for e-commerce.
- The European sourcing activities have been consolidated to the Rusta head office in Sweden.
- The central warehouse in Norrköping has been expanded with another high bay area taking the total capacity to 230 000 pallets.

## Sourcing offices

Rusta maintains a highly effective sourcing organisation. We retain a strong local presence in Sweden and Asia allowing us to establish a close co-operation with our manufacturers, working together to find the best solutions in terms of function, sustainability, quality and price.



All purchasing in Asia is handled by our own sourcing offices in China, India and Vietnam. Purchasing in Europe is handled at Rusta's headquarters in Sweden. Some 189 co-workers are directly involved in Rusta's sourcing activities. The team includes sourcing- and quality developers, supply planners, quality inspectors and various other specialist functions.

The sourcing co-workers have the task of continuously monitoring and controlling that Rusta's Code of Conduct is always being adhered to by our suppliers. For this reason, Rusta sourcing staff have the right to, at any time, make unannounced visits to all factories producing goods for Rusta to ensure suppliers' compliance with our Code of Conduct. Furthermore, in accordance with our policy, Rusta staff must always visit a supplier before placing an order.

### Sourcing per local office/country

Country	Share
<b>Sweden</b>	63,1% (of which 73% is local)
<b>China</b>	30,8% (of which 99% is local)
<b>India</b>	3,8% (of which 83% is local)
<b>Vietnam</b>	2,3% (of which 99% is local)
<b>Sum:</b>	<b>100% (of which 81% is local)</b>

# Market presence

At the end of the financial year 2019/2020, Rusta had 162 stores in four countries and 3 232 co-workers in seven countries.

## Store per country:

 99  
Sweden

 35  
Norway

 25  
Finland

 3  
Germany

## Sourcing offices:

 2  
China

 1  
Sweden

 1  
India

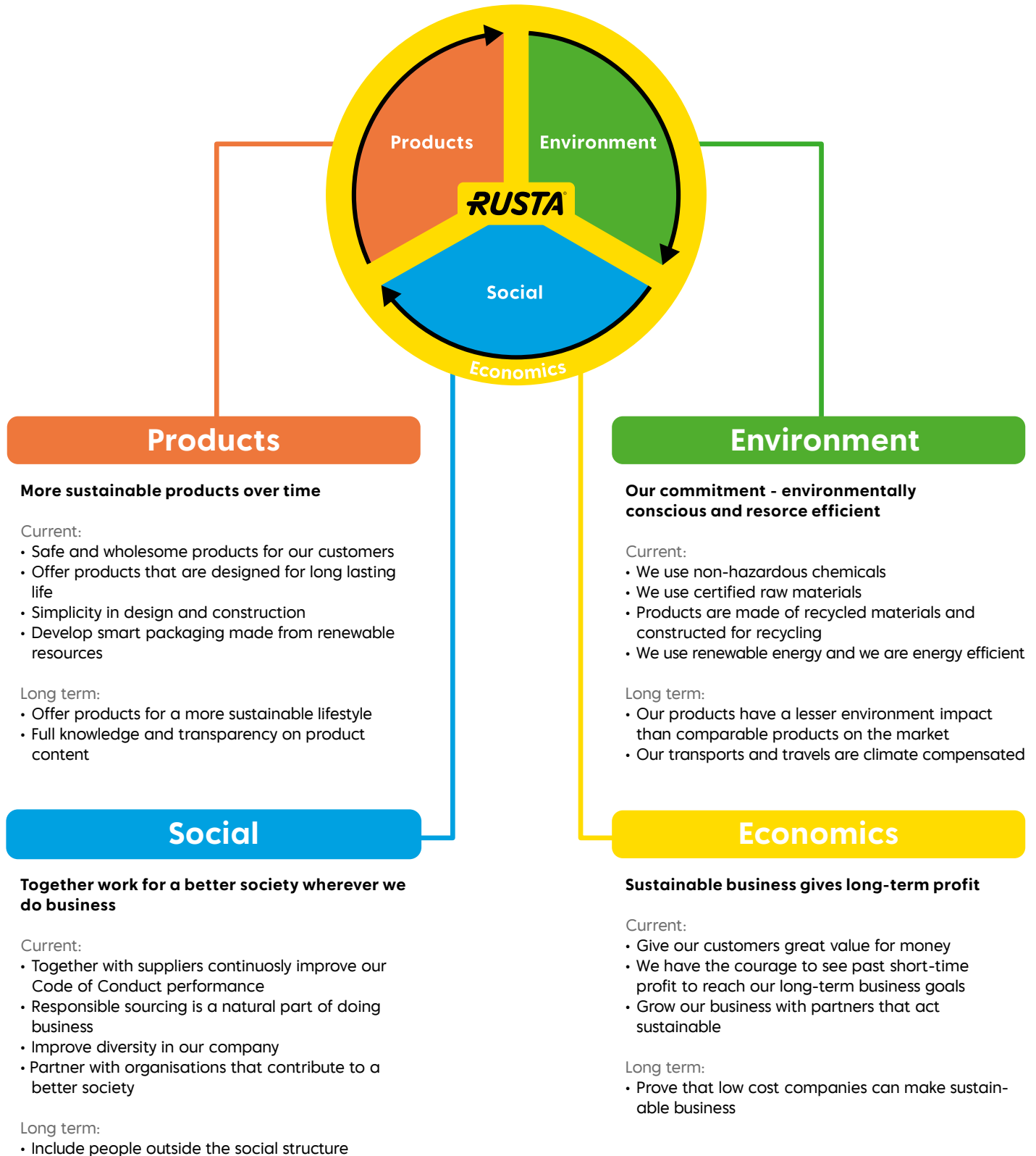
 1  
Vietnam



# Sustainability strategy

Rusta adopted the current sustainability strategy in 2015. The strategy consists of the three following 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

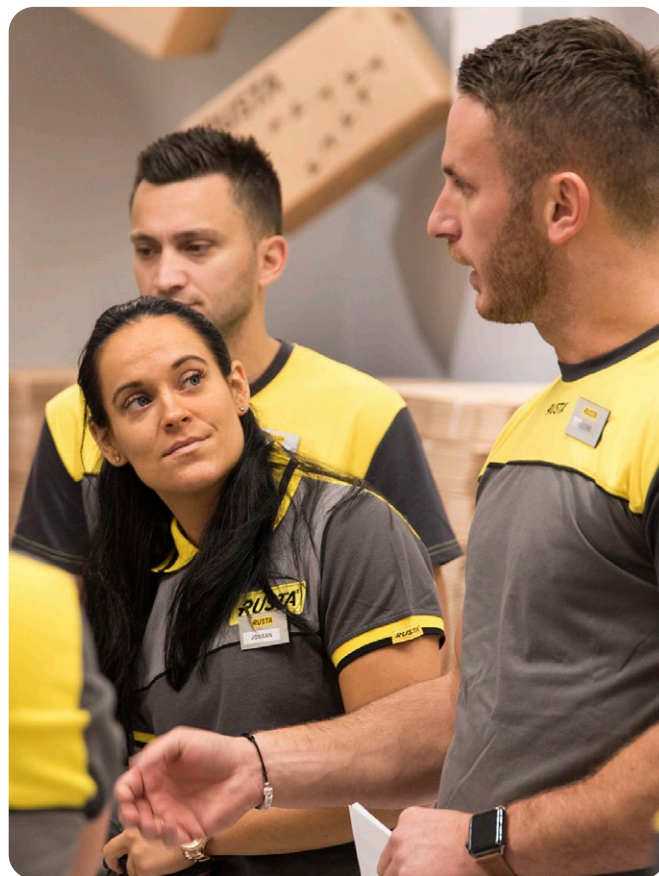




# Stakeholder engagement

The materiality analysis in this report is based on Rusta group's sustainability strategy. The strategy has been elaborated on the basis of the United Nation's global sustainable development goals, input from Rusta group's external environment monitoring, global trends and the principles of UN Global Compact, that we as a company have committed ourselves to.

We have combined these overarching goals with the focus areas that Rusta has identified based on a stakeholder dialogue completed during March-April 2020 in preparation of this report. The stakeholder input has been elaborated on by means of workshops and more detailed in-depth interviews. These focus areas have thereafter been anchored and confirmed through group discussions within the Rusta sustainability reporting team.

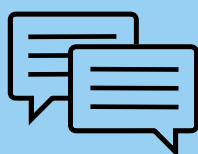


The input from our stakeholders has provided us with focus areas on which we will concentrate our sustainability efforts going forward. Upon finalisation, the input and the output of the analysis has been approved by Rusta's executive management and Board of Directors.

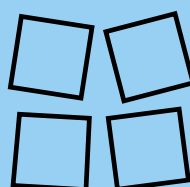
**Rusta's executive management engaged throughout the process**



The United  
Nation's Global  
Sustainability Goals



Stakeholder  
dialogue and  
specific in-depth  
interviews



Workshops  
and cross check  
with Rusta's  
sustainability  
strategy



Verification and  
confirmation in  
the sustainability  
reporting team

# Stakeholders and important aspects

Customers	Suppliers	Co-workers	Management	Board of directors and owners	External partners and surrounding society
Who they are					
During the financial year 2019/20 we had approximately 66 million visits to our stores in Germany, Finland, Norway and Sweden. Our customers are driving and inspiring our daily sustainability work and are a key component to our success.	Our suppliers represent an invaluable part of our business ensuring that Rusta stores are filled up with the right products at the right time. In total we have 591 suppliers. Rusta is continuously putting ever higher demands on sustainability, adherence to our code of conduct, quality standards and delivery. At Rusta we believe that close collaboration between us and our suppliers brings the best value for our customers and our business.	Our most valuable asset is our 3 232 Rusta co-workers. In our latest co-worker survey, a large majority (76%) of our co-workers feel that Rusta is a good employer and would recommend working at Rusta to others. Our aim is to continuously improve the employee-satisfaction and attract new, highly competent and motivated co-workers.	At Rusta, a leader shall engage and inspire co-workers through leading by example and being a good role model. Furthermore, the members of the management team have the responsibility to lead Rusta with pace and creativity, set ambitious goals and motivate co-workers.	Stable and dedicated owners are setting the overall direction for Rusta. The board of directors and owners are engaged in the everyday activities of Rusta and are the driving force behind our sustainability strategy.	Rusta's business influences society, both locally and globally. We closely follow the societal developments and movements, whether these relate to climate, plastic pollution or social aspects. We co-operate with several non-governmental organisations and maintain close contact with municipalities in the locations where we conduct our business.
How we communicate					
The Rusta homepage is our primary communication channel for sharing our policies and work with quality and sustainability to our external stakeholder groups. Rusta marketing activities are directed through a broad media mix. TV- and radio advertising, digital channels such as Rusta's loyalty program, social media and on-line marketing to name but a few.	Rusta believes in the importance of personal meetings to build mutual trust. Co-workers from our sourcing offices therefore visits our suppliers on a regular basis. Moreover, we organise the yearly Rusta Supplier Day-event for building ties with our suppliers. Furthermore, in the end of each calendar year we distribute the yearly Rusta sustainability update to our suppliers to ensure they are informed of our progress and our new sustainability requirements. We also clearly state our rules and guidelines in the Rusta Supplier Manual.	We arrange meetings on the topic of sustainability on all levels, functions and departments at Rusta. Moreover, we try to take every possible opportunity to engage in dialogue on quality and sustainability with co-workers in the course of our daily work. Additionally, we give regular sustainability updates in the relevant internal corporate forums.	The members of the management team all play an important role in their respective departments to ensure that relevant topics and issues are communicated continuously. Moreover, department meetings are held on a weekly basis.	Rusta's flat organisational structure enables a short and rapid flow of information and makes us agile when moving forward. The board of directors meet a minimum of six times per year. The board of directors is also highly involved in the daily business together with the Rusta teams.	Examples of these groups are municipalities and Non-Governmental Organisations. We interact with these groups by different means but most often through personal meetings, phone or email. All information on the Rusta homepage is available for the external partners and surrounding society.

# Most important topics in the stakeholder dialogue FY2019/20

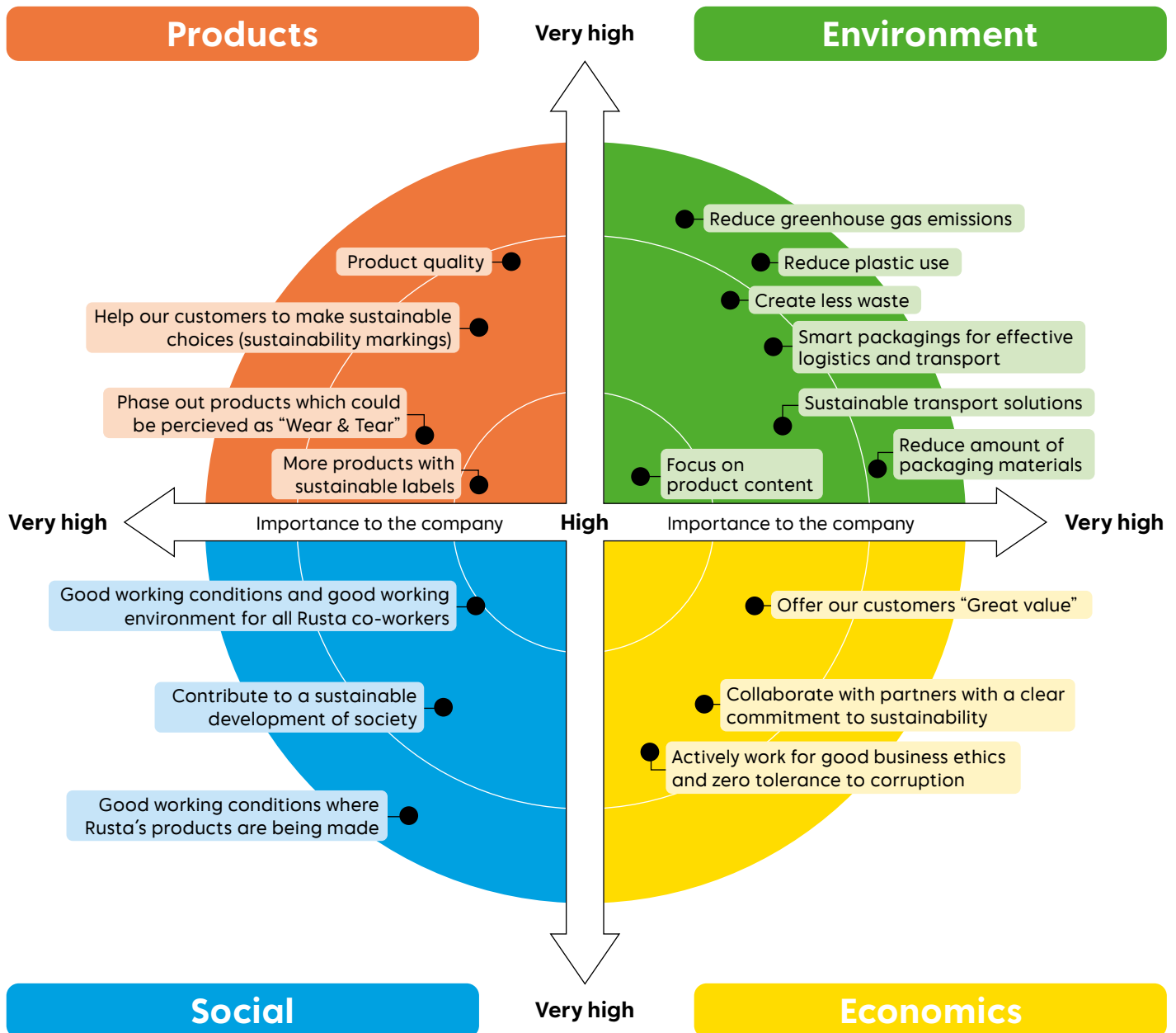
Customers	Suppliers	Co-workers	Management	Board of directors and owners	External partners and surrounding society
Products					
Longer lasting products	Product quality	Product quality	Phase out products which could be perceived as "wear & tear"	Product quality	Help our customers make sustainable choices (sustainability markings)
Increase share of renewable and recycled plastics	Phase out products which could be perceived as "Wear & Tear"	Phase out products which could be perceived as "Wear & Tear"	Product quality	Smart packaging for effective logistics and transport	Product quality
Smart packaging for effective logistics and transport	Initiatives to facilitate the recycling of products	Smarter packaging for effective logistics and transport	Help our customers make sustainable choices (sustainability markings)	More products with sustainable markings	Phase out products which could be perceived as "Wear & Tear"
Social					
Good working conditions and good working environment for all Rusta co-workers	Good working conditions where Rusta products are produced	Good working conditions where Rusta products are produced	Good working conditions where Rusta products are produced	Carry out transparent sustainability work	Contribute to a sustainable development of society
Good working conditions where Rusta products are produced	Contribute to a sustainable development of the society	Good working conditions and good working environment for all Rusta co-workers	Contribute to a sustainable development of society	Good working conditions where Rusta products are produced	Carry out a transparent sustainability work
Contribute to a sustainable development of society	Good working conditions and good working environment for all Rusta co-workers	Contribute to a sustainable development of society	Carry out a transparent sustainability work	Being a good employer and offer career opportunities	Good working conditions where Rusta products are being produced
Environmental					
Work to reduce plastic use	Sustainable transport solutions	Work to reduce plastic use	Reduce greenhouse gas emissions	Reduce greenhouse gas emissions	Digital meetings and sustainable travels
Focus on product content	Support the development of sustainable production technology	Generate less waste	Work to reduce plastic use	Sustainable transport solutions	Reduce greenhouse gas emissions
Sustainable transport solutions	Use renewable energy	Digital meetings and sustainable travels	Sustainable transport solutions	Work to reduce plastic use	Focus on product content
Economics					
Actively work for good business ethics and zero tolerance toward corruption	Collaborate with partners with a clear commitment to sustainability	Actively work for good business ethics and zero tolerance toward corruption	Clearer measurable goals in sustainability	Offer our customers "Great value"	Clearer measurable goals in sustainability
Offer our customers "Great value"	Actively work for good business ethics and zero tolerance to corruption	Communicate our sustainability work and commitment	Communicate our sustainability work and commitment	Actively work for good business ethics and zero tolerance toward corruption	Communicate our sustainability work and commitment
Collaborate with partners with a clear commitment to sustainability	Clearer measurable goals in our sustainability efforts	Collaborate with partners with a clear commitment to sustainability	Actively work for good business ethics and zero tolerance toward corruption	Clearer measurable goals in our sustainability efforts	Contribute to charitable causes

# 17 sustainability aspects

Rusta has identified 17 sustainability aspects that we deem to stand out in importance. We have summarized these aspects and illustrated them in the figure below. Additionally, there are a further three topics raised that we have chosen to handle separately. This is due to the fact that these three topics differ in nature from the others in that they relate to, not the specific actions

towards sustainability activities, but to how Rusta communicates around our sustainability work.

These three topics are already addressed in Rusta's sustainability priorities for marketing, namely that Rusta will continue to carry out transparent sustainability activities, clearly communicate them and commit to these tasks.



# Identified material aspects

## Products



### Goal:

We shall use 100% recyclable plastics by 2023

### Progress:

- Share of Better Cotton Initiative (BCI) from 9% to 70% during FY2019/20
- Reduced defective customer returns with 14% from financial year 2018/19

### Product quality

Great value for money

Supplier Quality Evaluation

Product content

Sustainable choices and markings

Renewable and certified raw materials

## Packaging



### Goal:

100% recyclable packaging materials by 2021

### Progress:

- We reduced packaging material use by some 16 050 pallets through the use of more efficient packaging solutions FY 2019/20
- All packaging sourced by the Vietnam office are already free from Expanded Polystyrene (EPS)

### Less packaging materials

Sustainable packaging materials

Smart packaging

## Transport and logistics



### Goal:

Set vehicle- and fuel-types requirement for distribution during 2020

### Progress:

- Reduced number of distributed pallets by increasing the filling rate
- Flexible delivery schedule depending on delivered volumes

### Incoming goods

Modern warehouse

Distribution to our stores

## Working environment



### Goal:

Implementation of our Code of Conduct (CoC) in all our offices, stores and warehouse

### Progress:

- All factories producing for Rusta have passed Rusta CoC level basic
- All factories producing for Rusta have achieved level "Average" or higher

### Employment, learning and development

Code of Conduct

Social responsibility

## Energy and emissions



### Goal:

Reduce greenhouse gas emissions by 20% until 2025

### Progress:

- Reduced electricity consumption in comparable stores with 450 000 kWh
- Converted all lighting in our central warehouse in Norrköping to LED-lights

### Supplier environmental evaluation

Greenhouse gas emissions

Energy and fuel

Promote recycling

## Ethics



### Goal:

All suppliers of goods and all white-collar coworkers at Rusta shall sign an ethical policy annually

### Progress:

- Ethical policy training with key target groups at Rusta
- Stronger and consolidated supplier base with improved relations

### Good business ethics

Zero-tolerance approach

Whistleblower policy



# Products

## Product quality

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 Key Performance Indicators (KPI:s)
- A systematic approach
- Continuous improvements
- Minimum quality definition: Safe, durable (more than three years) and fully functional

The implementation of Rusta's quality strategy has so far been highly successful. Since launching the quality strategy in 2011, defective customer returns have been reduced by some 82%.

## Great value for money

"Great value for money" is the main motivation for Rusta's Quality and Sustainability team. In this context "Great value for money" means the customer's perceived value of the product in relation to the price. We systematically measure our progress by sending our products to third-party testing and by tracking our customers' perception of Rusta's ability to offer "great value for money". This service is provided by SIFO Kantar who interviews 100 persons weekly. As can be seen in the illustration on the right, over time the trend is positive.

### Progress:

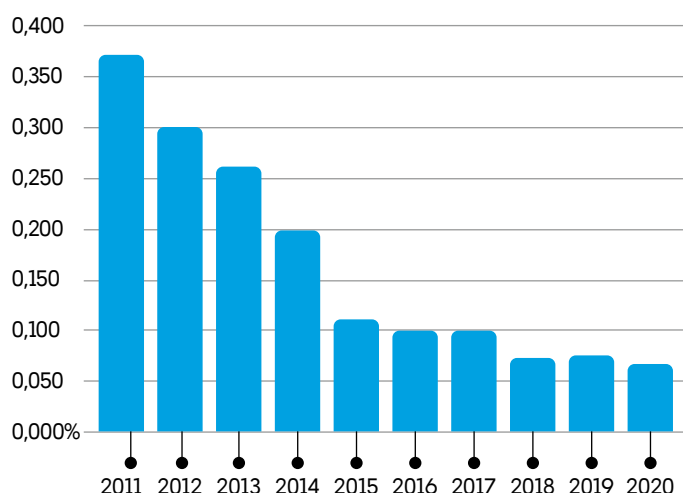
- Eight Rusta products have been awarded best value for money
- Two products, laminate flooring and non-woven wallpaper, have received 100% recommendation from our test customers. To read more about Rusta's tested products, please see: <https://www.rusta.com/se/information/testade-produkter/>

### Goals financial year 2020/21:

- Best in test/Best value for money products in every product category
- 10% increase in share of Swedes who perceives that Rusta offers "value for money"



### Defective customer returns in percentage (Quantity)



### Progress:

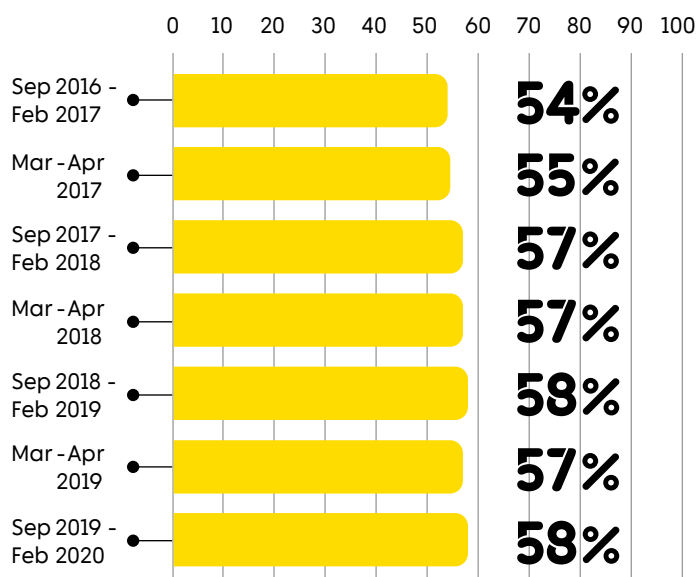
- During the financial year 2019/2020 defective customer returns in percentage decreased with a further 14% to a new record low of 0,066%
- Rusta has initiated a new zero-tolerance policy on all banned substances in our electronic and lighting products

### Goals financial year 2020/21:

Rusta has set two overarching goals relating to quality and durability:

- Annual reduction of customer returns related to poor quality with -20% per year
- Phasing out of items that are perceived as being "wear and tear-products"

### Share of Swedes who perceive that Rusta delivers value for money

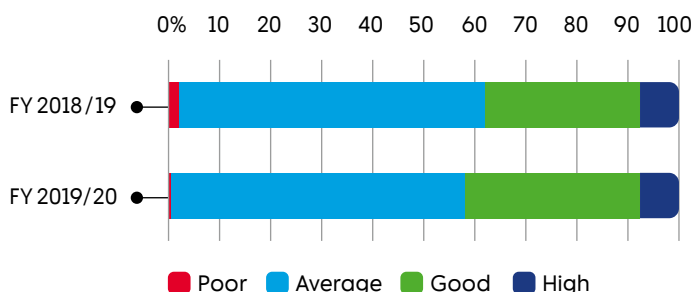




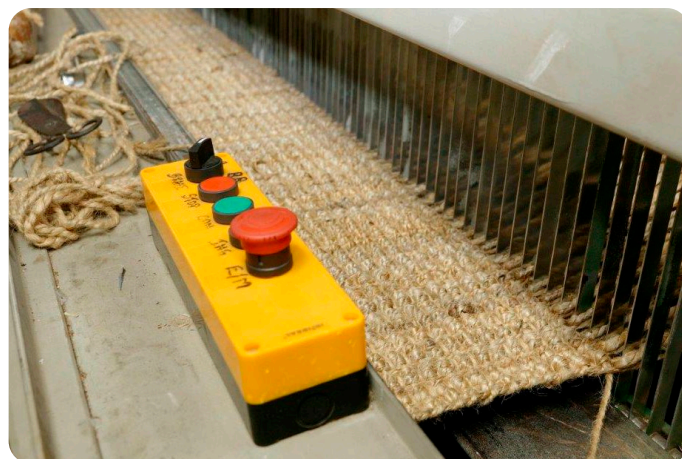
# Supplier Quality Evaluation

At Rusta we want to ensure that factories producing goods for us continuously improve their quality. Since 2014 we are working with a Supplier Quality Evaluation-tool (SQE). The SQE is based on a scoring system in which the factories benchmark their quality systems. Our quality specialists then support the factories with training where needed, while motivating them to pursue further progress in this area.

## Result of Supplier Quality Evaluation



During the financial year 2019/20 we have evaluated an additional 147 factories on the basis of our Supplier Quality Evaluation (SQE) guidelines. Currently three factories are still on level "poor", 176 on level "average", 105 on level "good" and a further 23 factories on level "high".



### Progress:

- All new factories have been evaluated before any orders have been placed

### Goals financial year 2020/21:

- All new factories shall be evaluated before any orders are placed
- All factories shall reach level "Average" or higher upon Supplier Quality Evaluation (SQE)

# Product content

Rusta's ambition is to minimise the negative environmental impact from our activities.



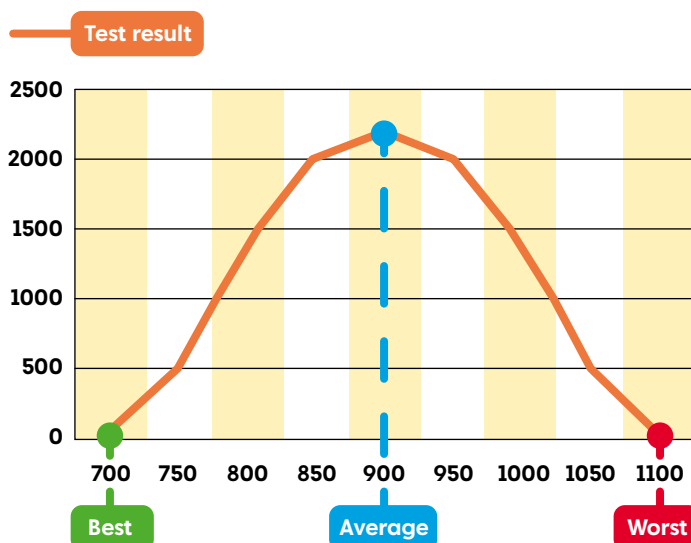
We choose and develop products and packaging materials carefully and, in line with our sustainability policy, we regularly update our chemical requirements for our suppliers. In Rusta's supplier manual we clearly state our requirements on chemical content. As a basic rule Rusta always uses the strictest requirements of any of our four markets as the minimum requirement for all Rusta products. For some substances, such as Phthalates, we have even more rigorous requirements than the legal demands on any of our markets.

Rusta uses X-ray fluorescence (XRF) scanners both in our Asian sourcing offices and in our warehouse in Norrköping, Sweden. This allows us to analyse the chemical content in our products.

Moreover, Rusta performs spot checks both in Asia and Sweden on all electrical items before they are sold in Rusta stores. From experience, we have noted that it is necessary not only to communicate our requirements and educating our suppliers, but we must also ensure that all sub-suppliers are updated on Rusta's requirements. In addition to looking at the actual test results from XRF-scanners, we also calculate any potential risks if or when we detect a value that is close to the permissible limit. To mitigate any risks, all test results in excess of 80% of the permissible limit value shall lead to identification of root causes and the implementation of preventive production measures. All with the aim of securing the safest possible products for our customers.

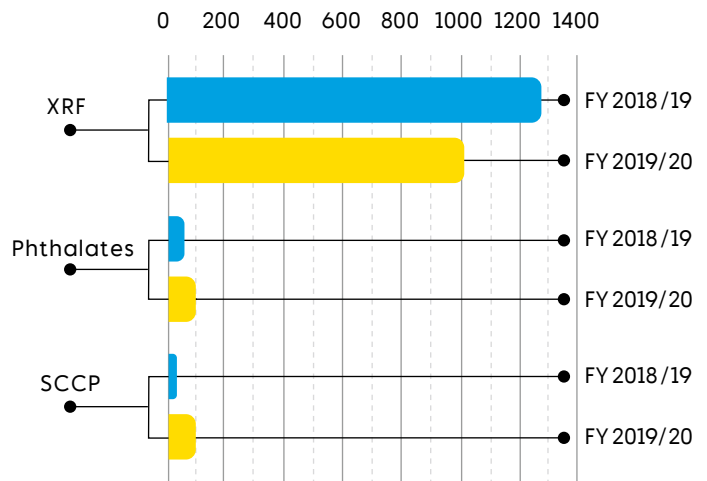
### For example:

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





#### Number of random tests



The financial year 2019/20 focus has been placed on Phthalates and Short Chained Chlorinated Paraffins (SCCP) which have been tested in third party laboratories.

#### Progress:

- Rusta's chemical requirements were updated in May 2019
- A total of 1 007 items have been scanned in Asia and at the Distribution center in Sweden, using the X-ray fluorescence (XRF) scanner
- A total of 211 third-party tests have been conducted, based on random selection prior to shipment
- Two training courses on Rusta's chemical requirements for electrical products conducted in our Chinese sourcing offices
- Two suppliers have invested and have subsequently been educated in X-ray fluorescence (XRF) scanning to improve supervision of the Restriction of Hazardous Substances (RoHS) requirements

#### Goals financial year 2020/21:

- To update our chemical requirements for our suppliers and factories
- To implement a systematic approach to secure Material Safety Data Sheets (MSDS) on our homepage. This will be done by means of a new Product Lifecycle Management (PLM) system
- To replace flame retardants in a minimum of five of our electrical household appliances with more sustainable alternatives

## Sustainable choices and markings

To facilitate for Rusta customers to make sustainable choices we have improved the sustainability marking of our products in all product areas.



#### Progress:

- During the financial year 2019/20 all existing sustainable markings were published on our homepage [www.rusta.com](http://www.rusta.com), with their respective descriptions. By clicking on a sustainable marking Rusta customers may easily find products carrying the relevant marking

#### Goals financial year 2020/21:

- To communicate and explain sustainable choices and markings to our customers
- To launch a new label with products produced solely using recycled materials
- To start communicating our sustainably produced products in all our channels





# Renewable and certified raw materials

## Wood

Rusta has developed a Forestry Due Diligence System. The system helps us estimate and calculate any risks associated with purchasing specific types of wood from a certain region and/or supplier. Rusta will never accept products that whole, or in part, contain parts, from any flora listed as "Near threatened" or higher extinction risk, in the International Union for Conservation of Nature and Natural Resource's red list of threatened species.



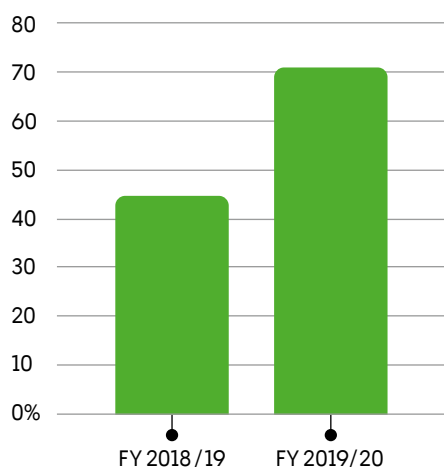
**Apart from this Rusta does not source any wood which:**

- Is illegally cut
- Comes from protected areas, intact natural forests/ rainforests or from high conservation value forests
- Is not produced in compliance with national and regional forest legislation
- Whose 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

### Progress:

The diagram shows the percentage of sold wooden products from the (Forest Stewardship Council (FSC), Programme for the Endorsement of Forest Certification (PEFC) and Nordic Swan Eco label). This includes solid wood, wood-based materials and paper.

**Share of certified wood comparison**



### Goals for financial year 2020/21:

- All solid wood and wood-based materials, including paper, used in Rusta products shall be certified

## Palm oil

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

## Cotton

Rusta is committed to significantly increasing its offer of cotton products produced in accordance with the guidelines set out in the Better Cotton Initiative (BCI). BCI exists to make global cotton into a more sustainable mainstream commodity. The emphasis of the BCI-initiative is to improve the lives of the people producing cotton and to develop production methods that are more environmentally-friendly.

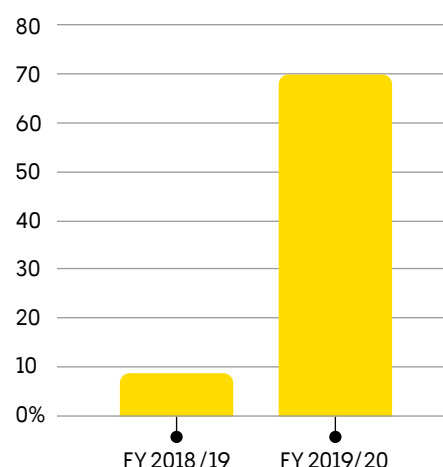


During the year we have for example started sales of throw MAJA and pillow cover SIMA made of recycled cotton.

### Progress:

The diagram shows percentage of metric tons.

**Share of BCI cotton comparison**



### Goals for financial year 2020/21:

- We will source only sustainable cotton in 2021 by using Better Cotton Initiative- (BCI) and recycled cotton

### Progress:

- All products produced for Rusta containing palm oil were in so-called "RSPO mass balance"

### Goals for financial year 2020/21:

- To continue securing that all products produced for Rusta containing palm oil are as a minimum RSPO mass balance
- To continue increasing the levels of RSPO-certified palm oil in all products sold in our stores

## Plastic

Rusta is continuously reducing the amounts of plastics that we use in our packaging and products, while at the same time making a more detailed mapping of the amounts, frequency and type of plastic.

Moreover, we are performing trials to replace solar light products made of Polyresin with recyclable materials.



Our requirements with regard to plastics are all detailed in the Rusta Supplier Manual.

### Progress:

- During 2019 Rusta phased out all single use plastic (cotton buds, cutlery, straws, and plastic glasses) from our product range
- Rusta has started to phase out Expanded Polystyrene (EPS) from our packaging, instead replacing it with renewable materials
- Rusta has set up a "Plastic task force" with representatives from all Rusta sourcing offices to lead the transformation to sustainable plastics
- The decision to remove plastic in the packaging of the majority of our candles will mean a four ton reduction of plastic waste annually.

### Goals for financial year 2020/21:

- By 2021 Rusta will finalise the phasing out of Expanded Polystyrene (EPS) from our packaging
- In line with our packaging strategy, we shall use only recyclable packaging materials by 2021
- By 2023 all plastic products sold by Rusta shall be made of recyclable plastic
- By 2025, 50% of all plastic used in Rusta products shall be produced from renewable sources or from recycled material



## Animal products

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

In 2018 we initiated a dialogue with Animal Rights Sweden. Based on the input of said organisation, Rusta has elaborated our requirements on animal welfare which is, as of early 2020, included in our Code of Conduct.

### Progress:

- Requirements on animal products in our Code of Conduct have been elaborated and updated

### Goals for the financial year 2020/21:

- To annually update our requirements for animal products from our suppliers and factories
- To deepen dialogue with Animal Rights Sweden in order to continuously update our knowledge of routines regarding animal welfare.





# Packaging



## Reduce packaging material

To reduce the amount of packaging material, Rusta has decided to switch from double wall- to single wall corrugated cardboard in all consumer and retail units weighing less than 15 kilos. Wherever possible, we strive to remove consumer packaging altogether.

We are also working on the implementation of a Product Lifecycle Management system which will allow us to monitor packaging data such as materials, weights and measurements.

### Progress

- Continuous focus on reducing packaging materials
- Rusta has detailed the requirements for a Product Lifecycle Management (PLM) system
- Rusta has removed consumer packaging on 12 high-selling products

### Goals for the financial year 2020/21:

- We will use only single-wall corrugated cardboard for all Consumer and Retail Units weighing less than 15 kg
- We will ensure that we gain full insight and optimal transparency with regard to packaging content in one PLM-system



## Sustainable packaging materials

An example of how packaging can support sustainability is the reduction of transport needs obtained by packing products more efficiently. This way we create less CO<sub>2</sub>-emissions. Furthermore, we use recyclable plastics and replace Expanded Polystyrene (EPS) with fiber-based packaging material, while preferably using one packaging material per item, thereby avoiding mixed materials which is difficult to sort and recycle. Finally we use no hazardous chemicals in the packaging material.

### Progress

- 16 050 pallets saved (equal to 486 containers/trucks)
- All packaging sourced by the Vietnam office are Expanded Polystyrene (EPS) free
- When using corrugated cardboard instead of EPS we increased the filling rate (less transports) and lowered the total cost

### Goals financial year 2020/21:

- Rusta packages shall be EPS-free by 2021
- Rusta shall have recycling symbols on all packaging
- Rusta's yearly goal is to save in excess of 15 000 pallets



## Smart packaging

Rusta has developed a tool that enables us to calculate the ideal quantity of products per Retail Unit Packaging. This allows us to replenish products to the individual store once every second week instead on a weekly basis.

As a first step, Rusta will adapt packaging solutions to the pallet and container. Then we will work to further adapt product dimensions to pallets and containers. We are also working on new and improved guidelines on how to optimise packaging and handling of heavy products in our supply chain – all to secure improved working conditions in our factories, warehouse and stores.

Going forward Rusta will invest in a so-called sample making table to cut corrugated cardboard, thus ensuring continuously more effective packaging solutions by removing excessive air/empty space in every package, pallet and container.

### Progress

- The Process for product development has been updated to include packaging from the outset
- Rusta Supply chain has arranged numerous product development workshops including workshops on packaging development

### Goals financial year 2020/21:

- Packaging shall be added as an integrated part of product development
- Filling rate shall be more than 83% in our containers

# Transport and Logistics

## Incoming goods

In close collaboration with our suppliers and colleagues in Asia we continuously increase the filling rate in containers and develop smarter packaging and loading solutions.

## Modern warehouse



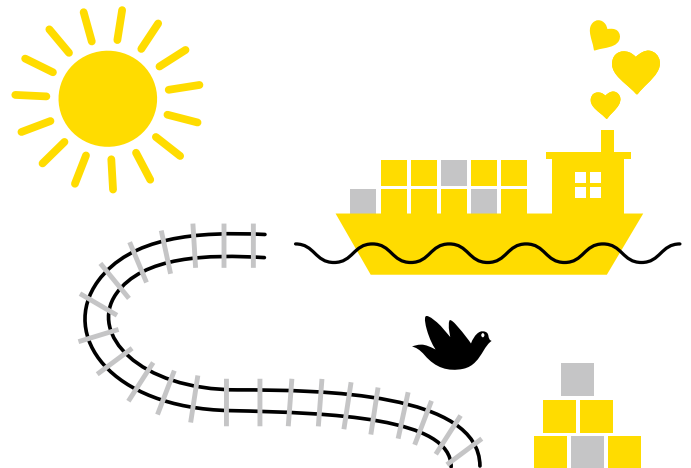
Rusta's central warehouse located in Norrköping is as of the financial year 2019/2020 one of the largest distribution centers in the Nordics. Our warehouse has the capacity to store more than 230 000 pallets. Constructed in 2015, recent years have seen some major expansions made, with yet another expansion planned for 2020.

To have one centralized distribution center means that we can collect all our goods under one roof. This eliminates unnecessary transports while improving filling rates, which means that we can lower both environmental impact and costs.

The location for our distribution center is carefully chosen to ensure:

- Vicinity to the container port in the harbor (1 km) to reduce transportation distance
- vicinity to railroad to enable railway transportation both to and from the warehouse
- Vicinity to Rusta's biggest market and easy highway access to minimize distribution distance

To save energy, the entire building is heated by geothermal heating. Moreover, the warehouse solely uses LED-lighting. This reduces energy consumption by an estimated 50% compared to conventional light bulbs. Furthermore, a "pick-by-voice"-system allows Rusta to save more than three tons of print-paper every year. For several years, Rusta has worked hard to develop improved processes in the area of automatic stretch wrapping machines to reduce plastic use. Thus, by using a thinner but stronger plastic film we save more than ten (10) tons of plastic every year.



## Distribution to our stores

Rusta's central replenishment system secures that our products are delivered at the right time, to the right place and in the right amount. The system helps us reduce unnecessary transportation of goods to and back from our stores.

In addition, flexible delivery route planning allows us to choose the most suitable delivery schedule for the stores. Moreover, the warehouse management system ensures that every pallet is full – all in order to ensure that our transports are filled to the maximum, thereby minimising emissions. To avoid traffic and save fuel, whenever possible, we deliver all goods during the night. In the north of Sweden, we utilise railroad for distribution of goods to nearby stores.

### Progress:

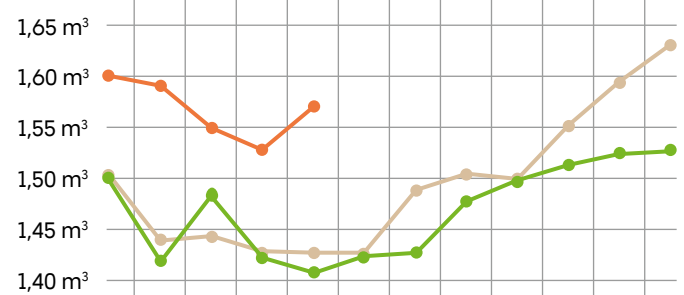
- The average volume on pallets increased with 4% last financial year, which means Rusta saved approximately 16 000 distribution pallets (equal to 356 truckloads)

### Goals financial year 2020/21:

- Collect data on CO<sub>2</sub> emissions for all Rusta transport providers
- Include elaborated environment goals in all the transport contracts

### Monthly development of volume per distribution pallet in m<sup>3</sup>

	1	2	3	4	5	6	7	8	9	10	11	12
2020	1,60	1,59	1,55	1,52	1,57							
2019	1,51	1,44	1,44	1,43	1,43	1,43	1,49	1,51	1,50	1,56	1,60	1,63
2018	1,50	1,42	1,48	1,42	1,41	1,42	1,43	1,48	1,50	1,51	1,53	1,53





# Working Environment



## Employment, learning and development

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

Together we build and develop the future Rusta based on our mission and values: "Every co-worker. Every day".

## Total number of employees:

# 3232

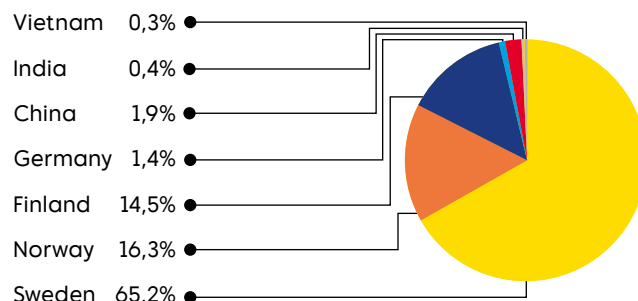
Rusta has a flat organisational structure. We want it to be easy for our co-workers to make their voices heard and to make positive changes happen. We want our co-workers to be engaged, and actively contribute to the future growth of our company. For this reason, we work to provide great opportunities for professional development.

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

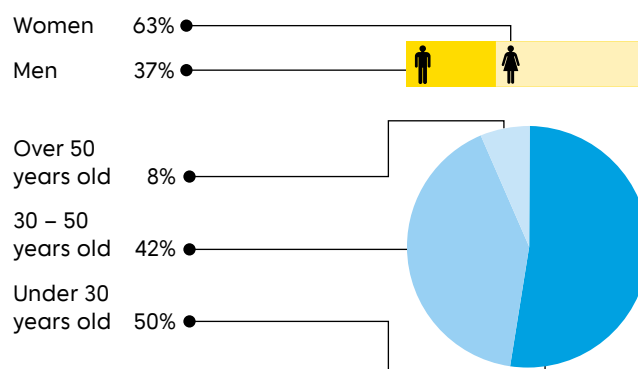
Rusta regularly performs co-worker surveys. The latest survey was conducted during the fall of 2019. The response rate was 87% and showed that a large majority of our co-workers feel that Rusta is a very good employer (76%) and would recommend working at Rusta to others. According to the same survey, the leadership index, which serves as an indication of our co-worker's satisfaction with their managers, were 79%

## Some facts

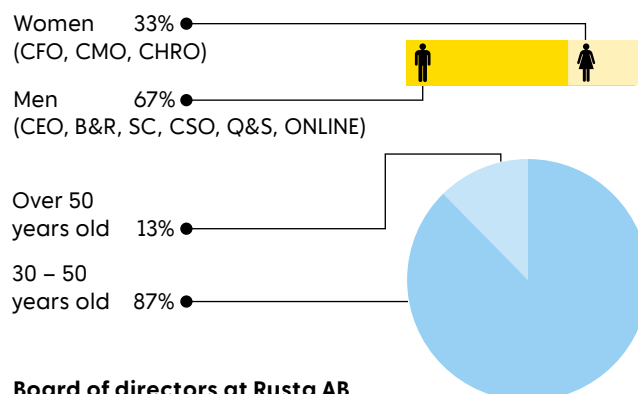
### Employees by country %



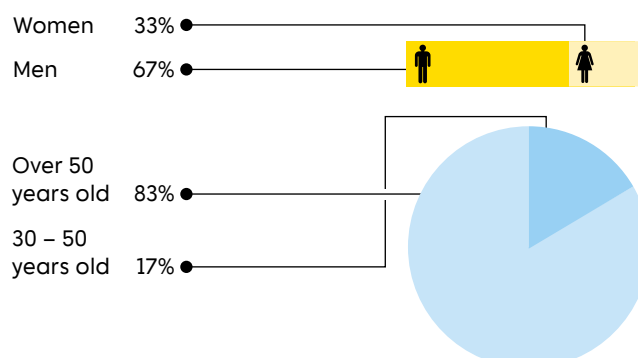
### Employees gender and age distribution %



### Executive Management Team Rusta AB Gender and age distribution %



### Board of directors at Rusta AB Gender and age distribution %



## Simplicity

Because life shouldn't be complicated

## Courage

We dare to be different

## Commitment

We live and breathe Rusta

## Togetherness

We stand strong, as one

# Our Values



## Development talks

At Rusta all managers and co-workers regularly meet to set and follow up on performance and development needs. These dialogues are held every year and are always documented so as to ensure they may be systematically reviewed and followed-up upon. The development talk is designed to ensure that both employees and managers 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 to create clarity in both directions. Only then, a plan forward can be set. The plan includes what is expected to be achieved and outlines individual goals to support the overall objectives. Similarly, the plan should also clarify expected behaviours used to reach the goals, in the same way that it defines what support the manager shall give the co-worker to succeed.

## Development and leadership

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

To support our leaders in their growth, Rusta has created a specially designed program which is mandatory for all managers in the company. The programme builds on our leadership profile, as well as our corporate values. A newly designed Business Acumen programme 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 co-workers, primarily sales staff and Deputy Store Managers, the opportunity to start their journey towards becoming a future Rusta Store Manager.

**The need for internal training varies depending on function, 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 licenses
- Registration, Evaluation, Authorisation and restriction of Chemicals (REACH) and Restriction of Hazardous Substances (RoHS)
- Code of Conduct
- Rusta core values
- Ethical policy
- Working Environment and ergonomics
- Staff Planning
- Labour Law



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

### Progress:

- 404 hours of training in ergonomics for all warehouse staff
- During the financial year two confirmed incidents of harassment were identified, and proper actions were taken by Rusta's HR-department
- 77% of our co-workers would recommend Rusta as an employer
- Rusta's leadership index: 79%
- All store managers are educated in staff planning and labour law

### Goals financial year 2020/21:

- Repetition training in ergonomics for warehouse staff
- Reinforce our guidelines regarding discrimination and harassment by informing all co-workers

# Code of Conduct

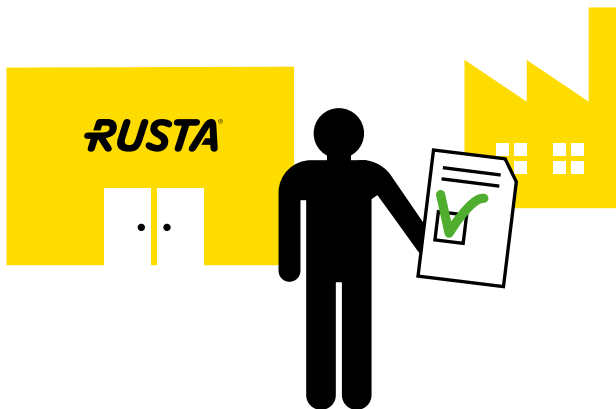
All our suppliers and their employees shall have the benefit of good working conditions. Rusta has formulated a Code of Conduct (CoC) to meet global and basic responsibilities in the areas of human rights, labour, environment and anti-corruption. It also includes the ten principles of the UN Global Compact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

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

In addition to the minimum basic requirements, Rusta's Code of Conduct also contains several requirements to which the supplier shall adhere.

These requirements are such as good working conditions, health and safety regulations, business ethics and environment regulations, along with protection of animals and threatened species. The suppliers are classified based on how well they fulfil our Code of Conduct.



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

## Office

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



## Store

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

## Progress:

- All factories producing for Rusta have passed Code of Conduct Basics
- No factories in China failed Rusta Basic
- Code of Conduct evaluation routine was updated in October 2019
- Code of Conduct for all Rusta units developed

## Goals financial year 2020/21:

- Implement Code of Conduct in all stores, offices, and our warehouse



# 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. Therefore, we are continuously educating and supporting our suppliers with a specific emphasis on our external stakeholders in Asia. 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 relating to our business is to secure that all people in our supply chain are covered by our Code of Conduct. This includes the small (less than 0,5%), yet important, part of our production which is carried out in homes in Vietnam, India, and China. Therefore, we also visit the villages where our items are produced.

In addition to 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 penalties 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.



## 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 their workers. Our Code of Conduct clearly states that no supplier can supply goods to Rusta if they exploit any type of forced or bonded labour. During the past year we have had no such confirmed incident.



## Freedom of association and collective bargaining

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

## Evaluations of the suppliers and their factories on performance

All evaluations, regardless if they pertain to social or environmental responsibility or to quality systems, are executed by Rusta. Our own trained specialists evaluate and follow up on the improvements made in the factories.

During the financial year 2019/2020, 147 factories were evaluated according to the social criteria laid out in our Code of Conduct. Eight factories failed the basic requirements and, in line with our rules, were not allowed to become a Rusta supplier.

### Progress:

- In total, 100% of new suppliers were evaluated and screened in accordance with the social requirements laid out in Rusta's Code of Conduct
- All suppliers achieved level "Average" or higher
- As part of the introduction program, all new co-workers in our sourcing offices and our co-workers in the Business & Range department have received training in our Code of Conduct
- During the financial year 2019/2020 Rusta has closed cooperation with three factories in China due to poor performance in accordance with our Code of Conduct "Rusta Social"
- A supplier visit handbook has been compiled and implemented and is now in use by the relevant co-workers

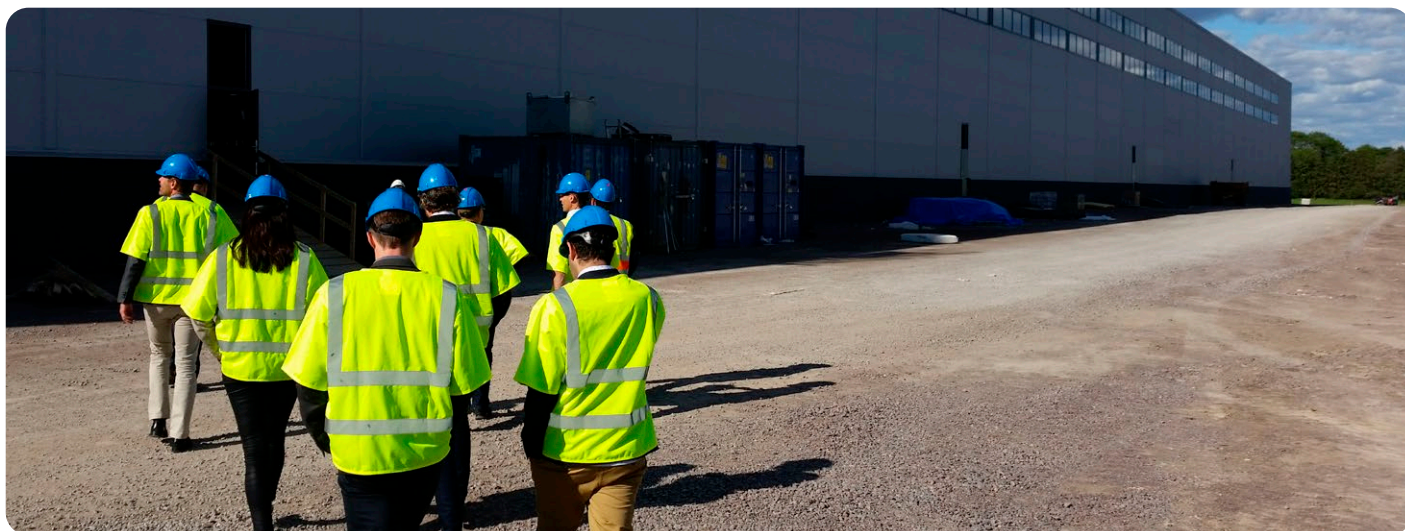
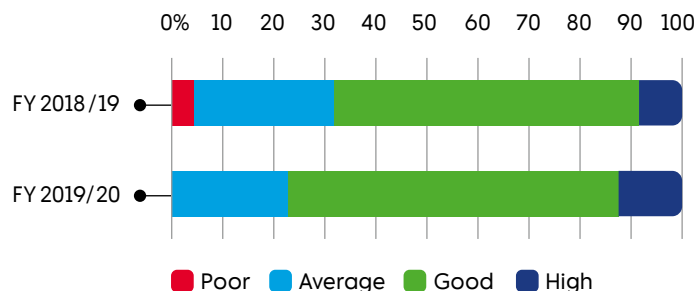
## Goals financial year 2020/21:

- Increase the share of suppliers at level "Good" to 75% while maintaining or increasing the share of suppliers at level "High"
- Improve our supplier's performance with regard to overtime work and social insurance



The diagram below shows the current share of suppliers per risk-level compared to last year.

### Result of Code of Conduct Social evaluation



The table below shows the business impact depending on the result from the social evaluation.

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



# Energy and emissions



## Supplier environmental evaluation

Rusta works together with our suppliers to continuously improve our environmental performance. Without exception, the environmental performance of all potential suppliers is screened and evaluated before they may produce goods for Rusta. This is an integral part of our Code of Conduct.

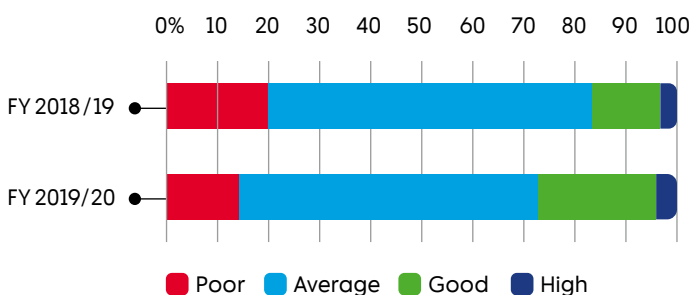
Apart from our basic demand, that all critical environmental hazards shall be eliminated or be handled in a sustainable way, we rate our suppliers on “Rusta Environment” on the basis of the following five areas:

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

In this process, suppliers firstly conduct a self-assessment which is then verified or revised by our Code of Conduct evaluators. During the financial year 2019/2020, our trained specialists have evaluated 129 supplier factories in accordance with the environmental standard laid out in the Rusta Code of Conduct.

The diagram below shows the current share of suppliers per risk level as compared to last year.

### Result of Code of Conduct Environmental evaluation



### Progress:

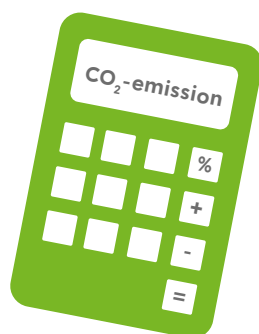
- In total, 100% of new suppliers were evaluated and screened in accordance with the environmental criteria laid out in Rusta’s Code of Conduct
- In total 129 evaluations were performed in accordance with the environmental criteria laid out in Rusta’s Code of Conduct

### Goals financial year 2020/21:

- Going forward, we see a need to set clear objectives for our sustainability activities with regard to emissions
- Involve and learn from our European suppliers/factories to more rapidly reach our goals
- Reduce share of suppliers on level “Poor” by 50%

## Greenhouse gas emissions

At Rusta we know that a majority of our CO<sub>2</sub>-emissions come from raw materials and the production of our products. Currently we do not have the tools to collect and gather all data relating to this aspect of our activities. However, our ambition is to be fully transparent regarding our environmental impact.



By using the tools provided by the Greenhouse Gas Protocol, we have estimated a figure of circa 400 000 tons of CO<sub>2</sub> stemming primarily from the purchase of raw materials. Purchasing more sustainable and certified raw materials is Rusta’s main priority with regard to reducing our climate impact.

As a first step in this process, Rusta will setup a methodology in order to calculate the CO<sub>2</sub>-emissions for each product that we sell.



# Energy and fuel

We continuously improve our internal data collection with a focus on the Greenhouse Gas Protocol scope 1 and 2. The table below shows our emissions for the financial year 2019/20.

Electricity consumption	Ton CO <sub>2</sub>	kWh	Comment
<b>Purchased electricity (market-based method, Scope 2)</b>	3 015	50 870 485	Our mix of energy from renewable sources reduces the carbon dioxide emissions with 9 741 tons.
<b>Electricity according to Scandinavian residual mix (location-based method, Scope 2)</b>	12 756	"	
Business travel	Ton CO <sub>2</sub>	kWh	Comment
<b>Business travels Rusta-owned cars (Scope 1)</b>	40		Increased use of hybrid cars reduced the carbon dioxide emissions with 2 500 kg compared to last year.
<b>Business travels privately-owned cars (Scope 3)</b>	78		
<b>Business flights (Scope 3)</b>	138		Rusta compensates for all business flights booked in Sweden. This means 487 tons less carbon dioxide

Rusta monitors the energy consumption in our stores and our warehouse to gather real-time data. We are currently working on structuring and analysing this data to set precise key metrics both for our own and for our 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.

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, which allows for an energy saving of up to 50%.



## Progress:

- Reduced electricity consumption in comparable stores with 450 000 kWh

## Goals for the financial year 2020/21:

- Going forward, we see a need to set clear objectives for our sustainability activities with regard to energy consumption
- We will initiate a systematic approach that will enable us to report our emissions according to the Greenhouse Gas Protocol (GHG)



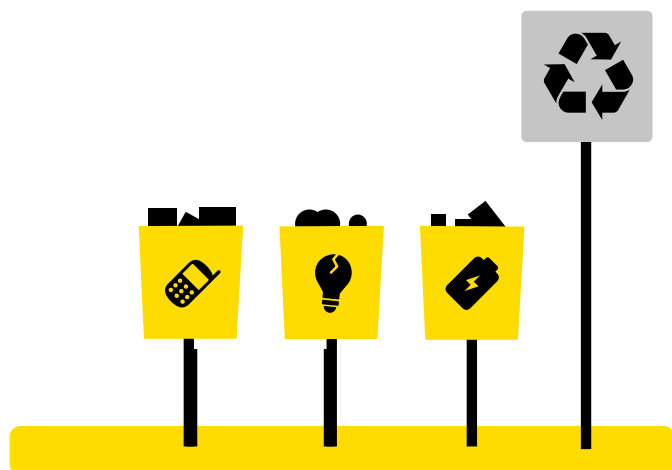
# Promote recycling

Rusta is determined to increase the share of reused, recycled and recovered waste. In our stores and our warehouse, we continuously 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 the requirements laid out in Rusta's Basic Code of Conduct, we constantly work to secure that any critical environmental hazard is taken into consideration. We also evaluate how our suppliers' waste-handling is managed.

An example of how we have secured a high share of recycled material is our plastic bags. We use only Low-Density Polyethylene (LDPE)-plastic which is collected from our stores. A large majority of this plastic is then turned into new plastic bags for our customers. The share of recycled material in the Rusta plastic bag is 90%.



## Progress:

- The figures below show our numbers of disposed waste and share of the different waste-types in kilograms. Going forward, we will have comparable figures from earlier years included in the total.

## Goals for financial year 2020/21:

- Increase the share of cardboard-recycling by 5%
- Increase the share of plastic-recycling with 30 tons
- Long-term we will eliminate all waste to landfill

Hazardous waste	FY 2019/2020 Rusta		FY 2019/2020 Sweden		FY 2018/2019 Sweden	
Recycling	130 822	96,0%	96 643	94,6%	59 389	88,3%
Combustion	2 496	1,8%	2 496	2,4%	5 201	7,7%
Landfill	2 970	2,2%	2 970	2,9%	2 377	3,5%
Recovery		0,0%		0,0%	306	0,5%
Total kg:	136 288		102 109		67 273	

Non-hazardous waste	FY 2019/2020 Rusta		FY 2019/2020 Sweden		FY 2018/2019 Sweden	
Recycling	5 503 912	72,4%	4 440 631	80,5%	3 824 756	80,6%
Combustion	2 069 738	27,2%	1 041 234	18,9%	872 740	18,4%
Landfill	30 156	0,4%	30 156	0,5%	46 645	1,0%
Recovery	2 341	0,0%	2 341	0,0%	2 342	0,0%
Deep well injection		0,0%		0,0%	0	0,0%
Total kg:	7 606 147		5 514 362		4 746 482	



# Ethics



## Good business ethics

In our Supplier Manual (RSM), we clearly account for Rusta's business ethics policy. Rusta strives to act fairly and transparently throughout the different levels of our supply chain. The business ethics policy is communicated to and signed by all Rusta co-workers and our suppliers on a yearly basis. Moreover, we closely monitor the potential interactions that may occur between interrelated agents in our supply chain.



## Zero-tolerance approach

Rusta has a zero-tolerance policy towards any form of bribery or corruption.

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



## Whistleblower policy

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



### Progress:

- Two confirmed incidents of corruption were identified, and proper actions have been taken
- 100% of our suppliers in Asia have signed the Rusta Ethical Policy
- Separate meetings on the topic of corruption with new suppliers and new Rusta co-workers
- Work rotation among co-workers to reduce risks and improve control
- In parts of Asia we have implemented new ways of working to reduce risks and improve control

### Goals for the financial year 2020/21:

- All white-collar co-workers shall sign the ethical policy annually
- An updated education about our ethical policy will be completed in all Rusta units
- All suppliers shall sign the Rusta Ethical policy, or equivalent\*

\* in case the supplier has their own ethical standard or policy, this can be acceptable after verification

# Risks, risk management and opportunities

Our business activities involve certain risks. Therefore, we have taken a structured approach to manage and mitigate these risks. We believe that well-managed risks can instead lead to

opportunities and add value to our company. We also acknowledge that by neglecting or managing the risks poorly, this can lead to losses.

Risk	Occurrence	Context	Mitigating factors	Opportunities
<b>Prevention of corruption</b>	Supply chain	Rusta has a global supply chain that includes procurement from countries with different risk levels. Potential risks in the supply chain include for instance compromising human rights or labour rights, risks to occupational health and safety and causing environmental damage. Rusta's suppliers can cause notable reputation or business risks to Rusta if they engage in unethical behavior.	Zero-tolerance approach towards corruption and bribery. All white-collar co-workers shall sign the ethical policy annually. An updated education about our ethical policy will be performed in all Rusta units. All suppliers shall sign the Rusta Ethical policy, or equivalent.	Together with industry peers on the market Rusta can be part of shaping the market and have a positive impact on the journey towards reducing corruption in the world.
<b>Social conditions and Human rights</b>	Supply chain	In some countries from which Rusta sources our goods, there are increased risks of human rights abuse, including child, forced or compulsory labour, poor working conditions, limitations in the freedom of association and discrimination. Relationships with suppliers not complying with internationally accepted ethical, social and environmental standards constitute a possible risk to Rusta's reputation.	The Rusta Code of Conduct, which clearly embraces and accounts for human rights requirements, is our primary tool to continuously and tirelessly work in line with national and international laws and standards.	When we promote and work for improved social conditions and human rights in the countries where these areas are under-developed, we can secure safer workplaces and strengthen the markets where we source our goods. This also strengthens the Rusta brand.
<b>Safety and health of Rusta's co-workers</b>	Rusta stores, offices and warehouse	Ill health is a challenge for the individual as well as for the company in that it may cause sick leave. Accidents or incidents at the workplace due to lack of proper safety measures harm employees and can negatively affect Rusta's productivity and employer branding. Rusta recognizes the risk that serious diseases and pandemics may cause interruptions to business operations and harm employees.	Rusta practices preventive health and safety work in all our units. We offer trainings and education in working environment and ergonomics as well as workplace safety.	Working actively to promote safe and healthy working conditions will ensure healthy and happy co-workers. It also strengthens Rusta as an attractive employer.
<b>Co-workers</b>	Rusta stores, offices and warehouse	Rusta shall have access to and attract skilled and motivated co-workers and safeguard the availability of competent managers to achieve the established strategic and operational objectives. At Rusta everyone is given equal opportunities and rights. We know that differences bring opportunities and we are always looking for co-workers who thrive in an inclusive and ever-changing environment.	The competence mapping and plan together serve to secure access to people with the right competence and attitude. An understanding of Rusta's core values is essential. Recruitment can be both external and internal. Salaries and other conditions are adapted to the market and linked to business priorities. Rusta strives to maintain good relationships with the different unions.	Being progressive as an employer and communicate our sustainability agenda will strengthen our position as an attractive employer. Providing dynamic and exciting working tasks and career opportunities will benefit our co-workers and attract skilled and motivated future Rusta employees.
<b>Environment</b>	Supply chain and Rusta stores, offices and warehouse	Our biggest impact on the environment comes from the raw material and production of our 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 co-workers. In line with our sustainability policy, we regularly update our chemical requirements towards our suppliers/factories. By failing to adapt to legal requirements in the environmental field, our brand may be seriously harmed.	We invest heavily in product development of a Rusta unique range. We avoid or minimize use of unnecessary material whenever possible and increase the share of renewable, recycled and/or certified materials. We choose product and packaging materials carefully. In line with our sustainability policy, we regularly update our chemical requirements towards our suppliers.	Working proactively with environmental risks can provide significant opportunities to drive innovation at Rusta. Being the good and sustainable alternative within low-price retailing, enables us to attract more customers.



# About this report



This sustainability report covers the financial year 2019/20 lasting from May 1st, 2019 to April 30th, 2020. The report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option and the Swedish Annual Accounts Act. The report principles used to define report content has been applied. Any limitations that we have made are described in the respective chapters.

Concerning GRI we have made omissions for Management Approach 103-3 regarding GRI 302 (partial), GRI 304 and GRI 305 due to lack of systems for evaluation of our sustainability progress. Such systems will, however, be developed and implemented. 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 305-1, 305-2, 404-1 and 404-2 we have partial fulfillment. Systems and tools for data collection will further be developed for more distinct data disclosure. For more details and further information please see our GRI Content Index. The latest Rusta sustainability report was published in September 2019. 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 2019/20, we have continued our work according to the materiality analysis which we performed during 2017/18. We have also made significant progress within our material aspects. 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 material aspects described in this sustainability report comes from our latest materiality analysis that was made in the spring of 2020. The materiality analysis forms the basis of this sustainability report. 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.

Rusta are members of 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 area of sustainability follow the United Nation's global sustainable development goals.

Rusta are proud partners of "Médecins sans frontières" (Doctors without borders), UN Women Sweden, "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.

During the financial year 2019/20 we continued the transition of the Finnish retail company named Hong Kong into becoming Rusta stores. At the time of the acquisition in 2018 Hong Kong had 24 stores. We have opened one new store in Raisio, and we have finalized the sales of Hong Kong assortment except for the three categories Fishing, Do It Yourself and Garden, which will remain in the Finnish stores. We have also changed the layout and interior in 20 of the stores according to the Rusta- store concept. The IT-systems of the two companies have been fully integrated. During the coming year we will rebrand all Hong Kong stores to Rusta. We plan to open seven new stores and we will continue to integrate our Finnish business into Rusta's way of working with sustainability and quality.

To find out more about Rusta's sustainability work please visit [www.rusta.com](http://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](mailto:jesper.bondesson@rusta.com)

# UN Global Compact Index

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

# 10

## Human rights Principles

Location in the Rusta  
FY 2019/20 sustainability report

Topic: Page:

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WE SUPPORT



## UNITED NATIONS GLOBAL COMPACT (UNGC) PRINCIPLES

### HUMAN RIGHTS

**Principle 1** Businesses should support and respect the protection of internationally proclaimed human rights; and

**Principle 2** make sure that they are not complicit in human rights abuses.

### LABOUR

**Principle 3** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

**Principle 4** the elimination of all forms of forced and compulsory labour;

**Principle 5** the effective abolition of child labour; and

**Principle 6** the elimination of discrimination in respect of employment and occupation.

### ENVIRONMENT

**Principle 7** Businesses should support a precautionary approach to environmental challenges;

**Principle 8** undertake initiatives to promote greater environmental responsibility; and

**Principle 9** encourage the development and diffusion of environmentally friendly technologies.

### ANTI-CORRUPTION

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

# 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 2019/20, and that it has been prepared in accordance with the Swedish 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 report on the statutory sustainability report. This means that my examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. I believe that the examination has provided me with sufficient basis for my opinion.

## Conclusion

A statutory sustainability report has been prepared.

Stockholm, August 28, 2020  
Öhrlings PricewaterhouseCoopers AB



**Sten Håkansson**  
Authorised Public Accountant





***RUSTA***<sup>®</sup>

