

# SUSTAINABILITY REPORT 2022







No one said it was easy. A sustainable future for all. Throughout these challenging times, our commitment to doing business sustainably remains as steadfast as our values remain unabated. We have taken it up on ourselves to have a positive impact on people, society and planet. And we are relentlessly continuing to deliver on our promises. But, before letting the facts speak for themselves, let me share some key findings.

First, let me mention how critical it has been to quickly spot current sustainability risks in our supply chains. Our supplier relation management tools let us evaluate our suppliers' environmental, humane and social performance in a fact-based and methodical way. This have proven to give very positive results.

Spinning on the term supply chain, we are really just a link ourselves. I'm thinking of all the wonderful people using our storage solutions. We are working very hard on designing products that allow life-long use and facilitate people in moving towards a more sustainable lifestyle. We think, if society measured us as we measure our suppliers, we want to do good.

Lastly, a hard fact. We have reduced our carbon footprint by 2%, compared to fiscal year 2019, which is our base year. This translates into tons of worthwhile, hard work and engagement of all employees and suppliers.

Enjoy the read!

A handwritten signature in black ink, consisting of stylized, overlapping loops and a long horizontal stroke.

Anders Rothstein  
CEO, Elfa Group





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# ABOUT ELFA

Our story started in 1948 when Arne Lydmar got a great idea on a market that saw the need for clever storage solutions. Some 70 years later on, we are still keeping to that very idea. Creating space in everyday life with ingenious storage solutions. Embracing the challenges of everyday life by creating clever solutions for big and small storage needs. That is what we do.

The company is since 1999 owned by The Container Store, USA's largest storage products retail chain. The Container Store is listed on the New York Stock Exchange.

Elfa has three factories and seven sales companies in Europe. By the end of fiscal year 2021, we counted 431 employees. Our turnover for the fiscal year 2021 was approximately 1 161MSEK.

## CORE VALUES FOR THE BETTER

Company core values do not differ from personal values, generally speaking. When weighing all the factors that go into the decision, we give higher importance to matters that coincide with our core values, whether we are aware of it or not. Values drive every major decision we make.

At Elfa we do not explicitly say that being sustainable is one of our core values. Being sustainable is rather the effect of our many decisions and actions, indirectly influenced by our values. We believe in this, that our values help us being more sustainable. For instance, when we say we are **customer focused** by striving to exceed their expectations, we are talking about matters such as superior quality, life-long durability and being a trusty partner in a more sustainable lifestyle.

To be the company we wish to be, we work a lot with ourselves and our operations. By being **innovative** and open-minded to new possibilities of working, we are taking measures to invest in and sustain our society's future. By acting **professionally** in everything we do, we are conducting our business ethically and in compliance with the law. We fundamentally believe in **humane** values and appreciate that we are all different. We act as one company and share a **holistic** view of our business. This includes the entire eco-system of suppliers, partners, and customers.

## A MARKET POSITION FOR MAKING DIFFERENCE

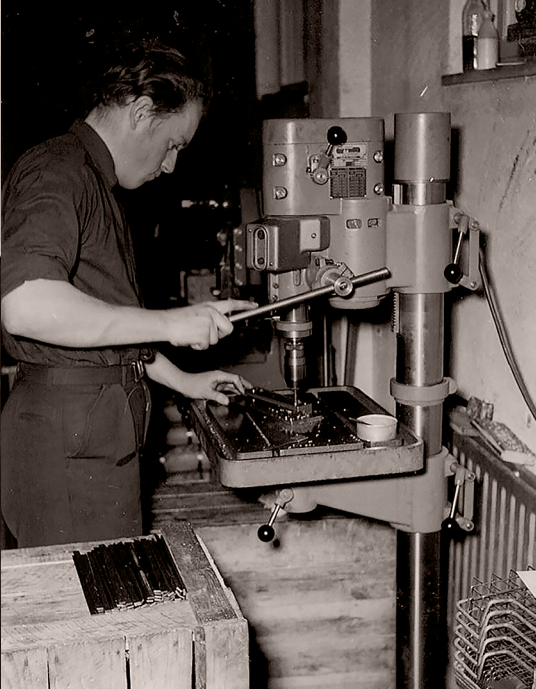
Every business needs to step up on the sustainability ladder. At Elfa, we are certainly not resting on our laurels. Yes, our products are by design sustainable. As we sometimes put it:

"Elfa provides storage systems created to fit individual needs throughout life. Our assortment includes both flexible storage solutions and made-to-measure sliding doors – all in sustainable and functional design of the highest quality."

Clearly, our responsibility certainly doesn't end there. We have to do more. Even if our products are truly useful and lasts for generations, our operations can still be improved.

But, the nature of our offering gives us the advantage of enjoying a market position where we can do more by helping others, associations as well as people, in our mutual ambition to move towards a more sustainable lifestyle and enable circularity. Elfa is using this advantage to make difference.









# United Nations Global Compact

The United Nations Sustainable Development Goals (SDG) outlines the world's common agenda for 2030. We are committed to all 17 goals, as they all relate to our business in one way or another. Topics such as gender equality and fighting corruption, for instance, are universal for all enterprises.

Beyond these universal responsibilities, we focus on three SDGs where we can make the biggest impact in our business activities: Decent work and economic growth (SDG 8), Responsible consumption and production (SDG 12) and Peace justice and strong institutions (SDG 16).



With the UN Sustainable Development Goals, the global community is addressing the most pressing challenges of our times. As a proof of Elfa's commitment to shoulder its share of the global responsibility, Elfa is also a signatory to the UN Global Compact. The ten principles of the UN Global Compact have accordingly been integrated into our business strategy, policies, and procedures. These are our main activities to make an impact

### DECENT WORK AND ECONOMIC GROWTH

SDG 8 is about promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. This concerns not only Elfa employees but also partners and suppliers.

#### Some of the things we do:

- Striving to maintain the highest standards of health and safety of employees
- Embracing diversity and equality
- Having a zero-tolerance policy regarding all forms of offensive treatment, harassment, and discrimination

### RESPONSIBLE CONSUMPTION AND PRODUCTION

SDG 12 is about ensuring sustainable consumption and production patterns.

#### Some of the things we do:

- Raising awareness and motivating consumers to move towards a more sustainable lifestyle
- Developing products which provides for a sustainable and circular economy
- Reducing the environmental impact at all stages in our product's life cycle, from development and production to waste and recycling of products and packaging
- Working systematically towards reducing or eliminating the use of hazardous substances in our products
- Having an environmental management system in place at all three manufacturing sites

### PEACE, JUSTICE AND STRONG INSTITUTIONS

SDG 16 is about promoting peaceful and inclusive societies for sustainable development, providing access to justice for all, as well as building effective, accountable and inclusive institutions at all levels.

#### Some of the things we do:

- Acting on our role as a signatory to the UN Global Compact
- Making charity contributions to UNICEF and having a donations policy linked to human rights
- Protecting and promoting fair competition and fair dealing, by ensuring compliance with Elfa's Code of Conduct. This code is not only subject to all Elfa employees but also to our suppliers, which has to agree to an adapted version of the code. We expect no less.

As a signatory to the UN Global Compact, Elfa is submitting this report to the UN Global Compact as its annual Communication on Progress Report 2021. The report follows Elfa's fiscal year, covering the period April 1, 2021 to March 31, 2022. It encompasses Elfa International AB and its subsidiaries.



# SUSTAINABILITY AT ELEFA







A sustainable future for everybody is not a subject to take lightly. It is our biggest concern and will continue to be so. We have high ambitions. We have taken it up on ourselves to make a positive impact on people, society and our planet. Not just because we can, but because we have to.

The ultimate responsibility for sustainability rests with Elfa's Chief Executive Officer, but we are all responsible in one way or another. Our guiding light, what is right and what is wrong, is assembled by a number of policies and principles, of which the most important are:

- ONE Elfa – Expresses our core values of being customer focused, innovative, professional, humane and having a holistic approach
- TCS Code of Business Conduct and Ethics, Elfa Code of Conduct, Supplier Code of Conduct
- The 10 principles outlined in the UN Global Compact
- The 17 Sustainable Development Goals
- Elfa's environmental policy
- Elfa's work environment policy
- Elfa's policy of diversity, equality and inclusion

To live up to our high ambitions, sustainability is an integral part of Elfa's business strategy. Our strategy processes ensures that sustainability considerations are always part of our decision-making.

These are not just empty words. We have taken action and we are continuing doing so. This report gives a brief summary of activities we have undertaken during the fiscal year 2021.



# Elfa's sustainability targets

We take great pride in being an organization that fulfils its commitments, and our sustainability targets are no exception. Consequently, as our group management team measure our business performance, they also follow up on our sustainability targets. To help us in defining good targets, we define them as to concern either People, Society or Planet. For reliability, all sustainability targets are also measured over a two-year period, hence over the period from fiscal year 2021 up to the end of fiscal year 2022.

## PEOPLE

### Healthy & sustainable employment

- To have an overall sickness absence below 4%
- That all leaders are trained in diversity and inclusion
- To have an employee satisfaction index above 75%

Having concluded the management review for the full year, we can proudly report that we are on steadfast track to fulfill all targets by the end of fiscal year 2022.

## SOCIETY

### Fair trade & human rights

- That all suppliers of direct material have a CSR rating above 50%
- That all employees are trained in how to conduct business fairly and ethically

## PLANET

### Environment & climate action

- To reduce Elfa's total greenhouse gas emissions, as calculated according to the GHG protocol
- To reduce the amount of hazardous waste generated in our production
- To ensure all manufacturing sites are ISO 14000:2015 compliant



## Materiality analysis

A critical part of our sustainability work is to figure out what is expected from us, not only by our customers but also by our owners, employees and partners. To identify what is important to each and every one of these, we are systematically keeping a dialogue with all parties. With this knowledge at hand, we then make a materiality analysis, in which we by impact analysis and workshops conclude what sustainability aspects to prioritize.

The materiality analysis we are guided by at present concluded in the following priorities:

- The strive for designing and manufacturing durable products, hence of high quality and where components can be recycled and reused,
- The strive for sustainability throughout the supply chain, hence ensuring social, environmental and ethical practices, and
- The strive for maintaining highest standards of health and safety of employees, to embrace diversity and equality as well as to provide competence development and training to its employees

New dialogues and an update of this materiality analysis will be conducted during fiscal year 2022.

## Risk assessment and mitigation

By proactively assessing and mitigating risks related to sustainability, we ensure increased resilience for the company. We categorize all risks by either one of the three sustainability aspects; healthy & sustainable employment, fair trade & human rights, and climate & environment action. Following in this report, you will find risk assessments and how they are mitigated under each category.



# PEOPLE

## Healthy & Sustainable Employment







It's said that employees are any company's most important asset. In fact, we prefer to say people, because we're many more in this. To us, having a positive impact on people equals being a socially responsible employer and partner. So, without doubt, Elfa endorses SDG 8.

Striving for the highest standards of health and safety, embracing diversity and equality and ensuring that everybody gets sufficient training. Read more about what we do in these areas below.

But before getting into the details. This is about people, and we strongly believe that sustainability starts with ourselves, how I personally act and respect others. We provide guidelines for this in our Code of Conduct. This code is subject to all Elfa employees. Our partners are subject to an adapted version of the code. Everyone has to comply, without exception.



# Systematic work environment management



To ensure a fair, healthy and safe workplace, Elfa develops and maintains a safety-first culture. For this, the long-term focus is on prevention. This involves activities such as health enhancing, preventive and rehabilitative measures such as appraisal talks, employee surveys, safety rounds, employee communication and management of occupational injuries and incidents.

	HEALTH ENHANCING	PREVENTATIVE	REHABILITATIVE
INDIVIDUAL	<ul style="list-style-type: none"> <li>■ Introduction programme</li> <li>■ Appraisal talks</li> <li>■ Skills development</li> <li>■ Clear &amp; realistic targets</li> <li>■ Feedback</li> </ul>	<ul style="list-style-type: none"> <li>■ Occupational health care</li> <li>■ Health check-ups</li> <li>■ Walkthrough of ergonomics</li> </ul>	<ul style="list-style-type: none"> <li>■ Rehabilitation efforts</li> <li>■ Occupational health care</li> </ul>
TEAM	<ul style="list-style-type: none"> <li>■ Clear &amp; realistic targets</li> <li>■ Culture of cooperation</li> <li>■ Team recognition</li> <li>■ Daily management meetings</li> </ul>	<ul style="list-style-type: none"> <li>■ Safety rounds</li> <li>■ Risk assessment</li> <li>■ Risk, incident and accident reporting</li> </ul>	<ul style="list-style-type: none"> <li>■ Implementation of measures</li> <li>■ Change management</li> </ul>
GROUP	<ul style="list-style-type: none"> <li>■ Management system</li> <li>■ Systematic work on health, environmental and safety (HES)</li> <li>■ Skills development</li> <li>■ Employee satisfaction surveys</li> <li>■ Employee communications</li> <li>■ Core values and Code of Conduct</li> </ul>	<ul style="list-style-type: none"> <li>■ Management</li> <li>■ Collaboration</li> <li>■ Complying with laws and regulations</li> <li>■ Work environment meetings</li> <li>■ Policies &amp; procedures</li> <li>■ Employee communications</li> <li>■ Daily management meetings</li> <li>■ Continuous assessment and follow up</li> </ul>	<ul style="list-style-type: none"> <li>■ Investigate incidents, risks and accidents</li> <li>■ Management</li> <li>■ Occupational health care</li> <li>■ Supporting resources</li> <li>■ Rehabilitation</li> </ul>



# Health & Safety

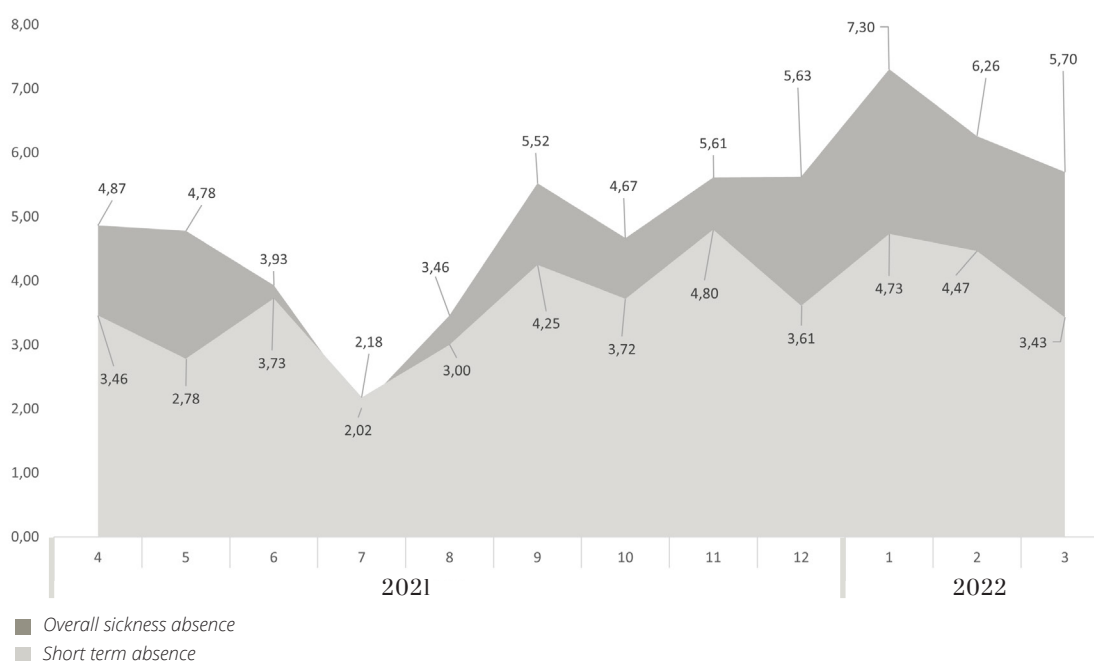
Ensuring a healthy and safe workplace means dealing with all sorts of matters that may affect employees' health and safety. It has to be dealt with systematically and on a long-term approach. To measure our progress in this area, we carefully monitor and analyze overall sickness absence, the number of accidents, near accidents and the overall well-being of our employees. We take preventative measures to safeguard our employees and reduce the risk of accidents, injuries and sickness.

## SICKNESS ABSENCE

Elfa is actively working on reducing the overall sick leave. In cases of repeated short-term absence, we take actions early. If there is a risk that the absence lasts for more than 60 days, we investigate if a rehabilitation is needed. To prevent sickness among our staff, we focus on skills development, clear and realistic targets and appraisals.

Elfa's targets are to have a short-term sickness absence of less than 3% and an overall sickness absence of less than 4% by the end of fiscal year 2022. The fiscal year 2021 ended at 3,4% short term absence and 5,7% overall sickness absence.

In fiscal year 2021, we implemented new procedures to limit the spread of the COVID-19 virus. Evidently, the pandemic had a significant impact upon all of us. But thanks to the responsible and respectful attitude shared by all employees, all preventive measures were being respected. The sickness absence remained at a low level.



## SAFETY

Safety always comes first and Elfa's standpoint in this matter is clear. Our work environment must be injury-free. Our employees must be able to return home in good health.

This means that a lot of efforts are made to raise the awareness amongst employees. We are actively maintaining a culture where risks and risk management are properly addressed by everyone. For this, we have regular management meetings on safety matters. All matters are communicated amongst employees on a continuous basis.

To ensure all safety risks are brought to light and handled properly, all employees have access to a web-based tool for risk handling. The tool makes it easy to report any observed risk or hazard. In order to identify areas that require special attention, we use the statistics brought out of these reports.

The risk reporting has been steadily increasing since the tool was introduced. That is a good thing as it allows us to take a proactive approach and manage the risk before something happens.



# Employment turnover

From an employment point of view, Elfa wants to keep a healthy balance between internal talent skills and external expertise. The present balance is fully satisfactory to deliver on the company's strategy. Temporary increases and decreases in production rates at selected sites, are dealt with by assistance from recruitment agencies.

This has previously proven to provide security for Elfa's employees, the majority of whom have been permanently employed on full-time basis. But as we all know, 2021 was not a regular year. The pandemic made it very difficult to maintain this balance on some sites, making the staff turnover higher than usual.

	SE	PL	FI	NO	DK	DE	Total
<b>Recruited</b>	35	52	0	0	0	0	87
<b>Resigned</b>	34	55*	2	1	0	0	92
<b>Average no of employees</b>	258	148	10	18	2	1	437
<b>No of employees March 31, 2022</b>	257	145	9	17	2	1	431

*The average number of employees is calculated for the period during the business year in which people have been employed. If an employee was employed for less than 60% of the date range, they are counted as 0.6 people.*

*\*) 54,4% of those who ended their employment, worked on fixed-term 3 months contracts.*





“ Our employees must be able to return home in good health.

## Fair and inclusive workplace

In creating a fair and inclusive workplace, we all have to play our part. We must follow the principles of equal treatment. We need to ensure that all employees are treated with respect and have the same rights, obligations and opportunities, irrespective of their gender, age, nationality or ethnicity, religion or belief, disability, sexual orientation, and union affiliation. That is a tough sentence, we know. But continue reading, it will all resolve shortly.

What this all means is that in matters like who to employ, what to pay, titles and promotions, disciplinary actions, terminations, or changes in working conditions, all decisions must always be based on a person's ability or performance. Personal factors are irrelevant.

All these matters are included in the annual ethical training that all employees have to participate in. This ensures that everyone respects and supports Elfa's standpoint on diversity, equality and inclusion. In addition to this training, all white collar at Elfa underwent a targeted diversity training program in 2021.

To keep and improve our inclusive culture is an everlasting activity. We continuously measure and follow up on our employees' and leaders' adherence to the code and related policies. All managerial issues are acted upon.

But that's about it! At Elfa, we appreciate and respect diversity and promote inclusive workplaces. Any behavior creating an intimidating, offensive or hostile work environment has no place in our company. And we are making sure everybody agrees on this.

## Risk assessment and mitigation

No matter where someone work, or which position they hold, ensuring that risks are dealt with objectively is central to keep our work environment safe and to secure equal treatment for all employees.

By raising safety awareness amongst all employees and by encouraging all to systematically report, analyze and handle risks, we are steadily reducing the risk of accidents, or somebody getting injured. In addition to this, all managers have to undertake work environment training.

The risk of having employees subject to offensive treatment, harassment or discriminatory behaviour is mitigated through training of all staff and leaders. We clearly communicate the different ways to report suspected or known misconduct. Also, to secure an objective handling of any severe cases, the parties involved have an option of getting external assistance. Elfa provides this support to ensure an impartial judgement and to provide trust in the process.





A photograph of a man and a woman in a clothing store. The man, on the left, has brown hair and a beard, and is wearing a blue denim shirt. The woman, on the right, has long brown hair and is wearing a yellow knit sweater. They are both smiling at each other. In the background, there is a dark wooden shelf with folded clothes, including a blue sweater and a grey sweater. The text "SOCIETY Fair Trade & Human Rights" is overlaid on the top left of the image.

# SOCIETY

## Fair Trade & Human Rights





At Elfa we take pride in our long heritage of taking responsibility. We act on our role as a signatory to the UN Compact. We make charity contributions to UNICEF and we make donations to support human rights.

We have learnt to be accountable for how we conduct our business. We think in generations, not quarters. Our values are reflected in everything we do, from board room to factory floor, from idea to product. So naturally, we believe in fair trade and human rights, and in endorsing SDG16.

But we also believe we have an impact on consumption patterns in our society. This is why we also endorse SDG12. We believe our products play a natural part in a sustainable and circular economy. Our products must be easy to reuse and recycle. But they ought also to be mostly based on recycled materials. We work hard on raising the awareness and to motivate consumers to move towards a more sustainable lifestyle.



# Promoting fair competition and fair dealing

Protecting and promoting fair competition and fair dealing is a founding principle for Elfa. It is therefore a given to endorse UN Sustainable Development Goal number 16, which includes commitments to fight corruption, increase transparency, tackle illicit financial flows and improve access to information.

We go to great lengths to ensure our business is conducted ethically, fairly and in compliance with applicable bribery legislation and anti-corruption laws, as well as related conventions on bribery and corruption. All employees get training in ethics at least once per year. It is well-communicated in the organization, that as an Elfa employee, we are each and every one of us responsible and accountable for reporting any suspected or known misconduct.

Central to our ethos is our focus on conduct. As a whole-owned part of the TCS group, Elfa's business and ethical guidelines include as well the TCS Code of Business Conduct and Ethics.

## TCS CODE OF BUSINESS CONDUCT AND ETHICS

All employees at TCS and Elfa are obliged to read and sign the TCS Code of Business Conduct and Ethics. The code of conduct clarifies the fundamental values and the business philosophy behind why we must treat employees, customers, vendors, communities and stakeholders with respect and dignity.

## ELFA CODE OF CONDUCT

Elfa Code of Conduct, which applies to all Elfa employees, has been developed to help us apply our values in everything we do, every day. It provides direction on how to conduct oneself in interaction with colleagues, customers, partners and communities, everywhere we operate. It is the source to return to when facing an ethical dilemma. It provides all the contact details needed when we are in doubt or having a concern.

## ELFA'S SUPPLIER CODE OF CONDUCT

The Supplier Code of Conduct applies to our suppliers of direct material. It clarifies how to establish a proactive collaboration with our suppliers, in order to promote lawful, professional, and fair practices that integrate the respect for human rights, business ethics and the environment. The Code is based on fundamental compliance principles such as the ten principles of the UN Global Compact. It aims to contribute to the UN Sustainable Development Goals and to Elfa's core values of being customer focused, innovative, professional, humane and having a holistic approach.

# Respecting human rights

Our respect for human rights is founded within one of our core values, being humane. It stands for our firm belief in humane values and our appreciation of our differences. We respect each other. We protect and promote equal value and the rights of all people.



## MAKING CHARITY DONATIONS

Undisputedly, children have a right to survive, thrive and fulfil their potential – to the benefit of a better world. Regrettably, these self-evident and essential children's rights are in reality not always respected. To fight this unjust, Elfa makes every year a contribution to support UNICEF in their ever so important work on promoting and defending children's rights. The donation is not ear-marked to a specific project. Instead, we let UNICEF decide how to use these funds. In February, 2022, Elfa made an additional donation to UNICEF to support their work protecting and promoting the rights of the children in Ukraine.



“ In one way or another,  
we all need to do our part.



## Raising people's awareness

It's a huge responsibility. Taking control over our consumption patterns and moving towards living a sustainable life. Where do we start? What are the right things to do? In one way or another, we all need to do our part. But most of us still ask ourselves how to.

We have therefore taken it upon us to enhance public awareness, guide and motivate consumers to make sustainability conscious choices. Teaming up with experts in sustainable consumption, sharing tips for how to prolong the use of our

clothes, and encouraging people to recycle and re-use as much as possible, are but a few practical examples of what we do under the communication concept of the sustainable wardrobe.

But there's more to it. Elfa is also engaged in the HSB living lab, an exciting project that aims to spread knowledge around sustainable lifestyles in our homes. Elfa contributes with know-how and storage solutions that enables people to optimize their living space, facilitate recycling and take care of their garments.







“ If a supplier scores low, we got two choices – either we phase them out, or we help them to tackle the problem.

## Sustainable suppliers

When it comes to human rights, good working conditions and green practices, we expect our suppliers to fully share Elfa's values and ambitions. We believe that only if our entire value chain is rooted in the same foundations, we can be truly sustainable. For this, trust isn't enough. We have to make certain. To stay certain, the Supplier Code of Conduct and the Supplier CSR ratings are our two pillars to go.

### SUPPLIER CODE OF CONDUCT

This agreement is our first pillar in ensuring that our suppliers of direct material share our values and ambitions. The Code is all but a pile of papers. The real work begins once the agreement is signed by the supplier.

### SUPPLIER CSR RATINGS

To evaluate the supplier's environmental, humane and social performance in a fact-based and clear methodical manner, we are using a Supplier Relation Management tool called Kodiak Rating.

The first step for the supplier is to self-assess its operations. Then, the self-assessment is balanced against credible and independent data provided by Kodiak safe(SOURCE) Rating. This ensures environmentally and socially responsible business operations, climate impact practices, tier-traceability, and transparency, reporting on ESG parameters (Environment, Social and Governance), and advocating for supplier diversity.

If a supplier scores low, we got two choices – either we phase them out, or we help them to tackle the problem. It could well be the case that we really would like to source a certain product, but the supplier doesn't have a systematic approach to ESG factors. We can then offer support in setting up a system and necessary processes. It is a win-win situation.

This approach has proven to give positive results. The average rating has over the year increased from 81% to 82%. And, the target of solely having suppliers with a CSR rating above 50% is close to being achieved. By the end of fiscal year 2021, one supplier had a rating below 50%, and will thus be properly handled.

## Risk assessment and mitigation

At Elfa we are steadily striving to protect and promote equal value and the rights of all people. To mitigate the risk internally, all employees are trained in diversity and inclusion, and how to conduct business fairly, ethically and in compliance with the law.

To quickly spot current geopolitical and sustainability risks in our supply chain, Elfa is using Kodiak safe(SOURCE) Rating, which visualizes how safe it is to source something based on where in the world the supplier is based and operates.

The rating covers a wide scope of areas such as how well human rights are protected in a particular country, the stability of the government, the integrity of policy makers and the environmental progress as well as the exposure of climate change. It also covers aspects that might impact financial transactions such as trade safety or currency. The indexes that safe(SOURCE) is based on are all internationally recognized.

To minimize the risks of financial irregularities and contribute to the company's work with internal control, we have made it easy for our employees as well as external parties, to report suspected or known misconduct to a third-party reporting service called Convercent. The service can be accessed either via [www.convercent.com](http://www.convercent.com) or by calling 800-1777-9999.



A photograph of a steel mill. In the foreground, a large coil of hot-rolled steel is mounted on a red metal stand. The coil is made of many thin, overlapping layers of metal, showing a bright, reflective surface. In the background, other similar coils and the red structural elements of the mill are visible, slightly out of focus. The overall scene is industrial and brightly lit.

# PLANET

## Climate & Environment Action





There should be no doubt concerning our ambition to take action for the climate and our environment. We are aligning with the Paris Agreement and steadily reducing our carbon footprint. For this, we are specifically conducting lifecycle analysis, where our carbon footprint is calculated by the GHG protocol. We can in this way identify and reduce the environmental impact at all stages in our product's lifecycle.

Since the vast majority of Elfa's assortment is produced in our own factories, we are in a particularly good position to really make a positive impact on our environment. To support us in this work, we have implemented an environmental management system at all our manufacturing sites.

These are areas we measure and follow up on closely, and also publish here, in our yearly sustainability report. But, as Elfa agrees wholeheartedly on SDG12, this ambition is clearly not just about carbon footprint. We also work hard on eliminating all uses of hazardous substances in our production. We are creating storage systems and products that last a lifetime, which are easy to modify, reuse and recycle. And, we are registering our products with sustainability focused organizations such as Sunda Hus and Svanenhusportalen.



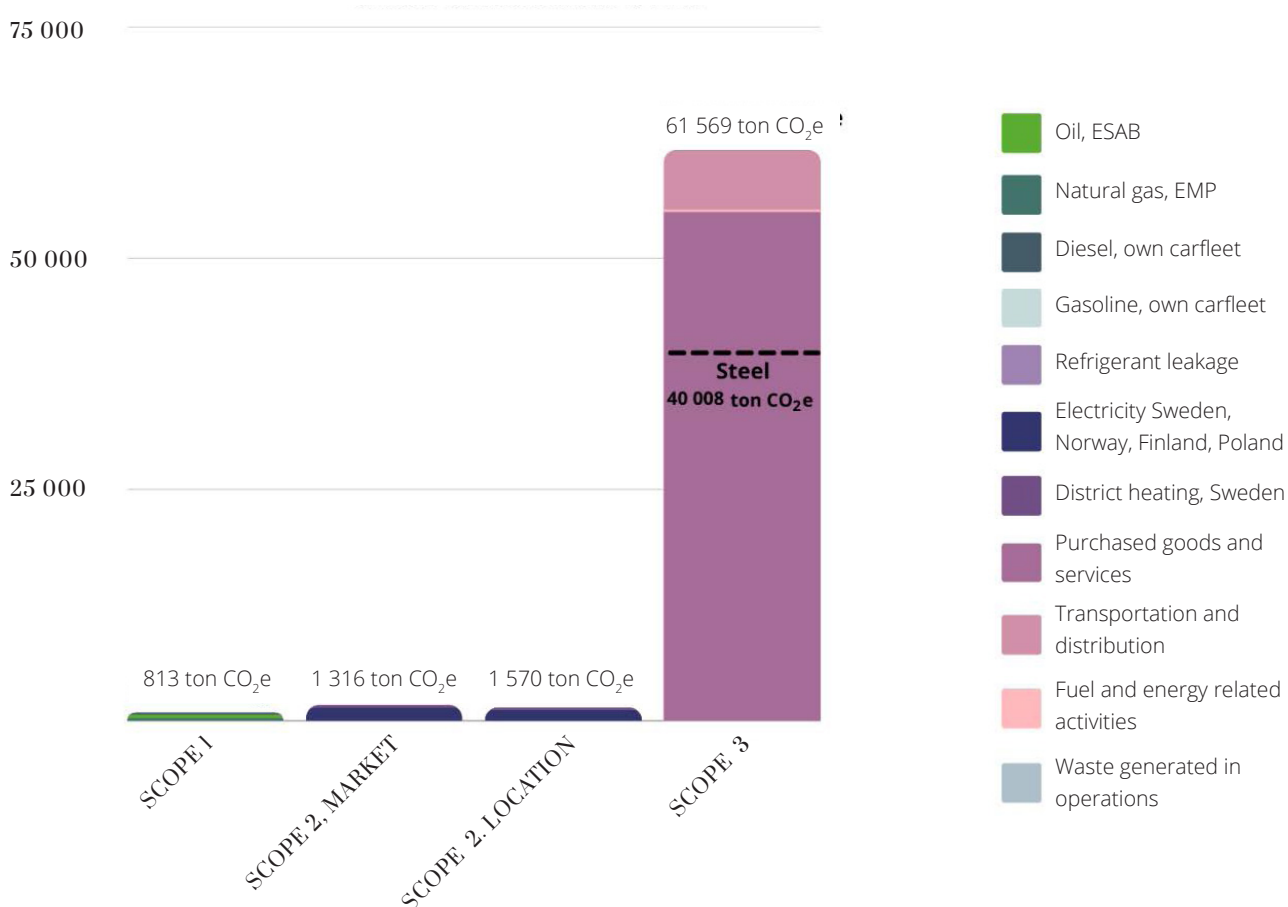
# Elfa's carbon footprint

Greenhouse gas emissions can be calculated in many different ways. To make sure we have reliable data at hand, we make all such calculations based on objective and established sources. This enables us to make fact-based decisions of how to most effectively reduce emissions. It allows us also to assess if our efforts are having the desired effect.

To that end, we are annually calculating Elfa's emissions according to the Greenhouse Gas Protocol Corporate Standard, a widely adopted global standardized framework to measure and manage greenhouse gas emissions. The scopes of the assessment are Elfa's direct emissions, presented in scope 1, and indirect emissions, presented in scope 2 and 3. The consolidation approach chosen is the *Operational control approach*, as defined by the Greenhouse Gas Protocol.

The assessment gives that, the total impact of 2021 amounted to 63 697 tons of CO<sub>2</sub>-equivalents, of which most can be derived from transportation, manufacturing and the production of steel and other raw materials. Compared to the base year, 2019, Elfa's total greenhouse gas emissions have decreased with almost 2% (1231 tons of CO<sub>2</sub>-equivalents). As all scopes show a decrease in emissions, we can conclude that our sustainability efforts are having effect.

## TOTAL EMISSIONS FISCAL YEAR 2021



Elfa's total GHG emissions for FY20, divided into three scopes in accordance with the Greenhouse Gas Protocol.

Scope 1 covers a company's direct emissions. That means all GHG emissions that can be traced to sources being owned or controlled by the company. Calculations made for Elfa include natural gas, fuel oil used in factories, leakage of refrigerants from AC equipment, fuels used in own car fleet and capital goods.

Scope 2 covers GHG emissions that can be traced to from production of electricity, steam and heating/cooling that a company purchase. Calculations made for Elfa include electricity and district heating.

Scope 3 covers GHG emissions that can be traced to activities that occur upstream or downstream in the company's value chain. Calculations made for Elfa include purchased goods and services, inbound transports, waste generated in operations and outbound transports.



# Sustainable products

UN's sustainable development goal number 12 highlights the importance of moving towards sustainable production and consumption. We believe this can only be achieved when products are easy to reuse and recycle and when they are mainly made from recycled materials.

## DESIGN THAT REALLY MATTERS

It's a well-known fact that our storage systems are durable to last a lifetime. We are also recognized for being ingenious with our simple and functional designs. Our design principles are important to us. We don't do one-size-fits-all, neither wear-and-tear. As any of our product designs inevitably takes a toll of the environment, we are redesigning our assortment.

In fiscal year 2021 we launched for instance totally redesigned products in our classic assortment. This redesign entailed a 12% reduction in the carbon footprint of one of our very popular standard interior solutions including best-sellers like top track, hang standards and brackets.

## CIRCULARITY

The best way of reducing the carbon footprint is keeping the products in-use for as long as possible. That is simply because every time we throw away a product, we are essentially wasting all the energy and resources that went into producing it. Basically, even if some of it can be gained by recycling, reuse and repair will always remain a much better option in terms of what has the strongest environmental impact.

We didn't think in those terms when we started out, 70 years ago, no one did. Yet, that is the way we always developed our products. If you have an old Elfa storage system at home and want to get new brackets, you can be certain the new ones will fit. This is why Elfa's wallbands are of such high quality and still look the same as they did in the 1950s. What has changed since then is that our durable products to a large extent also are composed of reused materials. They have been designed not just for lifelong usage, but for everlasting, circular flows of materials.



## THINKING PROGRESSIVELY ABOUT MATERIALS USED

Tracing the origin of delivered materials in long and complex supply chains is difficult. We choose suppliers with as short supply chains as possible. All suppliers of direct materials must comply with our Supplier Code of Conduct, which is partly a reflection of our own code of conduct. The code of conduct includes both environmental and social requirements of the supplier's operations and products. The declaration is only an entry ticket. All suppliers are continuously being measured based on what materials they use and what certificates and tests these materials require.

### Wood

Elfa's suppliers of wood materials are primarily located in Europe. The origin of the forestry and place of harvest is always verified. All wood-based board, such as MDF and fiber boards, must comply with Carb II and E1 with very low emissions of formaldehyde. For coated wood materials, Elfa mainly uses water-based products to assure very low emissions of volatile organic compounds.

### Metal

Taken supply and quality requirements into account, Elfa uses to the largest extent possible recycled metals. Unsurprisingly, metals represent a very large part of our materials. It is also here we have made the largest improvements. Thanks to the redesign of the classic assortment, we have reduced our overall use of steel by 5%, compared to the financial year 2019, our base year.

### Powder coating

The majority of Elfa's metal products is painted with powder coating that does not contain any substantial amounts of volatile organic compounds.

Steel	60.7
Wood	26.0
Glass	3.8
Plastic components	2.9
Powder coating	1.3
Aluminium	1.2
Zinc	0.3
Lighting	0.006

*Our most common materials in percent, based on the material's weight.*



# Sustainable production

We like to think that if there is one word that defines Elfa, it is ingenuity. This is not limited to how we design our products. Over 70 years ago, our founders went to great lengths when creating the machines and tools they needed to manufacture our first products. They knew that no matter how fantastic a design is, if it can't be produced efficiently, it is not worthwhile.

That's all fine, our founders' spirit is still present in much of what we do. But the times have changed. It is no longer sufficient to solely focus on operational efficiency. Our goal is also to produce products with lesser environmental impact. What can we improve in terms of energy usage and raw materials? How much of our waste ends up in deposit? These are some of the matters we are concerned about.

While all our operations undergo extensive change to meet our sustainability goals, we focus in particular on our three manufacturing facilities in Västervik (Sweden), Mullsjö (Sweden) and Koszalin (Poland).

By doing so, we address over 95 % of the group's environmental impact in terms of energy, carbon dioxide and waste. In order to assess our performance on these three sites we collect metrics in terms of carbon footprint, waste and energy usage in our own manufacturing.

## TRANSPORTATION

During the fiscal year 2021, transports accounted for some 10% of Elfa's total emissions. Elfa neither own nor operate the vehicles used for inbound and outbound transports. But still, as transportation of goods accounts for such a significant climate impact, we measure also these emissions. It enables us to put pressure on suppliers carrying out the transports.

	FY20	FY21	FY 21 vs. FY20
<b>Total Ton CO<sub>2</sub>e</b>	6 237	6 147	-1 %
<b>Inbound transport</b>	1 656	1 899	15 %
<b>Outbound transport</b>	4 582	4 248	-7 %

## ENERGY USAGE OWN MANUFACTURING

Environmental aspects and operational efficiency go hand-in-hand. By optimizing how our production lines and tools are run, for instance by avoiding unnecessary stops and restarts, we have over the years been able to decrease our energy usage per manufactured item. Yet have we during the fiscal year 2021 used more energy than the last fiscal year. This is partly due to the impact the pandemic had on availability of materials, transports and not the least, our own staff. Compared to last year, we needed 10 % more time to produce the corresponding volume.

	FY19	FY20	FY21	FY21 vs. FY19
<b>Total Energy MWh</b>	14 867	14 791	15 401	3,4 %
<b>Electricity</b>	10 205	10 098	10 570	3,6 %
<b>Oil</b>	1 279	1 229	1 275	-0,3 %
<b>District heating</b>	1 640	1 914	2 248	37,1 %
<b>Gas</b>	1 742	1 550	1 308	-24,9 %

## WASTE AND RECYCLING

How much waste do we produce and how much of it is recycled or reused? This is an important measure of our efficiency and the environmental impact we make. Inevitable, we can't completely avoid producing waste. Our goal is to the largest extent possible having our waste recycled or reused. We are nearly there in our Swedish manufacturing sites. Most of their waste is recycled or renewed into energy. Less than one per cent ends up in deposit.

	FY19	FY20	FY21	FY21 vs. FY19
<b>Total Waste kg</b>	3 167 581	3 019 799	3 017 776	-4,3 %
<b>Iron</b>	1 314 680	1 318 714	1 280 605	-2,6 %
<b>Wood</b>	774 587	722 664	746 920	-3,6 %
<b>Hazardous waste</b>	569 883	467 201	468 586	-17,8 %
<b>Glass</b>	247 003	260 340	250 803	1,5 %
<b>Other</b>	261 428	250 880	270 862	3,6 %



### RESPONSIBLE HANDLING OF CHEMICALS

The use of chemicals is also an inevitable part of manufacturing Elfa products. We need them in our products and in our different manufacturing processes. As the use of chemicals can harm the environment and jeopardize the health of customers and employees, all handling of chemicals must be made under rigid control.

Elfa has for this purpose established clear procedures and control mechanisms for how to use chemicals. We are constantly working on how to replace chemicals that may be harmful to people or the environment, with less harmful alternatives.

To further reduce any negative impact on the environment or harmful effects on health, we have drawn up procedures to ensure that the amount of hazardous substances in Elfa's

products remains below the limits specified in REACH (the EU's chemical legislation) and Proposition 65 (chemical legislation in California, USA). For this, we continuously analyze our products according to standardized test methods and also require written declarations from our suppliers.

### ENVIRONMENTAL MANAGEMENT SYSTEM

Elfa Doors AB and Elfa Manufacturing Poland are ISO 14001:2015-certified. Elfa Sweden AB has an environment management system in place and is also in progress to becoming ISO 14001:2015-certified. This process has due to the pandemic been delayed, but the plan is to be certified during the fiscal year 2022.







LOOKING  
FORWARD



I am glad you took the time to read our report. Thank you.

To share a few words about the coming years, I believe we are peering into a future of incertitude, of both good and bad. We need to continue adapting our operations to the everchanging reality of our world and society. At the same time, we need to guard our principles and commitment to create a sustainable future for all. We need to do our part, every day.

I'm humble in my admiration for what we have achieved, despite all unforeseen and unfortunate events we have experienced over the year. Our proud Elfa has remained steadfast in its values, principles, and ambitions. We have taken a stand for humanity by reaching out and act in a loving way toward those in need. We have made an impact in improving our environment and climate.

But we also know, much remains to be done. Let's carry on together.

Anders Rothstein, CEO of Elfa Group



