

Sustainability

2021 - Annual report



ajproducts.com

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This is AJ Products' fifth Sustainability Report and is for the 2021 financial year. The Sustainability Report concerns AJ Produkter AB (556190-7329), a wholly owned subsidiary of AJ Postorder AB. The Sustainability Report is prepared in accordance with the Swedish Annual Accounts Act, Chapters 6 and 7. The Board of Directors of AJ Produkter AB has approved this Sustainability Report along with the Annual Report and consolidated financial statements.



Introduction

2021 was the best year in AJ Products' history. We succeeded in meeting the challenges of a volatile, uncertain and changing market, which in turn created new opportunities for our business.

Most of the challenges faced during the year were related to the continued effects of the pandemic. Compared to 2020, we experienced significant problems in our supply chain, especially for products originating from outside of Europe. At the beginning of the year, this affected the NPS (Net Promotor Score) from our customers as a consequence of which we adapted our processes and were able to end 2021 with the year's highest score.

We saw significant volatility and price rises in raw materials, such as steel and timber, which put pressure on our margins. We also saw changes in customer behaviour within all sectors. The latter was most prominent when Covid-19 restrictions were lifted in most European countries and people started to return to work, giving rise to a demand for furniture for hybrid work environments.

In 2021, steps to increase sustainability were taken in the business and our product range. The AJ Group certificate for management systems ISO 9001 and ISO 14001 was expanded to encompass 10 subsidiaries that had not previously been covered. In addition, we updated our materiality analysis to cover the entire organisation and not only the head office in Sweden. This is an important step toward getting a complete overview of AJ Products' impact from a sustainability perspective, helping us identify where we have the most impact as well as what we can do to make the greatest improvements.

Moreover, we were thrilled to welcome the installation and commissioning of our first solar cell panels in our factory in Poland. We have mapped all

our energy sources and adopted measures for a transition to fossil-free energy throughout the organisation.

Significant improvements were made throughout the organisation with respect to the social aspect of sustainability. We conducted a pulse survey of our employees each quarter, which gave us regular feedback about our most important asset: our staff. We implemented a whistle-blower process, which is available to our employees via our Intranet. When it comes to health and safety, we have great pleasure in saying that we managed a whole year without accidents at our factory in Poland, which is a new record!

Our most important focus areas will continue to be sustainability, health and safety, digital transformation and expansion in our existing markets.

We look forward to continuing our journey along with our employees, customers and partners. We hope you will enjoy a more detailed overview of our sustainability initiatives in this report.

ANDERS JOHANSSON
CEO

ENOCK JOHANSSON
VICE PRESIDENT

DAVID BRAY
VICE PRESIDENT

In focus

Sustainable development



Global collaboration

Today, global collaboration focuses on peace, the fight for justice, human rights, nature and the environment. Climate change and the use of natural resources are urgent issues that need to be resolved.

BACKGROUND

During the 1960s, the issues of environmental harm and concerns about air, soil and water pollution as well as deforestation were raised. The UN had so far focused on peace, eradication of poverty and human rights, but in 1972 nature and the environment were also on the agenda at the Stockholm Conference. This conference is considered the first milestone in the UN's work on sustainable development.

The concept of sustainable development went global in 1987 when the Brundtland Commission released the "Our Common Future" report*. The definition of sustainable development is:

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

In 2015, the UN member countries adopted Agenda 2030, which contains 17 global objectives with the purpose of achieving environmentally, socially and economically sustainable development by the year 2030. The idea is for the objectives to be integrated into sustainability projects and to be achieved together.



AGENDA 2030, UN GLOBAL GOALS

Reduce poverty and inequality, promote peace, solve the climate crisis, for everyone and everywhere.

CLIMATE GOALS

In the same year (2015), the UN climate agreement was also signed, commonly known as the Paris Agreement. The goal of the Paris Agreement is to achieve global net zero carbon dioxide emissions by 2050. In addition, the EU has set a goal of reducing emissions by at least 55% by 2030, compared to the base year 1990. Sweden's goal is to achieve net zero emissions by 2045. The IPCC** has shown in a progress report

that human impact is the underlying reason behind global warming. The rapid warming of the Earth is caused by the combustion of coal, oil and natural gas, and the destruction of global ecosystems.



PARIS AGREEMENT, UN CLIMATE AGREEMENT

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

READJUSTMENT

In the last two years, we have all had to adjust in different ways as the Covid-19 pandemic has affected our society, economy and environment. At the beginning of the pandemic, we could see positive environmental effects, with the environment showing signs of improvement in many places around the world. In 2020, World Overshoot Day (the day when humanity has used up the amount of resources that it is able to regenerate in a year) was three weeks later than it had been in the previous year, as fewer resources were used worldwide. This past year, it occurred earlier again and follows the trend set since 1970. By 29th July 2021 humanity had consumed all its renewable resources for the year or, put in other words, we used up 1.7 Earths in the year. For comparison, if everyone lived like Sweden, World Overshoot Day would have occurred in April and we would have needed about four planets.

By more careful use of the Earth's resources and by ensuring that available resources recirculate, we can reduce our climate and environmental impact. Reusing, recycling and repairing are some of the methods in focus. Circulating materials that have already been extracted and reusing products that have already been produced are important parts of the circular economy.

We all need to change. As part of sustainable development we all have a responsibility, not least for future generations. It may sound like a big commitment and feel overwhelming but doing nothing is not an option. We can all change our behaviour, in big and small ways, and find new solutions to impact and contribute toward sustaining the Earth's resources for future generations. Let's take care of what we have.

* The UN World Commission on Environment and Development

** Intergovernmental Panel on Climate Change, UN's scientific panel on climate change



Our priorities

One of AJ Products' focus areas is our sustainability strategy. An important part of this work is to continue to certify the company's management systems and conduct more climate and environmental assessments of our products.

MATERIALITY ANALYSIS

In our own materiality analysis, we have identified and prioritised the most essential sustainability issues in our supply chain in the areas of environmental impact, social conditions, staff, human rights and anticorruption.

In spring 2022, AJ Products will conduct an update and overview of the materiality analysis, which will form the basis of our sustainability efforts in the future. The overview will also cover market analysis, risk analysis, interviews and workshops, which together will contribute toward our action plans and goals. Next year's report will be set out according to our prioritised sustainability targets and divided into three focus areas.

CERTIFICATIONS

In 2021, AJ Products achieved a group certificate for 10 of our subsidiaries as they were approved as per the management systems for quality and environment, ISO 9001 and ISO 14001. The remaining subsidiaries will be certified during 2022. At AJ Furniture Factory, certifications for ISO 14001 and ISO 45001 are in progress and are expected to be approved in spring 2022

In 2021, a new investment was made with the Swedish construction-industry assessment system *Byggvarubedömningen* (Building Product Assessment), which has already yielded results in terms of sales. During the year, the work of getting new products labelled with the Nordic Swan Ecolabel also began; this work will continue in 2022.

CLIMATE AND ENVIRONMENTAL IMPACT

In evaluation models for our environmental impact, we evaluate and rate our operational processes that impact the environment in different ways. Our three main environmental impact areas are: products, transport and waste.

We have started developing life cycle analyses of some of our products. Our goal is to work more

on environmental assessments, i.e. create ways to measure and calculate the environmental and climate impact of our products. An important part of this is the creation of a digital platform with a focus on product content. This allows us to work in a structured manner, secure documentation of our products and work more preventively.

We have started work on measuring our greenhouse gases (gas emissions as per the standard Greenhouse Gas Protocol*). The purpose is to create a current analysis as well as adopt measures in our supply chain and reduce our footprint by focusing on the environmental factors that have the greatest impact. Climate reporting according to the GHG protocol will initially focus on Scope 1 and Scope 2 and then on our significant emissions sources in Scope 3.

SOCIAL RESPONSIBILITY

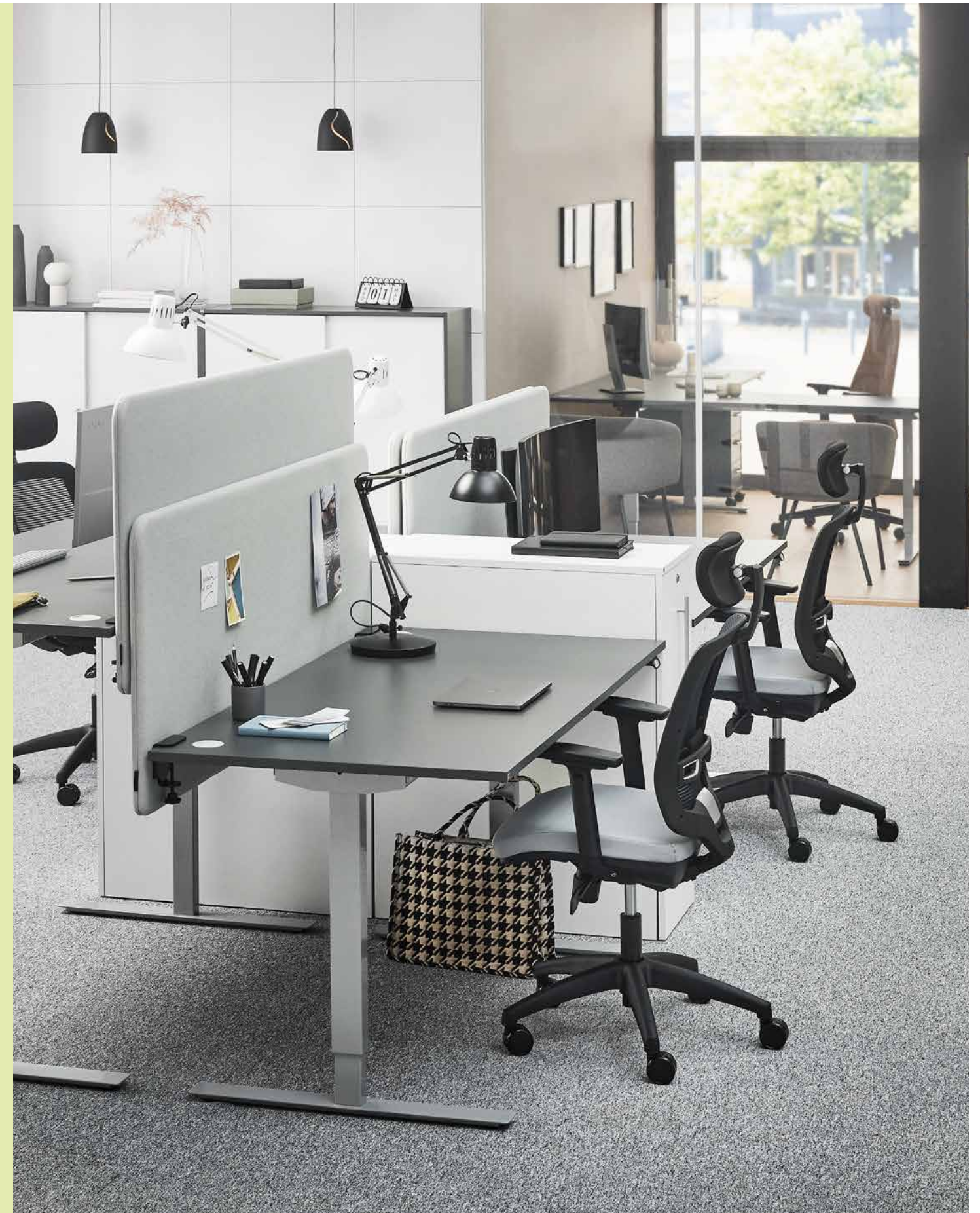
We strive to conduct business in a responsible manner throughout all stages of the process. For us, supporting human rights, labour rights, the environment and anticorruption measures is a matter of course. We conduct ongoing supplier assessments that are strengthened by our systematic Corporate Social Responsibility (CSR) efforts in the supplier chain.

We strive to create a pleasant, safe and attractive workplace for our staff with the aim of promoting wellbeing and ensuring retention.

COLLABORATION

Collaboration with others is necessary for progress and is of utmost importance to us. With growing legal and market requirements, our inclination has been toward constantly increasing our sustainability efforts. We intend to broaden our collaborations in this area and participate in networks where we can exchange experiences as well as receive support for our work on sustainability.

*Greenhouse Gas Protocol, International standard for measuring emissions



In focus

AJ Products



Background

AJ Products is an entrepreneurial company started in 1975. We want to create innovative and smart working environments for offices, warehouses, industrial facilities and public areas.

OUR VISION

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

OUR MISSION

We are entrepreneurs who create innovative work environments and solutions for offices, warehouses, industry, schools and public areas. Our offering combines sustainability, conscientiousness and personal service with the right quality and price, all of which is delivered in a customer-centric and friendly manner.

HISTORY

AJ Products' story began in 1975, when the then 19-year-old Anders Johansson started his business in his parents' recreation room in Hyltebruk, Sweden. A lot has happened since then. Today the head office and central warehouse are located in Halmstad in Sweden and the family company has grown into an international corporation with plans to continue expanding. The company has been on a journey from a pure mail order company to a modern trading company, making large investments in increasing its digital presence and developing its e-commerce offering.



”It feels nice to have the opportunity to help people in their daily work and help them create their work environment. From one entrepreneur to another.”

ANDERS JOHANSSON, CEO

1975

AJ Products' story begins.

1982

The first subsidiary company is opened in Norway.

1989

AJ Products appears for the first time in sports. Advertising on the ice machine at the Ice Hockey World Championships works well and since then the AJ logo has been seen on referees' jerseys and at sports arenas around the world.

1990S

AJ Products' factories in Poland and Slovakia start manufacturing products for the AJ group.

2012

AJ moves to purpose-built premises in Halmstad. 33,000 m² houses the head office, warehouse and showrooms.

2020

The group has about 900 employees.



About us

AJ Products is an international family company that conducts sales in 19 European countries with manufacturing handled by two company-owned factories.

OPERATIONS

The AJ Group includes 13 subsidiaries, two company-owned production facilities and a purchasing office in China. Our factory in Poland manufactures furniture for offices and schools, while our factory in Slovakia produces storage cabinets and pallet racks. The Group also includes companies that own and manage forest land in Sweden and Latvia as well as its own business premises.

AJ Products is a 100% family owned company, with its head office and central warehouse located in Halmstad, Sweden. The group has about 900 employees.

MANAGEMENT SYSTEM

Since 2011, AJ Products has been certified according to the management systems for quality and environment, ISO 9001 and ISO 14001. During 2021, 10 of the subsidiaries were added to the group certificate after they were also approved to the aforementioned management systems. The remaining subsidiaries will be certified in 2022. AJ Furniture Factory is certified according to ISO 9001 and certification for ISO 14001 and ISO 45001 is in progress and will be approved in the spring of 2022. AJ Metal Design is certified according to management systems for ISO 9001, ISO 14001, ISO 45001 and ISO 50001.



CERTIFIED
ISO 9001
ISO 14001
Quality and Environmental
Management System

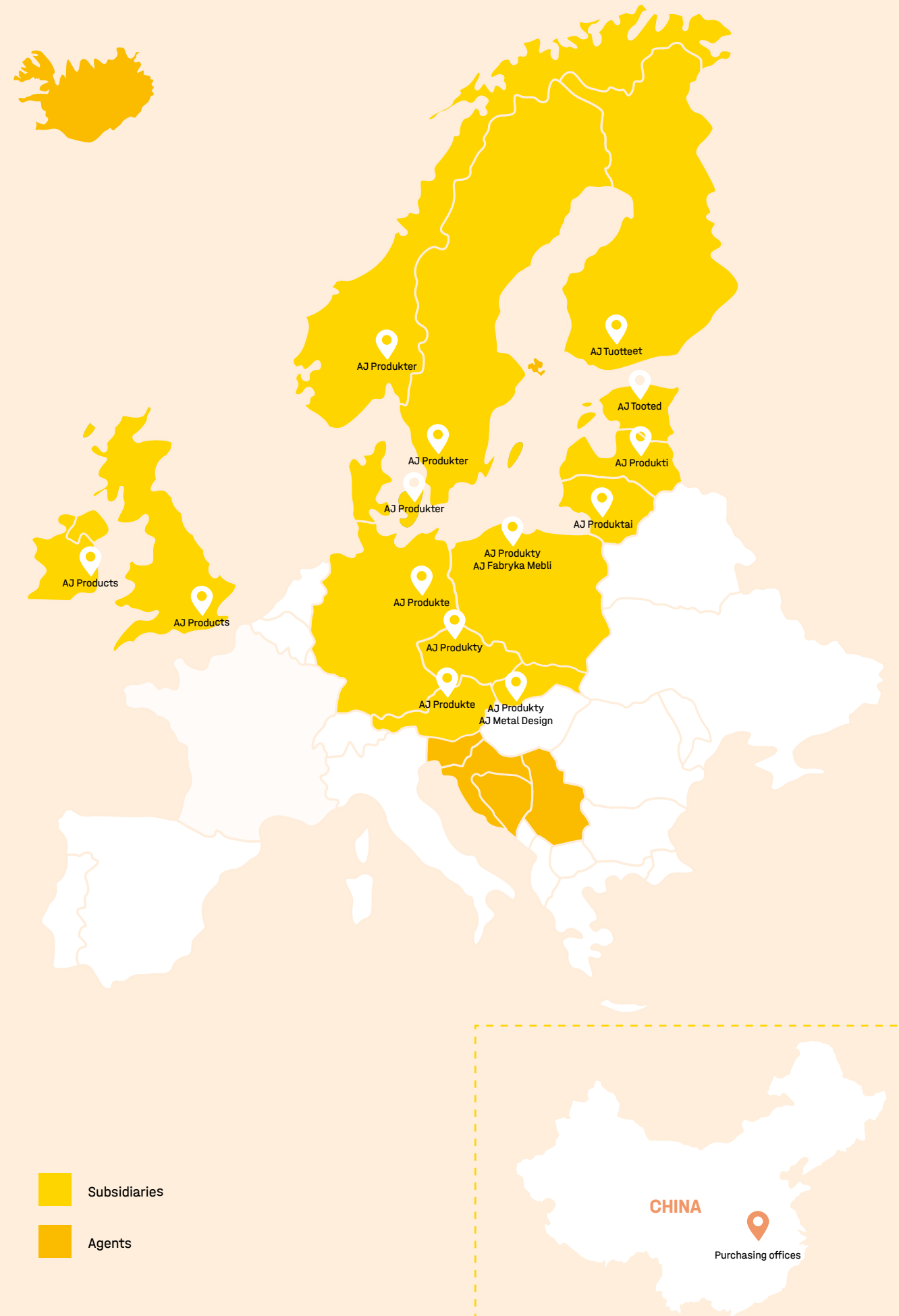


SALES

AJ Products has been successfully improving workplaces for over 45 years. We offer a range of 15,000 products for offices, schools, warehouses and industrial facilities along with well-designed interior décor solutions to help you create a pleasant and practical workplace. Whether through distance selling or project sales, our focus is always on the customer's needs.

MARKET

Our customers are located in 19 countries across Europe, 13 of which have an AJ Products' subsidiary. In the remaining countries, sales take place via agents. The Group's largest market is the Nordics, followed by the Baltics, Central Europe and the combined UK and Ireland markets. Our customers range from small and mid-sized companies to multinationals and public organisations.



Our production

Continuous improvements are made at our factories in terms of energy and resource savings, the working environment and environmental factors, such as reducing waste and chemical consumption.

SLOVAKIA — AJ METAL DESIGN

AJ Metal Design produces metal furniture, such as storage cabinets, school lockers, pallet racks and shelving units. The factory started manufacturing products for the AJ Group in the 1990s and in 2016 it became a part of the Group. The factory is located in the Hrnčiarovce nad Parnou area and has 226 employees.

CONTINUOUS IMPROVEMENTS

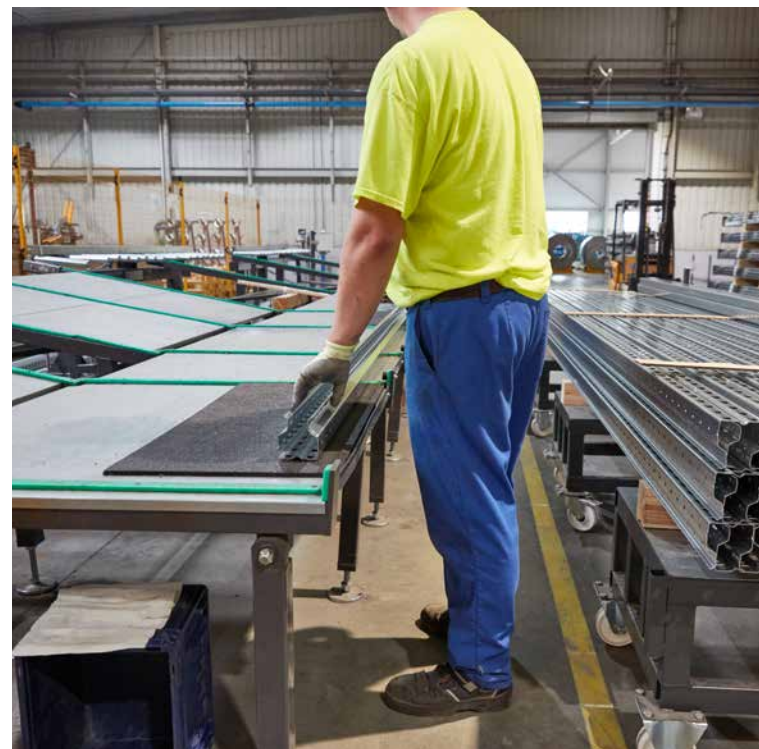
AJ Metal Design works in a structured manner with constant improvements related to quality, environment, work environment and energy.

The Kaizen method was implemented in 2020 and employees were trained to use tools such as 5S, 5WHY, A3 and ISHIKAWA. This has been fruitful and has led to several improvements across various departments. During 2021, 5S was implemented in the coil and roll forming department, which created space economy and a clear structure. In the coil department, SMED (Single-Minute Exchange of Die) was also introduced to shorten set up times and increase efficiency.

A safe and secure work environment is of utmost importance. The TCIR* value increased somewhat compared to the previous year but reached the target rate (2.5).

A number of energy-saving activities are being widely implemented in both our factories as well as our offices. To reduce energy consumption, some of the older machines are being replaced. We are also evaluating the possibility of using automatic energy monitoring on heavily used machines.

* TCIR — Total Case Incident Rate



POLAND — AJ FURNITURE FACTORY

AJ Furniture Factory produces wooden furniture for offices, schools and industrial environments. The factory became a part of the AJ Group in 1996 when a small carpentry operation in Slupsk was acquired. The factory has expanded over the years and the company currently has 228 employees. The expansion continues with the construction of a new 8,400 m² production hall, which will be put into operation in 2022. The factory is certified as an FSC approved manufacturer, which means that we can buy and handle timber from FSC certified suppliers.

CONTINUOUS IMPROVEMENTS

AJ Furniture Factory attaches great importance to a safe and secure work environment and the wellbeing and engagement of its staff. Visualisation boards and BBS* help employees to influence and improve their work environment as well as reducing risk of injuries and accidents at work. The TCIR** value continues to fall from an already low level (0.41).

The KTI activities (Kaizen Team Improvements) that were implemented in production, in a team consisting of operational employees and a shift manager, yielded good results. It is gratifying to see, for instance, how a production team in collaboration with suppliers has succeeded in improving productivity and efficiency in production. The fact that the teamwork has rippled out and resulted in more desire and motivation to make further small improvements is huge!

The work of reducing the amount of VOC*** and dust in the production environment is progressing rapidly. In 2020, the goal of using 100% water-based lacquer and paints was accomplished. This year, a new air conditioning system was installed. We have streamlined the lacquering process by purchasing new machines, such as lacquering cabins, as well as new filters, which have further enhanced the air quality and work environment.

* BBS — Behaviour Based Safety, a process for reducing accidents in the workplace
 ** TCIR — Total Case Incident Rate
 *** VOC — Volatile organic compound

In focus

Environmental sustainability

Saving resources

AJ Products makes continuous improvements to daily work processes and in the organisation as a whole to reduce energy use, emissions and waste. Reducing emissions from our properties is a focal point.

ENERGY CONSUMPTION AJ PRODUCTS, HALMSTAD

AJ Products' premises in Halmstad, which was built in 2012, comprises offices and a 33,000 m² large warehouse. In spring 2021 work started on a 28,000 m² expansion to the premises, where the warehouse is to be expanded by 26,000 m² and the office space by 2,000 m². The construction is due for completion in autumn 2022.

The property is heated with district heating from a local supplier. In the middle of 2020 we moved from purchasing regular district heating to purchasing certified district heating*, which resulted in a reduced climate impact. Thus the greenhouse gas emissions from district heating consumption reduced by almost 90% per gram CO₂e/kWh**. The electricity we purchase comes from solar, wind and hydro power.

AJ FURNITURE FACTORY AND AJ METAL DESIGN

The energy used in our factories comes from both renewable and non-renewable sources. Even in the factories, work on reducing greenhouse gas emissions and energy consumption is in progress. At AJ Furniture Factory, sawdust is recycled from manufacturing into energy, which helps in heating up the facility. During 2021, the factory installed its first solar cell panels, which were put into use in the autumn. AJ Metal Design works on energy issues in a structured manner and is certified to energy management system ISO 50001. The electricity that is purchased is green energy produced from renewable sources and has a Green certificate from the supplier.

CLIMATE EMISSIONS

The table on page 16 shows the emissions (in tCO₂e) resulting from our energy consumption, i.e. heating and electricity. The goal is to increase and report the complete Scope 1 and 2 (including leakage of refrigerants as well as emissions from company cars) for our all our premises, that is offices, warehouses, factories and subsidiaries.

The consumption in Poland makes up the largest part of our emissions from electricity and heating. This is followed by the impact of natural gas combustion in Slovakia. The installation of solar cell panels in Poland has helped to provide renewable and locally-produced electricity for our Polish facility. However, as the total electricity consumption in Poland increased between 2020 and 2021 by approximately as many kWh as the solar cells contributed, the installation did not have a noticeable effect on the total emissions in Poland in 2021.

RECYCLING

Reducing the total amount of waste is important but so is focusing on improvement actions that have a big impact and contribute to us moving upward on the waste management ladder. This may be improving internal processes in order to reduce waste or increase



the amount of waste sent for recycling instead of incineration, for example. For the business in Halmstad, the goal is to increase the amount of recyclable waste to 40% by 2023.

A project that was started in 2021 is the pallet project, which is a collaboration between the head office in Halmstad and the factory in Poland. The purpose is to reduce waste going to incineration and improve the quality of pallets so that they can be used for longer and stay in circulation.

At our warehouse in Halmstad, waste is separated in recycling stations and environmental stations, and is then collected by Stena Recycling for further recycling. We have expanded the opportunity for recycling more types of waste as the newly built recycling centre offers more waste collection streams.

The waste types that can be currently recycled and made into new material are:

- Metal
- Corrugated cardboard
- Paper
- LDPE (packaging plastic)

OUR NEXT STEPS

Solar cell panels will be installed on parts of the new extension in Halmstad and AJ Furniture Factory in Poland will continue to expand its installation of solar cell panels in 2022. A priority area is reducing our climate impact from energy consumption on our premises by phasing out fossil fuel sources, such as coal, oil and natural gas.

* Also called the P-labelled district heating or Green district heating. The certified district heating comes from heat production that primarily uses wood chips and biogas as fuel, as well as and industrial surplus heat.

** For normal district heating, the contribution from the energy transformation is 82.6 grams CO₂e/kWh and for certified district heating the contribution is 8.1 CO₂e/kWh.

Our consumption in numbers

The table shows the use of packaging materials, energy use and waste from our offices and warehouse in Halmstad, Sweden and from production at our factories in Poland and Slovakia.

	AJ PRODUCTS HALMSTAD, SWEDEN		
	2020	2021	Change 2020/2021
USE OF PACKAGING MATERIAL			
Corrugated cardboard (kg)	46 978	63 302	35 %
Plastic (kg)	33 590	35 703	6 %
Wood (kg)	1 142 847	1 327 797	16 %
ENERGY CONSUMPTION			
Oil (kWh)	0	0	N/A
Natural gas (kWh)	0	0	N/A
Wood chips (kWh)	0	0	N/A
Electricity (kWh) purchased	1 403 991	1 460 000	4 %
Electricity (kWh) produced (through own solar panels)	0	0	N/A
District heating (kWh)	744 960	841 230	13 %
Total energy for heating and electricity (kWh)	2 148 951	2 301 230	7 %
GREENHOUSE GAS EMISSIONS FROM HEATING AND ELECTRICITY			
Direct GHG emissions from heating and electricity Scope 1 (tCO ₂ e)	0	0	N/A
Indirect GHG emissions from heating and electricity Scope 2 (tCO ₂ e) (location-based)	69,3	21,1	-70 %
Indirect GHG emissions from heating and electricity Scope 2 (tCO ₂ e) (market-based*)	51	2,1	-96 %
Total GHG emissions from heating and electricity (tCO ₂ e)**	51	2,1	-96 %
Water consumption, offices and manufacturing (m ³)	1 958	1 550	-21 %
WASTE			
Material recycling of steel (kg)	106 340	118 380	11 %
Material recycling of aluminium (kg)	0	0	N/A
Material recycling of plastic (kg)	10 580	12 190	15 %
Material recycling of paper and corrugated cardboard (kg)	54 727	63 635	16 %
Material recycling of other waste*** (kg)	17 855	30 748	72 %
Hazardous waste (e.g. paint, aerosols, office electronics) (kg)	2 309	6 943	201 %
Landfill (kg)	0	0	N/A
Combustible waste (energy recovery) (kg)	556 418	704 214	27 %
Total waste (kg)	748 229	936 110	25 %
Total waste for material recycling (kg)	189 502	224 953	19 %
KEY FIGURES			
Material recycling, share of total waste (%)	25,3 %	24 %	-5,1 %
Renewable materials of packaging materials (%)	97 %	97,5 %	0,3 %

	AJ FURNITURE FACTORY SLUPSK, POLAND		
	2020	2021	Change 2020/2021
Corrugated cardboard (kg)	592 307	675 846	14 %
Plastic (kg)	81 666	86 822	6 %
Wood (kg)	370 893	390 248	5 %
Oil (kWh)	0	0	N/A
Natural gas (kWh)	0	0	N/A
Wood chips (kWh)	612 000	598 400	-2 %
Electricity (kWh) purchased	3 022 318	3 019 009	0,1 %
Electricity (kWh) produced (through own solar panels)	0	7 630	N/A
District heating (kWh)	0	0	N/A
Total energy for heating and electricity (kWh)	3 634 318	3 625 039	0 %
Direct GHG emissions from heating and electricity Scope 1 (tCO ₂ e)	11,2	10,1	-10 %
Indirect GHG emissions from heating and electricity Scope 2 (tCO ₂ e) (location-based)	2 146	2 017	-6 %
Indirect GHG emissions from heating and electricity Scope 2 (tCO ₂ e) (market-based*)	2 451	2 412	-2 %
Total GHG emissions from heating and electricity (tCO ₂ e)**	2 462,3	2 422,3	-2 %
Water consumption, offices and manufacturing (m ³)	1 896	2 272	20 %
Material recycling of steel (kg)	5 590	16 160	189 %
Material recycling of aluminium (kg)	0	0	N/A
Material recycling of plastic (kg)	18 438	10 740	-42 %
Material recycling of paper and corrugated cardboard (kg)	90 370	103 260	14 %
Material recycling of other waste*** (kg)	0	0	N/A
Hazardous waste (e.g. paint, aerosols, office electronics) (kg)	16 040	12 930	-19 %
Landfill (kg)	27 740	40 660	47 %
Combustible waste (energy recovery) (kg)	181 920	176 000	-3 %
Total waste (kg)	340 098	359 750	6 %
Total waste for material recycling (kg)	114 398	130 160	14 %
Material recycling, share of total waste (%)	33,6 %	36,2 %	7,6 %
Renewable materials of packaging materials (%)	92 %	92,5 %	0,3 %

* In the market-based calculation, purchased renewable energy has been taken into account
 ** Based on the Market-based Scope 2 number
 *** Glass, operational waste for recycling (AJ Products) and biological waste - cut grass (AJ Metal Design)

Reporting made for full calendar year, from 1st Jan to 31st Dec.

	AJ METAL DESIGN HRNČIAROVCE NAD PARNOU, SLOVAKIA		
	2020	2021	Change 2020/2021
Corrugated cardboard (kg)	114 600	132 645	16 %
Plastic (kg)	38 200	44 215	16 %
Wood (kg)	534 800	619 010	16 %
Oil (kWh)	0	0	N/A
Natural gas (kWh)	4 146 918	4 924 044	19 %
Wood chips (kWh)	0	0	N/A
Electricity (kWh) purchased	3 120 039	3 507 764	12 %
Electricity (kWh) produced (through own solar panels)	0	0	N/A
District heating (kWh)	0	0	N/A
Total energy for heating and electricity (kWh)	7 266 957	8 431 808	16 %
Direct GHG emissions from heating and electricity Scope 1 (tCO ₂ e)	762,6	908	19 %
Indirect GHG emissions from heating and electricity Scope 2 (tCO ₂ e) (location-based)	496,1	487,6	-2 %
Indirect GHG emissions from heating and electricity Scope 2 (tCO ₂ e) (market-based*)	0	0	N/A
Total GHG emissions from heating and electricity (tCO ₂ e)**	762,6	908	19 %
Water consumption, offices and manufacturing (m ³)	3 623	3 533	-2 %
Material recycling of steel (kg)	771 460	1 073 620	39 %
Material recycling of aluminium (kg)	0	0	N/A
Material recycling of plastic (kg)	3 850	4 620	20 %
Material recycling of paper and corrugated cardboard (kg)	12 640	14 080	11 %
Material recycling of other waste*** (kg)	4 330	2 120	-51 %
Hazardous waste (e.g. paint, aerosols, office electronics) (kg)	8 900	10 490	18 %
Landfill (kg)	67 970	94 430	39 %
Combustible waste (energy recovery) (kg)	29 780	41 460	39 %
Total waste (kg)	898 930	1 240 820	38 %
Total waste for material recycling (kg)	792 280	1 094 440	38 %
Material recycling, share of total waste (%)	88,1 %	88,2 %	0,1 %
Renewable materials of packaging materials (%)	94,4 %	94,4 %	0 %

Product care

AJ Products continuously searches for solutions to improve our quality and environmental work. A central aspect of this involves creating sustainable and high quality products that do not harm people or the environment.

PRODUCT QUALITY

Most people today realise the importance of replacing the consumerist mindset with a circularity mindset so that we can succeed in saving the Earth's resources and reducing our climate footprint. Therefore, an important step is to ensure that the products produced are of high quality and have as long a lifespan as possible.

”For us, quality is synonymous with security.”



AJ Products' warranty period was extended this year from three to seven years. We want to develop and sell good quality products that last over time. In ongoing customer evaluations, we see that product quality is an area that has always received high ratings, which shows that our focus on great product quality yields results.

In our quality system, we make ongoing improvements using the Plan-Do-Check-Act model. In order to find the reason behind a problem, we conduct a root cause analysis. Regardless of whether a complaint or deviation has been registered as transport damage, a stock defect, a missing or a damaged product, it is important to find the cause of the problem. What has happened and how?

In recent years, we have also gradually expanded our spare part range by approximately 150 items per year. Sending a spare part instead of replacing an item with a brand-new product saves resources and reduces our climate impact.

QUALITY AND ECOLABELLING

Since our products are used in offices, schools, warehouses and factories, the requirements placed on them may vary. Some of our customers are part of the public sector, such as municipal, regional and government authorities. Public procurement is closely linked to sustainable development and the climate and environmental goals relevant to each country. The guidelines and strategies that are issued by governments and governmental agencies are often reflected in procurement processes and framework agreements early on, and also form a guide for our sustainability work at AJ.

Some of our products meet the requirements for FSC labelling of raw timber materials or OEKO-Tex and EU Ecolabel for raw textile materials. Our range includes products certified in accordance with the Nordic Swan Ecolabel, Möbelfakta (a Swedish sustainability reference and labelling system), *Byggsvarubedömningen* (Building Product Assessment) and GS. In 2021, a new investment was made with the Swedish construction-industry assessment system *Byggsvarubedömningen*, which has already yielded results in terms of sales. During the year, efforts were also made to get new products labelled with the Nordic Swan Ecolabel; this work will continue in 2022.



ENVIRONMENTAL REQUIREMENTS

Our goal is to ensure that all our products offer high quality with respect to functionality and safety, have a long lifespan and are not harmful to people or the environment. We comply with all applicable laws and regulations regarding quality and environmental management for our products. The fundamental requirements for our products are REACH, POPs Regulation, CE, RoHS and the EU Timber Regulation.

We have started the process of developing a system where we can secure documentation for our products in a structured manner. New legal requirements are constantly imposed on chemicals that are not permissible for further use as they are harmful to people or the environment. In order to be proactive and work smartly, a systematic work methodology is necessary both to keep the documentation updated and to be able to work preventively by replacing materials or substances that are no longer permissible.

An area where we plan to devote more attention in the future is environmental assessment, i.e. the ability to measure and calculate the environmental impact of our products. The requirement to report greenhouse gas emissions for a product throughout its lifecycle is becoming more common and our ambition is to increase our competence and knowledge in this area. We have started developing lifecycle analyses.

In Sweden, we work with FTI, a nationwide recycling system, and EI-Kretsen, a take-back scheme for electronics, as we have a producer responsibility for collecting and recycling packaging materials, electronic products and batteries. As a company it is our responsibility to ensure that the packaging we use or sell to the market can be collected and recycled in the best way possible. The basic idea behind producer responsibility is to reduce the amount of waste and ensure that any waste produced is recycled and used to make new products.



NORDIC SWAN ECOLABEL

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

MÖBELFAKTA

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

BYGGVARUBEDÖMNINGEN

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

From need to a finished product

In the product development process, the customer's needs are front and centre, along with product quality, function, lifespan and environmental aspects. The work is carried out in close collaboration with our factories and our suppliers.

THE PRODUCT DEVELOPMENT PROCESS

The process is carried out as a project where all relevant parties are involved. Developing new products is costly and requires many resources. The further you get into the product development process the more difficult it is to make changes, so the decisions taken early on tend to have a significant impact on the result. The process needs to be clear, in order to get as few surprises as possible during the course of the project.



1. NEED

A need arises. It may originate from a variety of sources. For example, it may arise internally from production managers, marketing, sales or procurement, or externally from suppliers or customers.



2. PILOT STUDY

In the pilot study, an in-depth analysis of the need is conducted based on the market, range and price. Information is collected on the quality and environmental requirements that the product needs to meet and, in some cases, user studies and study visits are also carried out. The pilot study results in a project brief and a timetable.



3. CONCEPT PHASE

In this phase, various design proposals are developed based on the project brief. Choice of material, manufacturing methods and environmental aspects are some of the things that are considered. The work results in several drafts, models or other product visualisations. Two or three concepts are presented to the project group from which one is selected for further development.



4. PROTOTYPE

The chosen concept is developed further and adapted for production in close collaboration with the chosen suppliers. A prototype is developed and evaluated. Parameters such as safety, stability, durability, functionality and visual aspects are checked. The project group evaluates whether a prototype should be approved or further development and a new prototype are required.



5. PACKAGING

Our suppliers develop the packaging in collaboration with us. An important aspect is minimising the risk of damage incurred during transport from the supplier to the end customer.



6. DOCUMENTATION

Product-related documentation is created, compiled and saved. It may include drawings, requirements, assembly instructions, user manuals and care instructions. The suppliers are requested to provide safety data sheets and environmental documentation. Results of various tests conducted by accredited labs are also added to the final documentation.



7. TRIAL ORDER

A first trial order can then be placed with the supplier. The finished product is transported to the central warehouse in Halmstad where a final and complete check of the product and packaging is performed.



8. APPROVED PRODUCT

Once a product is approved, it is ready to be marketed and sold

Project



PRODUCT CARE YIELDS GOOD RESULTS

We recently undertook a project to review our range of storage shelving systems; it was found that many products had the same functionality and were aimed at the same type of customer.

By creating a clearer product portfolio, we have reduced the number of items and simplified the customers' purchase process. This project has also resulted in product optimisation and technical improvements in production. A change in construction has resulted in a reduction in material usage, use of lighter products and simplification of the manufacturing process.

SUSTAINABLE PACKAGING SOLUTIONS

Packaging is a part of the product that unfortunately does not get the attention it deserves. Our range includes a number of sliding door cabinets that are delivered fully assembled. There is an urgent need

to change the packaging of this product as it is often damaged during transport, which results in high costs as well as dissatisfied customers.

We evaluated the possibility of changing the packaging by looking at the entire supply chain and conducted assembly tests from the customer's perspective. As there was nothing that prevented the sliding doors from being delivered unassembled in flat pack form, we went ahead with developing different packaging solutions.

We can see that this project will minimise transport damage, reduce pallet space in the warehouse and reduce the amount of air we transport. This is also a project from which we can draw lessons to further optimise our packaging solutions for more sustainable logistics.

We have solutions in stock

AJ Products helps customers to move from idea to a complete solution for their warehouse and logistics needs. We have unique products that are designed and manufactured in-house to meet the most rigorous standards on the market.

WAREHOUSE AND INDUSTRY

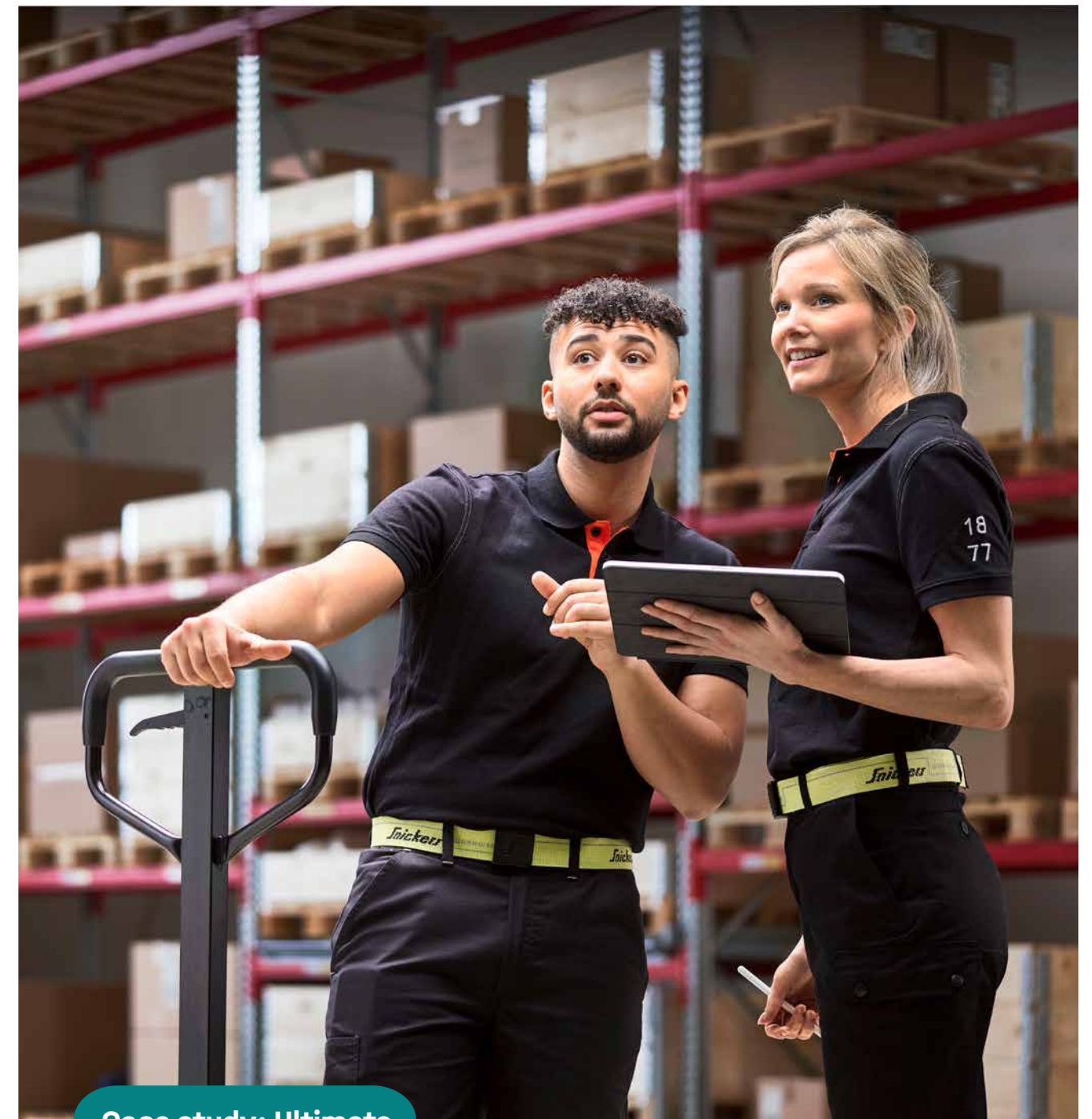
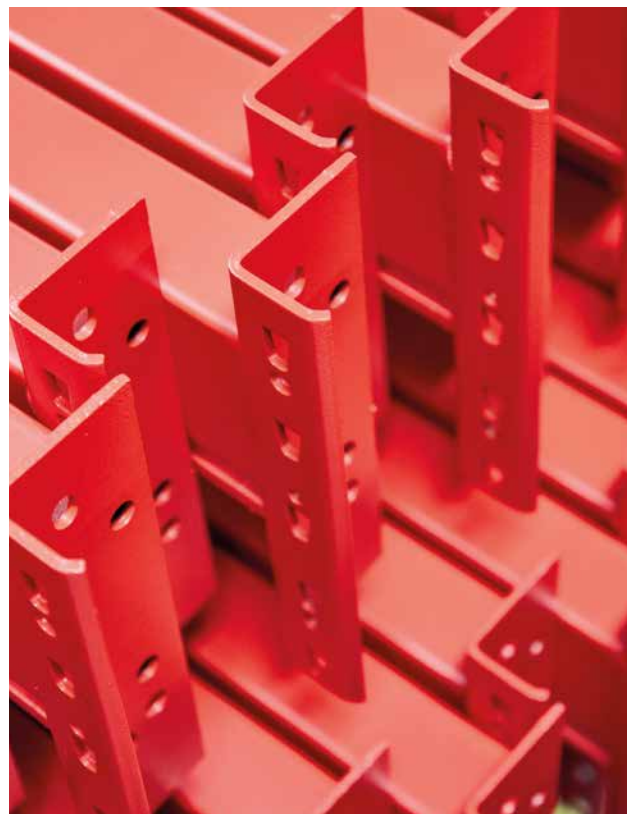
As part of our Warehouse and Industry product range we work with design and special adaptations of warehouse solutions. Pallet racks and shelving systems are examples of products designed and manufactured in-house. Many of the products must be able to handle heavy loads, which raises further requirements on quality, durability and safety.

The pallet racks are made of steel, a material that is widely recycled and can be further recirculated. The majority of the greenhouse gas emissions linked to the metal take place during the extraction and refining phases. As part of the product development process, we focus on reducing the amount of steel in our products and optimising the pallet racks to make them more space saving and to facilitate ergonomic handling.

The product improvements generate both financial and environmental benefits. The amount of steel used in the products

is reduced, which in turn generates less weight and further impacts the transport chain by resulting in lower greenhouse gas emissions during transport.

” In addition to high quality pallet racking, we also optimise entire warehouse solutions for our customers. When designing these spaces, we take into account factors such as space efficiency, optimised ergonomics, efficient picking routines and smart logistics flow. ”



Case study: Ultimate

Pallet rack ULTIMATE is an adaptable pallet racking system offering a high degree of flexibility. It is a result of AJ Products' in-house design and production. The pallet rack is adaptable and enables you to create efficient logistics, storage and goods management practices based on your specific needs.

ADVANTAGES OF ULTIMATE

It is made of high tensile steel, which increases the stability and load-bearing capacity of the pallet rack. This has several advantages for our customers as they can choose a more

lightweight pallet rack that has the same load bearing capacity at a lower price.

The pallet rack has several options of load bearing beams in order to reduce lifting height, which results in better ergonomics and easier handling. In order to optimise space, the pallet rack offers five types of posts. The different versions mean that it's possible to place more goods on the same surface area.

Digitalisation in progress

Our digital transformation and transition toward a service-based system in the cloud facilitates greater versatility and speed when it comes to optimising and automating our processes. This transition, along with our cyber security program, is an important prerequisite for staying at the forefront in terms of digital capabilities.

CLOUD

AJ Products is in the middle of a transformation where large amounts of its IT services are being moved from a traditional internal data centre to increased consumption of service-based systems and cloud-based services. Moving operations from internal data centres to the cloud means that our internal energy use is reduced as is the need for future infrastructure investments. The cloud-based services also create increased availability and more secure operations, benefitting all AJ Group companies.

AUTOMATED CUSTOMER AND SUPPLIER WORKFLOWS

Our work on simplifying the handling of electronic invoices, customer and supplier orders continues. We provide electronic invoices to our customers in several markets and have also established workflows for automating customer orders.

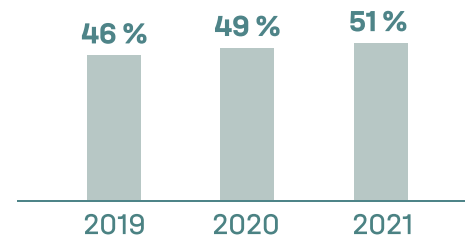
We have come a long way in automating workflows of information and purchase orders to our suppliers as well as in simplifying and optimising the handling of incoming supplier invoices. We have done this by receiving a larger portion of electronic invoices from our suppliers, which in turn results in efficiency and accuracy benefits.

CYBER SECURITY

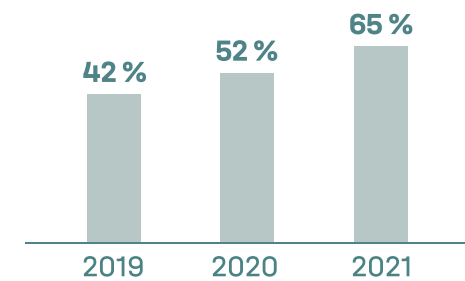
Last year and in connection with Covid-19, there was a considerable increase in cyber threats worldwide. Cyber threats have become all the more complex, which places ever higher demands on companies, authorities and organisations. At AJ Products, we work systematically on cyber security issues based on an NIST framework. This framework includes establishing roles, responsibilities, routines, classification, risk analysis, annual cycles and implementation and control of technical protective measures.

”AJ Products has established a cyber security program and is now working in a structured manner on risk analyses and implementation of prioritised protective measures.”

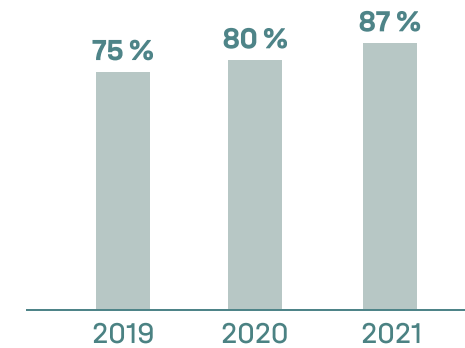
Electronic sales orders – via website/EDI



Purchase orders – via EDI



Invoices – electronic



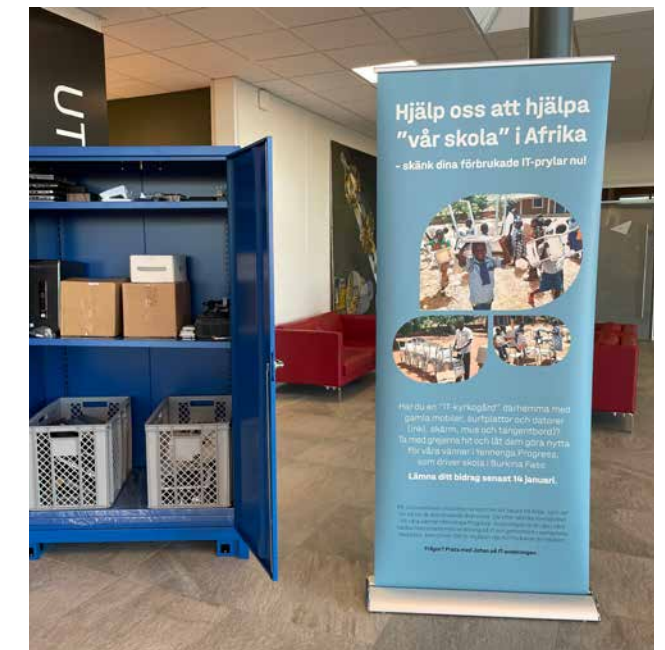
COLLECTION

This year, the IT department carried out an internal collection of IT equipment at the head office in Halmstad. Our employees were to bring old mobiles, tablets, computers, etc. that they no longer used at home and leave them at reception along with worn-out IT equipment from head office.

The equipment collected was sold to Atea, which makes sure that it is reused or recycled. The profit made was donated to our friends at Yennenga Progress*, which runs a school in Burkina Faso. The collection took place in collaboration with Atea, who run a scheme called the 100% club**, of which AJ Products is a member.

* Read more about Yennenga Progress and their organisation on page 38 of the Sustainability report.

** The 100% club is a network of companies and organisations who want to work for the sustainable lifecycle management of IT products. The club was started by the IT infrastructure supplier Atea and has about 400 members including AJ Products.



Our transport

One of the greatest environmental improvement challenges for businesses globally is reducing their transport emissions in order to improve their environmental and carbon footprint. At AJ Products, transport is a prioritised environmental factor; one step in reducing greenhouse gas emissions is to switch to rail transport.

ENVIRONMENTALLY CONSCIOUS DISTRIBUTION

Fossil fuel combustion represents the largest contribution to the greenhouse gas effect, both in Sweden and worldwide. Today, domestic transport accounts for almost a third of Sweden's total greenhouse gas emissions, of which 90% is from road transport. Within the EU, the transport sector accounts for almost one quarter of the total greenhouse gas emissions, with cars, delivery vans, trucks and buses accounting for 70% of emissions.

Because transport represents a large part of our operations, our collaboration with transport providers is important. Their work in phasing out fossil fuels and reducing emissions by updating the vehicle fleet, increasing the amount of biofuel used and reducing fuel consumption during driving, for example, affects our results. In addition, it is crucial to avoid unnecessary journeys and increase the fill levels of each transport.



EXTERNAL TRANSPORTS

A general goal is to load as much cargo as possible into trucks in order to raise fill levels. We have also reviewed our collection frequency in order to reduce the number of collections, which contributes to a higher fill level and reduces administration and associated costs. Measurements show that since 2018, the fill rate has increased by 12%; it remains at the same level this year as it was the previous year. As part of our purchasing strategy for 2022-2025, we intend to consolidate more volume with fewer suppliers to further improve incoming fill rate.

CASE STUDY: FROM TRUCKS TO TRAINS - UPDATE

Starting in January 2021, we shifted all our road transport from Slovakia to rail transport with very good results. The transition has resulted in cutting greenhouse gas emissions by half. Greenhouse gas emissions were reduced by 52% compared to using lorries*. The switch has required greater planning as lead times have become more uncertain and somewhat longer. Since we also started delivering outbound customer shipments to the Czech Republic and Slovakia by rail, we have unfortunately seen some negative customer impact, which means that in 2022 we will need to reinstate some road shipments.

* The total reduction is 1,651 tonnes of CO₂e, calculated based on the number of transports per year on this route.



GREENHOUSE GAS EMISSIONS

The transport and distribution of goods and products make up a considerable part of our greenhouse gas emissions. During the year, we have expanded our calculations and factored in emission reports from freight forwarders on our major routes. The primary transport types that we use are road, rail and sea. A large majority of sea transport comes from Asia. Within Europe, trucks and trains are used for domestic and intercountry transport as well as for local distribution. Occasionally product samples are transported by air, but account for less than 0.3 % of transport.

We intend to collect emission reports from all freight forwarders. Our goal is to report upstream emissions in Scope 3 when we have annual comparable figures.

COVID-19 PANDEMIC

We saw the effect of the Covid-19 pandemic on our transport, especially sea transport from Asia. There were significant delays due to container shortages, which in turn led to significant price increases. On the contrary, road transport in Europe worked well despite changes in procedures as a result of restrictions.

OUR NEXT STEPS

Our main work in 2022 will be to increase focus on transport damage and, through that, reduce the number of "unnecessary" journeys. Step one will be to identify areas with great potential through detailed follow-ups and measurements, and develop activity plans based on that information.

INTERNAL TRANSPORT

AJ Products has a company car policy that provides guidelines and objectives for the maximum carbon dioxide value permissible for newly acquired cars. The overall objective is for the car fleet to reduce annual carbon dioxide emissions by 5% in order to achieve the target of 125 g/km by 2023, measured in NEDC*.

In 2021, CO₂ emissions from our company cars totalled 63 tonnes. This is an increase of 19% compared to the previous year, which was not unexpected as fewer visits and journeys were made in 2020 as a result of the pandemic. When we divide this by the total distance driven, it gives us an emission of 154 g CO₂ / km, measured in NEDC, which means that this year we failed to meet the target of emissions below 140 g / km. We are working to review the management of our company and pool cars. For drivers of electric cars, there are ten charging stations in the car park at the head office.

Our travel policy focuses on cost-effective, environmentally friendly and safe travel. Employees are encouraged to use public transport, such as trains and buses, as much as possible. Another step in reducing work-related transport is to consider whether meetings can be carried out digitally instead of on site. This reduces carbon emissions and time spent, while also having financial benefits.

Our goal is to report the emissions from our vehicles as well as our business trips as per the GHG protocol in the future**.

* New European Driving Cycle
** Greenhouse Gas Protocol

In focus

Social sustainability



Person to person

Culture has always been important to us and we have developed our company culture over time. Our core values make up the foundation of our company and guide our behaviour towards each other internally, externally and in society as a whole. AJ Products aims to be a workplace characterised by openness, inclusiveness and gender equality.

OUR CORE VALUES - OUR WAY OF BEING

Our four core values sum up what we do and what we stand for. They guide our work and influence our decisions at all levels of the organisation.

SMART

RESPONSIVE

KNOWLEDGEABLE

HELPFUL



” Having a common understanding of our business concept and our origins, and practising our core values, gives us clarity in our relationship with each other and with our customers, suppliers and society at large. ”

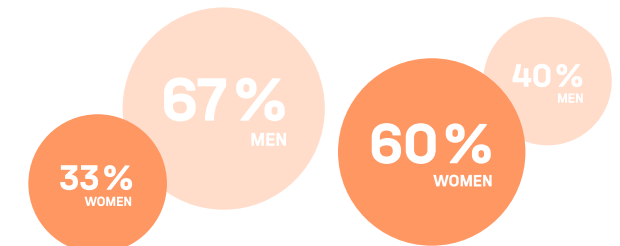
GENDER EQUALITY AND DIVERSITY

AJ Products aims to reflect society as a whole and be a workplace characterised by openness, inclusiveness and gender equality. We see it as a given that women and men should have equal working conditions and career development opportunities.

We strive to increase the number of women in our warehouse, a part of the company which at present is dominated by men. The division of men and women among our white-collar workers is 49.5% women and 50.5% men. During recruitment our aim is for both women and men to apply for and be appointed to available positions.

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

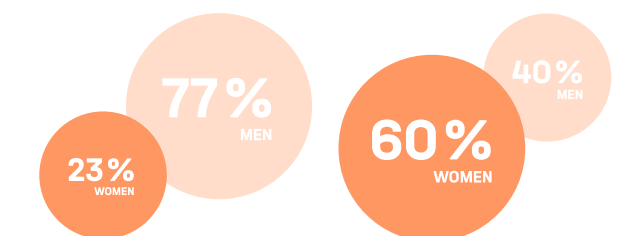
DISTRIBUTION - EMPLOYEES



AJ Products
280 employees in 2021

Subsidiaries
147 employees in 2021

DISTRIBUTION - MANAGEMENT POSITIONS



AJ Products
Number of managers
in 2021: 26

Subsidiaries
Number of managers
in 2021: 20



Wellness at work

There are many factors that affect wellbeing in the workplace. A good work environment with a focus on safety, employee wellbeing, good relationships and development opportunities results in happier employees.

Physical work environment factors such as noise, light, ergonomics, movement and exercise are important for our physical and mental health. From a social perspective, people feel good at work when they are able to use their strengths and skills and collaborate with others in an encouraging and inspiring work atmosphere. Everyone should know the purpose of their job and their own responsibilities. This is the type of work environment we always strive for.

AJ Products should be an attractive workplace with healthy staff who want to stay with us long-term. Job descriptions and our Code of Conduct and policies make it clear how work is to be performed at AJ Products and at an individual level. Through annual employee discussions, evaluations and workshops, we want to increase the dialogue and welcome views and suggestions for improvement.

We conduct continuous efforts to prevent accidents and incidents and to minimise work-related illness. The goal is to have zero sick leave linked to the work environment. We are continuously developing and improving our systematic health and safety management system and our internal control of the work environment. During the past year, we have collected information on how we work within the physical, social and organisational work environment, and made it visible in a platform that is easily available for everyone within the organisation.

AJ Products has a flat organisation and takes pride in being a family business where co-workers know and understand each other. Although our organisation is large, we also want to be small. We should all work closely together to reach our common goals. By being kind and helpful, you are a good colleague; together we can develop and succeed.

Our status

It is important for us to constantly develop and improve ourselves. The employee survey is a way of gaining insight and we work openly on result-oriented activities. Employee wellbeing and engagement is a prerequisite for creating good conditions for the future together.

INSIGHTS

2021 has been an unusual year for employees who have been forced to adapt themselves to prevailing circumstances and ever-changing regulations. This is reflected in the pulse survey where the eNPS (Employee Net Promoter Score) went down, although it varied between markets. One reason is that numerous employees wanted us to introduce hybrid work practices even after the pandemic, which resulted in us facilitating work from home two days a month. AJ strives to promote working from the office to ensure effective inter-departmental work, a good work environment, better development and collaboration; we believe that in-person meetings are a prerequisite for creating sustainable solutions together.

Previous surveys have shown that we need to improve our internal communication. We introduced Teams Talk and have developed them throughout 2021. We broadcast these as a live event through Teams once every two months and those who cannot participate live can watch the recording later. We share relevant information about what is going on in the company and various people from the management team participate depending on the subject. We have also built a new Intranet that is easy to navigate, clear and updated regularly so that employees can find all the important information in one place.

EMPLOYEE SATISFACTION SURVEY

We usually conduct an employee survey once a year. In 2021, we chose instead to perform three pulse surveys to more closely monitor wellbeing in the organisation with so many employees working from home. The average response rate was 89%, which is a good response rate that indicates a strong level of engagement. Even though the eNPS fell, we still exceeded the benchmark, but we strive to do better. From 2021, we will replace ESI (Employee Satisfaction Index) with EI (Employee Index). The goal will continue to be 80.

”We also believe that training is an important area. We have introduced several new initiatives and more are underway for 2022.”



AJ ACADEMY

In 2021, we built a new pre-and on-boarding program that extends over the course of an employee’s first year. We saw that the quality of our onboarding process could differ within the company. To help managers and ensure that all new employees within AJ get the best and the same training process, we chose to build a digital program. Now we know that all new employees will start their onboarding training and will be monitored, managers will get automatic reminders, and we have a support function that reminds the participants if they have missed or are late on any task. We know now that we are providing all the important information and it is presented in a fun mix of quizzes, videos, assignments and short reading tasks for the new employee to take part in. Meanwhile, managers can focus on introducing the new employee to their tasks, role and team.

We have also employed two product communicators to develop our internal product training. Their job is to provide all new employees with basic product training and periodically train the sales team on new products to increase their knowledge and support good customer service.

EDUCATIONAL COLLABORATION

We want to be a modern and attractive workplace and we think it is important to collaborate with motivated students. Students who have completed degree projects or completed an internship with us are seen as progressive and positive elements in our business. In some cases, this may also lead to an employment offer.

”We see opportunities for further collaboration in the form of projects and collaboration with universities.”

ENPS - EMPLOYEE NET PROMOTER SCORE

Measured on a scale of -100 to +100

	2019	2020	2021
AJ PRODUCTS	17	21	20
SUBSIDIARIES	52	34	31
BENCHMARK	2	2	2

ESI - EMPLOYEE SATISFACTION INDEX

Measured on a scale of 1 to 100

	2019	2020	2021
AJ PRODUCTS	75	76	79*
SUBSIDIARIES	84	81	85*
BENCHMARK	70	70	70

* In 2021, we conducted three pulse surveys with fewer questions, as such the results are not completely comparable with previous years.

Suppliers in focus

With more than 300 suppliers in 2021, it is more important than ever to ensure compliance with the company's guidelines and policies. Criteria such as human rights, labour rights, quality and environmental requirements as well as anti-corruption are central to our purchasing activities.

STRATEGY AND VISION

In 2021, our purchasing strategy was updated based on newly identified opportunities and future requirements, which were developed by talking to the employees, company management and suppliers.

The strategy is built on three cornerstones:

- Supplier performance
- Sustainability
- Procurement optimisation

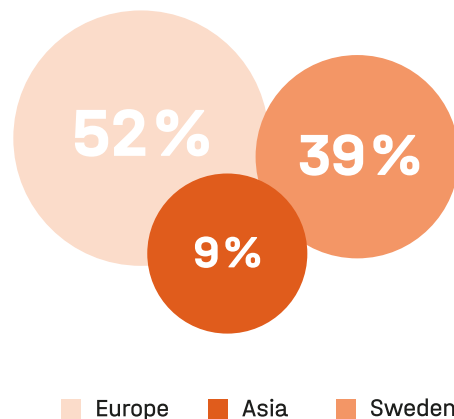
”Identify, design and develop a world-class supplier base that creates a competitive edge and maximises customer benefit”

AJ PRODUCTS SOURCING VISION

SUPPLIERS

In 2021, AJ Products collaborated with more than 300 suppliers. The Group carries out in-house production in two factories in Europe. The products manufactured at these factories include office furniture, storage cabinets and pallet racks. In-house production accounts for 35% of the Group's total purchases. In total, 91% of the Group's suppliers are located in Europe and only 9% are located in Asia. We have our own staff in Asia, whose primary duty is to ensure that our Asian suppliers meet the imposed requirements.

Quality control is usually performed by the local staff but can also be done in collaboration with staff from Sweden.



All our suppliers must meet a number of criteria. When we choose a supplier, assessments are carried out on their delivery capabilities, financial status and the supplier's ability and willingness to meet our quality and environmental requirements.

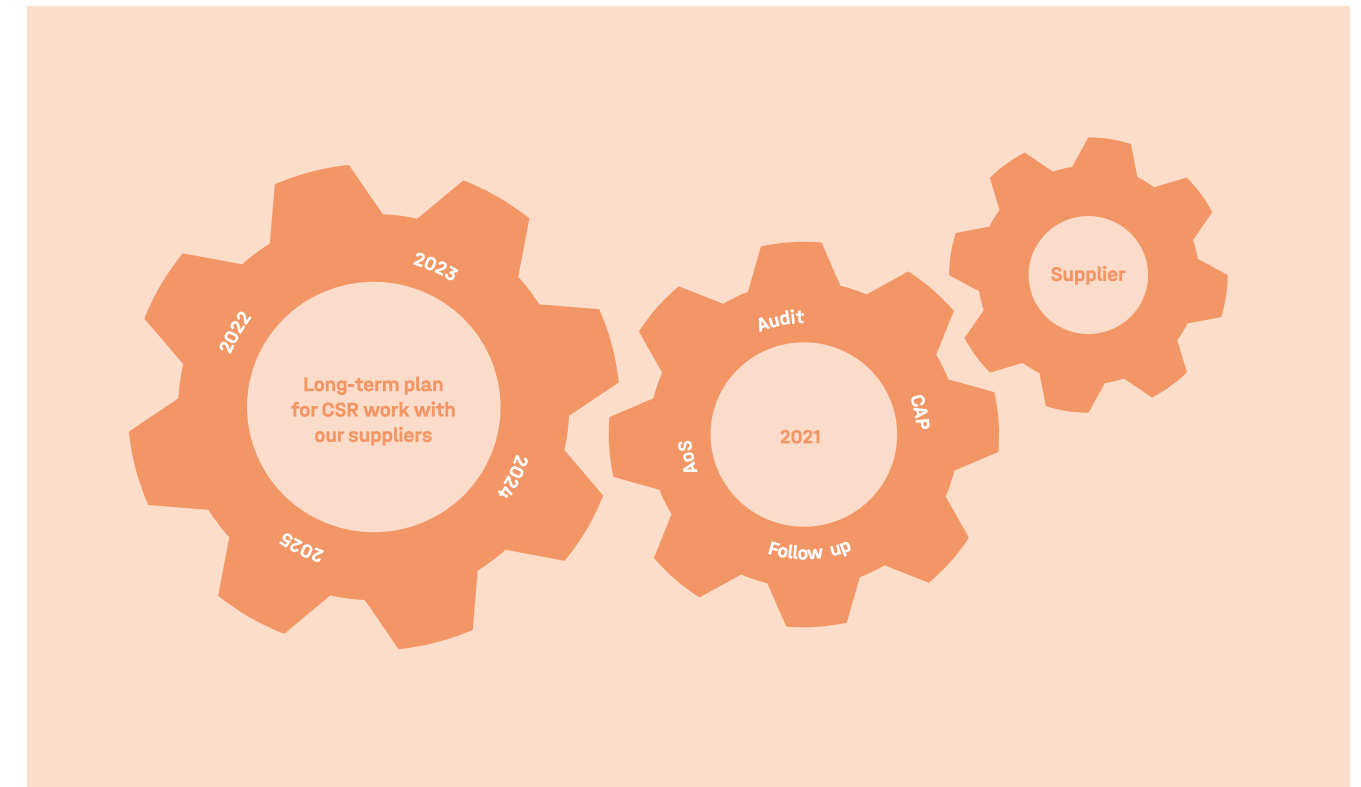
We aim to conduct business in a responsible and legally compliant manner at all stages. Supporting human rights, labour laws, environmental responsibility and anti-corruption are a prerequisite for us. Our greatest risk with regard to human rights, corruption and social issues is at supplier level.

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

The goal is to achieve 95% signed supplier agreements* with our largest active suppliers in 2023. Today we are at more than 83%, which represents suppliers from whom we have a purchase volume of over 1 million SEK for our standard range. In 2019, that figure was 80%. We had hoped for better progress in 2020 and 2021 but unfortunately we have not been able to carry out visits to our suppliers due to the pandemic. We assess our suppliers on an ongoing basis with regard to factors such as delivery reliability, quality and communication.

SUPPLIER ASSESSMENT AND REQUIREMENTS

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



* As procurement volumes can be impacted positively over time and both existing and new suppliers can be added, the goal is considered to be achieved at 93%.

CSR IN THE SUPPLY CHAIN

The work on risk assessment was further developed in 2021 and the five-year plan was updated with new goals. CSR work was the primary focus for our largest and most important suppliers.

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

- Economic
- Social
- Environmental

A systematic process of reviewing CSR efforts in the supply chain is carried out each year. The purpose is to make sure that all suppliers follow the relevant legal requirements as well as our requirements and guidelines in the given area. As basis for our requirements, we use the 10 principles of the UN Global Compact as a starting point, where requirements are specified within the following areas:

- Human rights
- Labour rights
- Environment
- Anti-corruption

The work is carried out in three steps where the first step is conducting an AoS (Assessment of Supplier) survey where suppliers are to answer a number of questions about themselves

as a company, whether they operate in an at-risk country (according to Amfori BSCI*) and the documentation available to prove that the company meets the requirements. The answers are assessed and suppliers are rated based on the risk level.

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

In 2021, we chose to focus on our A suppliers, that is our largest and most important suppliers. We chose to do a more in-depth review of all the 13 suppliers. Due to the Covid-19 pandemic, 12 of the reviews were conducted remotely and one in person. Ten of the suppliers were approved right away, while the other three were able to be approved after some deviations had been rectified.

OUR NEXT STEP

In 2022, our contract suppliers will be the primary focus of our CSR efforts. The goal is to conduct in-depth audits of the suppliers that have an increased risk, based on the point system that we use.

* BSCI (The Business Social Compliance Initiative) is a European business-driven collaboration initiative to help companies improve working conditions in their global supply chain. All countries in the world have received a risk value based on factors such as accountability, political stability and efficiency, legal compliance and corruption.

Marketing communication

Marketing has been in AJ Products' DNA right from the start. Traditional marketing and sponsorship are complemented with soft value activities such as commitment to charity.

SOCIAL ENGAGEMENT

AJ Products sees it as important to contribute to social engagement in the community and support various organisations. As part of our marketing, we have been involved in sponsorship and charitable work for several years.

For us, it is of the utmost importance that our sponsorship and charity work is sustainable and ethical. This applies both to our own perspective and the perspective of the organisation, person or event that we support and are associated with.

Charitable organisations and associations we work with are:

- BRIS Sweden - Children's Rights in Society
- Swedish Dyslexia Association
- *Ståda Sverige* - Clean Sweden
- Swedish Parasports Federation
- Yennenga Progress

Some of our subsidiaries also sponsor sports locally and give donations such as Christmas gifts to charitable organisations.



SUCCESSFUL SPONSORSHIP

Our passion for helping people perform at their best at work is evident in our successful history as a sponsor of individual athletes and major sporting events. Over the years, we have supported many athletes including track and field athletes Patrik Sjöberg, Sanna Kallur and Jenny Kallur, as well as the wrestling legend Aleksandr Karelin and golfer Julia Engström.

We also have a long and proud history as sponsor the Ice Hockey World Championship every year since 1989. Some of the other sports we sponsor are basketball, bandy, floorball and events such as the World Figure Skating Championships and the European Handball Championships.

PUBLISHED MATERIAL

Nowadays, we distribute catalogues to significantly fewer customers and in a smaller number of editions than in the past. This year, we reduced the number of catalogue editions considerably and replaced some mailings with postcards or a more focused and thinner brochure. This change reduced paper consumption by 47%.

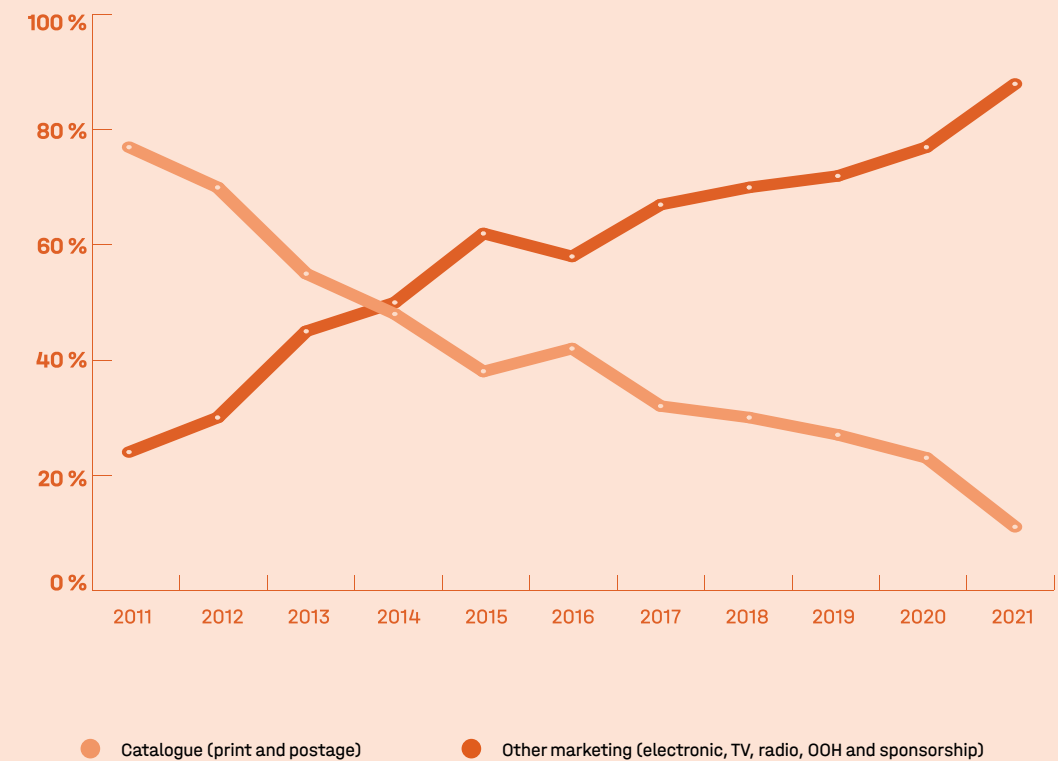
The surveys that we have conducted show that most of our customers now prefer digital channels but there is also a target group that still appreciates catalogues and the overview that it offers. All customers have the option to choose whether they want to receive a physical catalogue in the mail. We also provide an electronic version that can be requested by phone or email and sent digitally. Current catalogues are also available digitally on our website.

Our customer database is continually updated so as to be kept as current as possible. This is done to reduce the number of catalogues returned and to make it easier to send our publications, whether electronically or physically, to the right people.



MARKETING MIX

AJ Products' marketing communications have changed significantly over time. The catalogue once dominated our marketing activities and accounted for 88% of our marketing budget. Today the catalogue accounts for just 12%. Over time we have followed our customers' needs and market expectations to be able to communicate more electronically. Today we are visible through a wide range of channels including the Internet, e-commerce, TV and social media. Our virtual showroom provides customers with the possibility of seeing our products and visiting the showroom at our head office in Halmstad without the need to travel!



Yennenga Progress

Yennenga Progress is very closely related to sustainable development and covers all the UN Global Goals in its work of building a welfare state in microformat. It focuses on contributing to constant growth with education, health and infrastructure as the main focus areas at a local level.

Yennenga Progress is a Swedish non-profit organisation that actively works toward community building by developing the concept of The Good Village. What started as a pre-school in the village Nakamtenga, in Burkina Faso, has developed since 2001 into a complete society in growth. Focused on education, health and infrastructure at a local level, Yennenga Progress' global network of expertise and resources is growing constantly.

The school is constantly developing and we are proud and inspired to follow Stina Berge and her staff's work to develop the organisation. Since 2012, AJ has been involved and supported the village school through efforts including providing furniture to all classrooms. For six years we have also been paying the headteacher's salary. The school has progressed from being a preschool to a school with students all the way up to age 16-17. Construction has commenced to expand the school and add a sixth form college as well. In the past year we have sent benches, chairs, ergonomic stools, steel cabinets and desks to the village.



In 2022, the first class will graduate from secondary education, which is huge for the school. In the spring, a children's rights club will be started in the secondary school.

Last year was fraught with some challenges. The pandemic was one cause, but also unrest in Burkina Faso due to terrorist attacks, corruption and legal uncertainty has paralysed the running of the school in various ways. The country's new leadership has stated that their mission is to end violence against the people, put a stop to corruption and create legal safety as well as respect for human rights.

Yennenga Progress is looking ahead and starts 2022 with partly new leadership and some restructuring to create the best platform possible for the future.

”Democracy begins at home. It takes a village to raise a child and these children are creating the future at a macro level.”

STINA BERGE, FOUNDER AND GENERAL SECRETARY, YENNENGA PROGRESS



ENTREPRENEURSHIP WITH A CIRCULAR MINDSET

When we measure the use of the Earth's resources, we see that African countries contribute a fraction of the carbon footprints that the West is guilty of. However, it is a fact that the forests are devastated, deserts are spreading and we see an overall increase in waste in Africa. At the same time, Africa recycles just 4% of its waste. Investments in waste management, soil improvement and planting of trees is fundamental for reducing our negative impact on climate, biodiversity and the environment, as well as human and animal health.



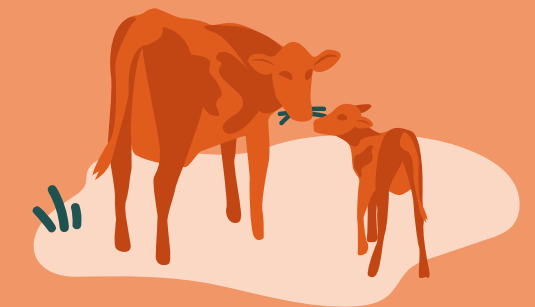
PROJECT - GREEN WASTE MANAGEMENT

Yennenga Progress considers creating a functional system for waste management as an important task, with the advantages and disadvantages it entails to tackle the issue at an early stage. A product that has already resulted from this initiative is bags made of used plastic bags. Plastic bags discarded as litter are picked up, washed, shredded and finally woven together to make designer bags.



PROJECT - EXPERIMENT FARM

The objective of the experiment farm is to create a circular system with small-scale animal breeding, which in turn brings in natural manure so that vegetable gardening, tree plantations and other plantations get the best possible conditions.



In focus

Economic sustainability



Economy

AJ Products' responsibility as a company is to contribute to sustainable development by creating sound economic development while safeguarding social and environmental sustainability at all stages of its operations. Acting ethically and responsibly in all our relationships, whether internal or external, is of utmost importance to us.

BUSINESS ETHICS

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

Our Code of Conduct, which applies to all employees in the AJ Group, contains guidelines that clearly describe how our operations are to be conducted. All employees have a duty to ensure that they adhere to the Code of Conduct. It is therefore important to communicate the Code of Conduct and let it form a given part of our collaborations.

We have set up a whistleblowing procedure that enables employees to anonymously report suspicions of misconduct. By misconduct we mean activities that violate the law and regulations, and in some cases those that seriously violate internal policies. AJ Products has total prohibition on retaliation against whistleblowers and, to guarantee the whistleblower's anonymity, we have chosen to hire an external party.

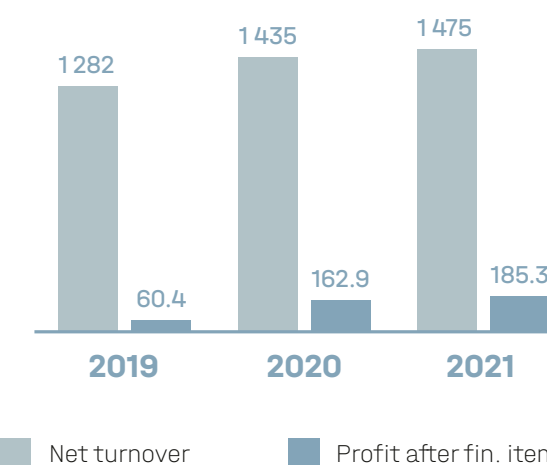
To ensure that a code of practice with regards to ethics is applied throughout the supply chain, all of the AJ Group's suppliers and subcontractors must comply with the AJ Group's rules and guidelines regarding social responsibility, sustainable development and business ethics as well as the requirements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

Bribery and corruption are an obstacle to free competition and constitute criminal activity that is subject to serious legal consequences. In 2021, AJ Products had no reported cases of corruption and no supplier agreements have been terminated due to suspicion of corruption. As a part of increasing our internal financial controls we have software that helps us monitor outgoing payments in order to protect us from fraud and other misunderstandings, and to make sure that no secondary occupations are in conflict with the company's interests.

PROFITABILITY

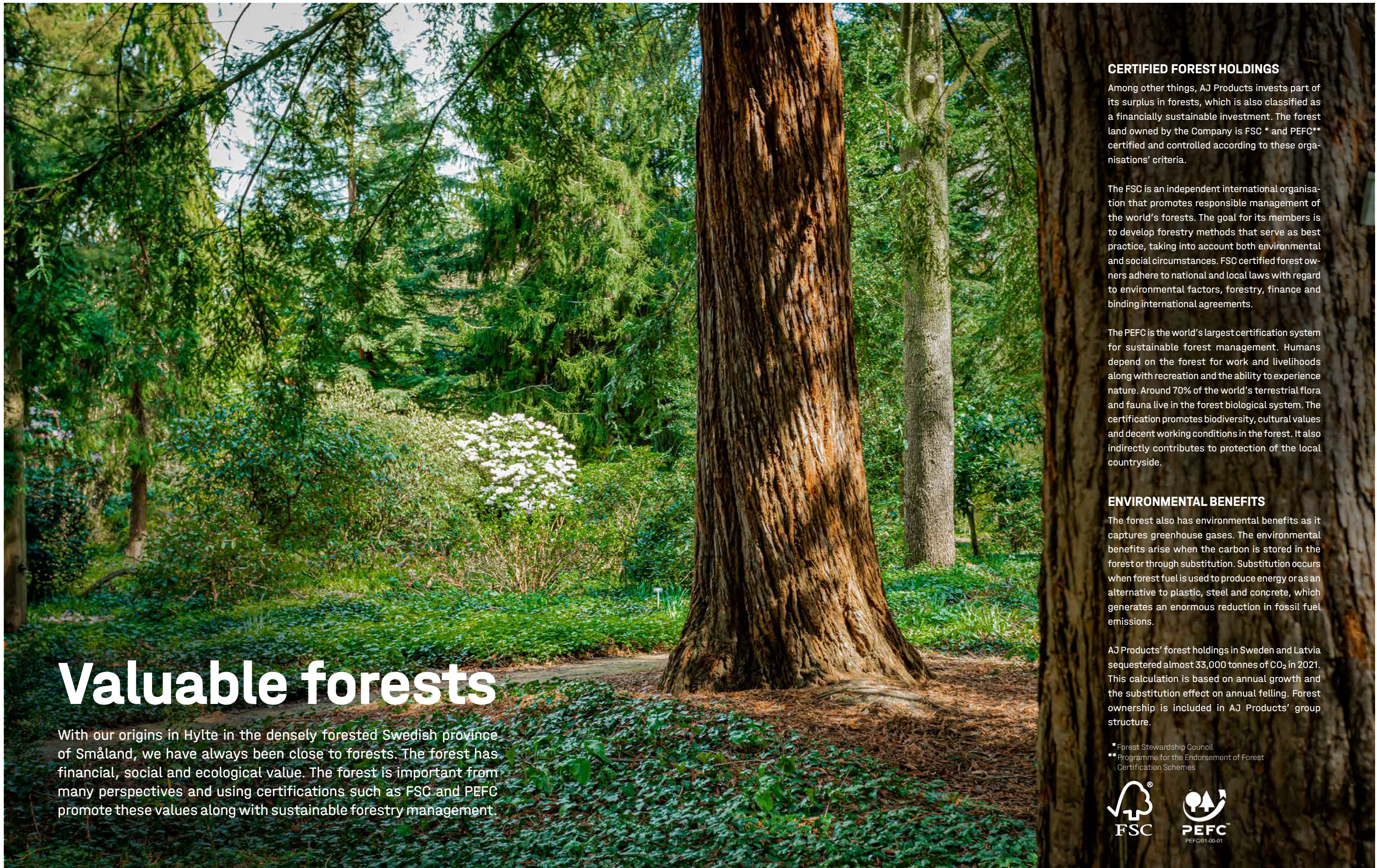
Long-term positive profitability and growth are basic prerequisites for us to be able to continue operating and develop as a company. Having a stable financial position makes us a reliable business partner for our customers and suppliers and an attractive employer for skilled employees.

Stable profitability is also a prerequisite for sustainable development and for us to continue to be an important and responsible employer.



The diagram shows long-term profitability and growth in millions of SEK.





Valuable forests

With our origins in Hylte in the densely forested Swedish province of Småland, we have always been close to forests. The forest has financial, social and ecological value. The forest is important from many perspectives and using certifications such as FSC and PEFC promote these values along with sustainable forestry management.

CERTIFIED FOREST HOLDINGS

Among other things, AJ Products invests part of its surplus in forests, which is also classified as a financially sustainable investment. The forest land owned by the Company is FSC* and PEFC** certified and controlled according to these organisations' criteria.

The FSC is an independent international organisation that promotes responsible management of the world's forests. The goal for its members is to develop forestry methods that serve as best practice, taking into account both environmental and social circumstances. FSC certified forest owners adhere to national and local laws with regard to environmental factors, forestry, finance and binding international agreements.

The PEFC is the world's largest certification system for sustainable forest management. Humans depend on the forest for work and livelihoods along with recreation and the ability to experience nature. Around 70% of the world's terrestrial flora and fauna live in the forest biological system. The certification promotes biodiversity, cultural values and decent working conditions in the forest. It also indirectly contributes to protection of the local countryside.

ENVIRONMENTAL BENEFITS

The forest also has environmental benefits as it captures greenhouse gases. The environmental benefits arise when the carbon is stored in the forest or through substitution. Substitution occurs when forest fuel is used to produce energy or as an alternative to plastic, steel and concrete, which generates an enormous reduction in fossil fuel emissions.

AJ Products' forest holdings in Sweden and Latvia sequestered almost 33,000 tonnes of CO₂ in 2021. This calculation is based on annual growth and the substitution effect on annual felling. Forest ownership is included in AJ Products' group structure.

* Forest Stewardship Council
** Programme for the Endorsement of Forest Certification Schemes



In focus

Sustainable future



Goals

Climate change affects all of us and it is critical that we resolve the challenges in reducing global warming. It is our responsibility to act within our supply chain to reduce emissions where this is most effective and where we can have the largest impact.

CLIMATE AND ENVIRONMENTAL IMPACT



DIRECT EMISSIONS

Our goal is to halve our climate footprint by 2030 for greenhouse gas emissions that we can directly control. For us, this means that we need to reduce our climate impact by an average of 7% per year in our units, i.e. in our offices, warehouses, factories and subsidiaries.



PURCHASED ENERGY

We aim to reduce greenhouse gas emissions from purchased energy by at least 30% by 2030. We intend to do this by reducing our consumption, choosing and influencing energy suppliers and making our own active choices, with a focus on phasing out fossil fuels such as coal, oil and natural gas.



MATERIAL:

Increase the proportion of recycled materials and select materials with low environmental impact for our products.



ENERGY:

Encourage our largest suppliers to reduce their climate footprint in the manufacture of our products by reducing energy consumption and phasing out fossil fuels such as coal, oil and natural gas.



TRANSPORT:

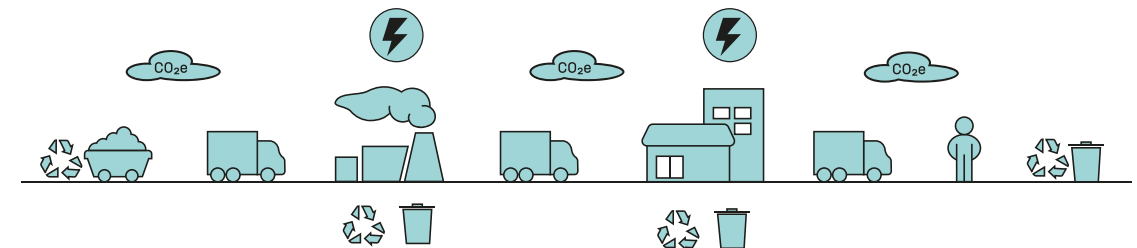
Choose modes of transport and collaborate with our logistics partners to reduce emissions and use of fossil fuels.



WASTE AND RECYCLING:

Reduce our total waste and increase the proportion of material recycling from our facilities to climb up the waste management ladder.

SUPPLY CHAIN



In other parts of the business, we aim to reduce our footprint by focusing on the environmental factors where it has the greatest impact. We have yet to gather all the data but aim to eventually be able to report greenhouse gas emissions in our supply chain.

SOCIAL RESPONSIBILITY

INTERNALLY

We strive to create a pleasant and safe work environment for our staff and want AJ Products to be an attractive workplace with prosperous staff who want to stay with us for a long time. Our goal is to achieve an EI (Employee Index) of 80 in the employee survey.

EXTERNALLY

Work with suppliers who meet our requirements for sustainable development, social responsibility and business ethics. The goal is 95% signed supplier agreements with our largest suppliers* by 2023.

* Suppliers who have a purchasing volume of more than SEK 0.5 million from our standard range. As procurement volumes can be impacted positively over time and both existing and new suppliers can be added, the goal is considered to be achieved at 93%.

Auditor's statement

AUDITOR'S STATEMENT REGARDING THE STATUTORY SUSTAINABILITY REPORT

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

ASSIGNMENT AND DIVISION OF RESPONSIBILITIES

The Board of Directors is responsible for preparing the Sustainability Report for 2021 and for ensuring that it has been prepared in compliance with the Swedish Annual Accounts Act.

FOCUS AND SCOPE OF THE AUDIT

Our audit has been conducted in accordance with FAR's recommendation RevR 12. *Auditor's statement on the statutory sustainability report.*

This means that our review of the Sustainability Report has a different aim and is of significantly smaller scope than the aim and scope of an audit in accordance with the International Standards on Auditing and generally accepted auditing standards in Sweden.

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

STATEMENT

A sustainability report has been prepared.

Halmstad, 19th May 2022
Ernst & Young AB

Henrik Nilsson
Authorised public accountant

Key partnerships

COMPANY SPECIFIC



TRYGG E-HANDEL

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



100 % CLUB

AJ Products is a member of the Atea 100% club, a network for knowledge and exchange between organisations and businesses that aims to recycle all IT equipment.



ISO

Certification of management systems for quality and certification of management systems for the environment.



AAA MAX CREDIT RATING

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



FÖRPACKNINGS- OCH TIDNINGSSAMLINGEN (FTI)

AJ Products is affiliated with FTI, a nationwide recycling scheme, and thus fulfils its producer responsibility when it comes to collecting and recycling packaging materials.



ELKRETSEN

AJ Products is affiliated with El-Kretsen, a take-back scheme for electronics, and thus fulfils its producer responsibility with respect to collecting and recycling electronic waste and batteries.

PRODUCT RELATED



THE NORDIC SWAN ECOLABEL

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



BYGGVARUBEDÖMNINGEN

Byggvarubedömningen assesses building products on the basis of their chemical content, environmental impact during their lifecycle and, by extension, their wider social impact in the supply chain.



GEPRÜFTE SICHERHEIT

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



MÖBELFAKTA

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

References

SUSTAINABLE DEVELOPMENT

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www.overshootday.org/

OUR CONSUMPTION IN NUMBERS

Sources - GHG emission factors (CEMAsys)
The key external sources used as a basis for the calculations in this report are; International Energy Agency (IEA/OECD), Intergovernmental Panel on Climate Change (IPCC), Department for Environment, Food & Rural Affairs (DEFRA/UK), Association of Issuing Bodies (AIB).

TRANSPORT

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