

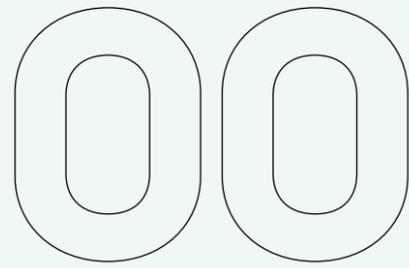
2020

Sustainability

ANNUAL REPORT



ajproducts.com



A first glance

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Introduction

2020 was a challenging year, mainly due to the Covid-19 pandemic which started impacting us as early as February. Brexit, extreme fluctuations in raw material costs and the presidential election in the US have also contributed to a volatile market.

Europe has lived through both a second and third wave of the pandemic. However, despite lockdowns and strict rules, clear signs of an improving economy could be discerned by the end of 2020. AJ managed to successfully navigate the challenges and could therefore continue to implement all the sustainability initiatives and improvements summarised in this report.

Sustainability and digital transformation are highly prioritised in our work to meet future needs and challenges. Last year we saw significant improvements of our sustainability profile, including increased collaboration with our local suppliers, moving large quantities of goods from being transported by lorry to railway transports and further development of our CRM system. Sustainability also includes how we, as a responsible company, handle equality, anti-corruption and sustainable sourcing issues.

Our digital transformation accelerated quickly in 2020, which made the whole value chain more efficient and agile. One of the advances was the increased opportunity for our employees to work remotely. At the same time as Teams became the "new normal" for meetings and document storage, the roll-out of the CRM system started. This gives us a more holistic picture and creates clearer work flows where the customer is always in focus.

Due to the uncertainties present at the start of the pandemic we created an internal governance group that included representatives from all departments. The group continuously keeps up to date with national general advice and recommendations and is able to make rapid decisions in order to limit the spread of the disease and minimise risks for our staff and customers.

Even though many of our employees have been forced to work remotely, they have shown great enthusiasm and made fantastic contributions to our success! The robust results achieved in 2020 are due to a gigantic effort by the entire team and it's particularly encouraging to see this positive attitude reflected in the annual employee survey performed at the end of the fourth quarter.

Despite both the macroeconomy and our markets being characterised by uncertainties in the past year, we have continued to invest in development and sustainability projects. We made this decision to do so as we're living in exciting times and are firmly committed to keep working to achieve further success in the future. We want to help even more people feel good in their workplace, together and in a sustainable way.


ANDERS JOHANSSON
CEO


ENOCK JOHANSSON
EXECUTIVE VP


DAVID BRAY
EXECUTIVE VP

This 2020 financial year report is AJ Products' fourth Sustainability Report. This 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 Products AB has approved this Sustainability Report along with the Annual Report and consolidated financial statements.

01 Sustainable development



Agenda 2030

Global environmental collaboration has worked on reducing emissions and pollution and taking various environmental protection initiatives. In 2015, the UN adopted the Sustainable Development Goals under Agenda 2030, which apply to all countries worldwide.

GLOBAL GOALS

In 2015, the UN adopted Agenda 2030. This contains 17 Global Goals aiming to achieve environmentally, socially and financially sustainable development by 2030. The idea is for the goals to be integrated into sustainability projects and to achieve them all collectively. Collaboration between governments, the private sector, society as a whole and individuals is required. In the same year (2015), the UN Climate Action was also signed, known as the Paris Agreement. The goal of the Paris Agreement is to reach zero net carbon dioxide emissions by 2050 and for the richer countries to take the lead in doing so.

The EU originally set up a climate goal of zero net emissions by 2050, which in December got restricted to a 55 % emission reduction before 2030 instead. In September, China announced that they will become carbon dioxide neutral by 2060 and in February 2021 the US returned to become a party to the Paris Agreement. Climate experts see this as ray of hope when working toward a solution to the climate issues. Sweden's goal is to reach zero net emissions by 2045.



AGENDA 2030, UN GLOBAL GOALS

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

CLIMATE

In December 2020, the UN released its report on emission gaps and issued a warning that the earth is rapidly approaching 3.2°C heating compared to pre-industrial levels. We are currently in the middle of an incredibly rapid global heating process, caused by our consumption of coal, oil and natural gas combined with exploitation of global ecosystems. According to Johan Rockström, professor in Environmental science at Stockholm University, the area of Earth changing most rapidly is in the northern part of the globe - i.e. where we live. In this region, warming is twice as fast as in the rest of the world.*

READJUSTMENT

During the past year we have all had to make adjustments. The whole society has had to adapt in different ways. The focus of the media and everyone else during 2020 has obviously been the



PARIS AGREEMENT, UN CLIMATE ACTION

Keep global warming well under 2°C, with the aim to not exceed 1.5°C

Covid-19 pandemic and the effects this has had on our society and our economy. At the start of the year we could see positive environmental effects, with the environment improving in many places around the world. World Overshoot Day was moved back three weeks compared to the previous year, to 22 August. This marks the day when humanity has used up all renewable resources for the year, which can also be expressed as humanity having used up 1.7 Earths. If everyone lived in the same way that we do in Sweden, we would have needed 4 planets. By more careful use of the Earth's resources and ensuring that available resources keep circulating, we can also reduce our climate and environmental impact.

Last summer, Sweden's government released a strategy for how Sweden will convert to a circular economy. Reusing, recycling and repairing are some of the methods that are in focus. Circulating materials that have already been extracted and reusing products that have been produced are important parts of a circular economy.

We all need to make adjustments. As part of sustainable development we all have a responsibility, not least for future generations. It may sound like a really big commitment and feel overwhelming but doing nothing at all is not an alternative.

* Source: amp.svt.se/nyheter/inrikes/professorn-en-oerhort-snabb-uppvarming



Our priorities

By placing our environmental efforts in focus and continuously measuring and following up on our sustainability projects we can keep improving. An important part of this is finding new ways of collaborating and continuing with the certification process of our operations.

SUSTAINABILITY WORK

How can AJ contribute to sustainable development, reduce greenhouse gas emissions and change over to a circular economy?

Our materiality analysis has identified and prioritised the most essential sustainability aspects within the areas of environmental impact, staff, human rights and anti-corruption. We have chosen to focus primarily on our environmental impact as that issue is now an emergency. We can fulfil our duties in this area and help contribute to the Paris Agreement and the Global Goals.

In the valuation model for our environmental aspects, we value and rate our operational processes that impact the environment in different ways.

Our main three environmental aspects are:

- Products
- Transport
- Waste

In 2020 we appointed an AJ Sustainability Group. The aim of the group is to work systematically with sustainability, initially focusing on the environmental aspects where we see the largest improvement potential. By focusing on our three main environmental aspects we aim to have the biggest possible impact on the climate and the environment.

One of the main focus areas for AJ Products is sustainability. The aim is to increase the focus on ensuring ISO certification of our own operations and environmental certification of products is carried out as well as measurement and follow up of environmental and health parameters.

It is very important that we work together with others in order to make progress, which is our ultimate aim. We are creating an overview of the collaborations we want to focus on going forward.



02 AJ Products



Background

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

OUR VISION

Innovative workplaces for everyone.

OUR MISSION

We are entrepreneurs who create innovative, smart workplaces and solutions for offices, warehouses, industry and public spaces.

OUR BUSINESS OFFERING

Our offering is modern, functional and sustainable, with the right quality and the right price. We deliver our offering with a customer focus, in a 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 is 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.

„ We're dedicated to promoting wellness at work „

ENOCK JOHANSSON, EXECUTIVE VP

„ It's great to be able to help people in their daily work and contribute to creating their work environment „

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 production facilities in Poland and Slovakia, begin to manufacture 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 approximately 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 units 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

AJ Products has been certified and approved according to the management systems for quality and environment, ISO 9001 and ISO 14001, since 2011. AJ Furniture Factory is certified and approved according to ISO 9001 and AJ Metal Design according to the management systems for ISO 9001, ISO 14001, ISO 45001 and ISO 50001.

In 2021, certification of the subsidiaries will start along with the implementation of the new customer portal (the CRM system) for each sales office. The subsidiaries will be certified in accordance with management systems ISO 9001 and 14001.



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 that create a pleasant and practical workplace. We sell through distance selling and project sales, always putting the customer's needs in focus.

MARKET

Our customers are located in 19 countries in 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 British Isles. Our customers range from small and mid-sized companies to multi-nationals and public organisations.



- Subsidiaries
- Agents

Work in progress

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

SLOVAKIA — AJ METAL DESIGN

AJ Metal Design produces metal furniture, such as storage cabinets, school lockers, pallet racks and shelving units. The factory started producing 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 210 employees.



CONTINUOUS IMPROVEMENTS

During the past year, AJ Metal Design has implemented the Kaizen method as part of its continuous improvement project. This has resulted in 21 improvements in different departments. Employees have been trained in tools such as 5S, 5WHY, A3 and ISHIKAWA. A safe working environment is of utmost importance. Clear safety improvements have been made, demonstrated by the fact that the TCIR* has been reduced compared to previous years and is now below the target level.

One example of improvements made in 2020 is the lighting in the manufacturing facilities and the warehouse, which has been exchanged for LED lighting. This has led to a significant reduction in electricity consumption and improvement of the working environment.



” A safe and secure environment, where staff feel good about working ”

POLAND — AJ FURNITURE FACTORY

AJ Furniture Factory produces wooden furniture for use in sectors including 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 240 employees. In 2019, the factory was certified as a FSC approved manufacturer, meaning that we can purchase and handle wood products from FSC certified suppliers.



CONTINUOUS IMPROVEMENTS

AJ Furniture Factory attaches great importance to a safe and secure work environment and to its staff feeling good about working at the company and being engaged in the work undertaken. In 2019, the company received the "Employer of the Year" award in Poland in the category "Corporate Social Responsibility" (CSR). During the past year, BBS** was implemented at the company, which led to 178 improvement initiatives. This has produced positive results both in terms of increased efficiency and improved safety. The TCIR* for 2020 was one of the lowest in many years.

The goal to move to 100 % water-based varnishes and colours in 2020 was achieved, bringing positive effects for both the environment and the working environment.

* TCIR — Total Case Incident Rate
** BBS — Behavior Based Safety, a program to reduce accidents in the workplace



03 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. Part of this work involves reducing emissions related to our premises.

ENERGY CONSUMPTION

The AJ Products property in Halmstad, Sweden was constructed in 2012 and consists of offices and warehouses. It has a surface area of 33 000 m² and is heated with district heating, which is purchased 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. We use clean electricity from solar, wind and hydropower.

90 % Greenhouse gas emissions from the use of district heating was reduced by 90 % per gram CO₂e/kWh**.

Our energy use increased (+1.6 %) in 2020 compared to the previous year, but district heating use was reduced (9 %). The emission of greenhouse gases in 2020 was reduced by almost 21 tonnes, resulting in a total of 64.2 tonnes CO₂e. The equivalent number in 2019 was 85 tonnes of CO₂e, which means a reduction of almost 25 %. The emissions are calculated based on the CO₂e values from our district heating supplier and the CO₂ values from our electricity supplier, as the latter only provides CO₂ values.

The energy use in the factories is from both renewable and non-renewable sources. AJ Furniture Factory uses wood chippings from the facility for energy production, helping to heat the factory. AJ Metal Design has worked in a structured manner with energy issues and is certified according to the energy management system ISO 50001.



RECYCLING

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

At our warehouse in Halmstad, waste is separated in recycling stations and environmental stations, and is then collected by Stena Recycling for further recycling. The waste that can currently be recycled and made into new materials is:

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

OUR NEXT STEPS

In the spring of 2021, an extension of the facilities in Halmstad totalling 28 000 m² commenced. The warehouse will be extended by 26 000 m² and the office space by 2 000 m². The construction is intended to be completed in the autumn of 2022 and the plan is to also add solar cells on parts of the new roof.

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

** 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 grams CO₂e/kWh.



Table

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

Use of packaging materials, energy consumption and waste from offices and production	AJ PRODUCTS HALMSTAD, SWEDEN		
	2019	2020	2019/2020 changes
USE OF PACKAGING MATERIAL			
Corrugated cardboard (kg)	46 513	46 978	1 %
Plastic (kg)	33 094	33 590	1 %
Wood (kg)	1 029 592	1 142 847	11 %
ENERGY CONSUMPTION			
Oil (kWh)	0	0	N/A
Natural gas (kWh)	0	0	N/A
Electricity (kWh)	1 381 640	1 403 991	2 %
District heating (kWh)	818 000	744 960	-9 %
Water consumption, offices and production (m³)	1 863	1 958	5 %
WASTE			
Material recycling of steel (kg)	100 040	106 340	6 %
Material recycling of aluminium (kg)	0	0	N/A
Material recycling of plastic (kg)	8 900	10 580	19 %
Material recycling of paper and corrugated cardboard (kg)	55 445	54 727	-1 %
Material recycling of other waste* (kg)	6 650	17 855	168 %
Hazardous waste, e.g. paint, aerosols, office electronics (kg)	3 349	2 309	-31 %
Landfill (kg)	0	0	N/A
Combustible waste, energy recovery (kg)	543 718	556 418	2 %
Total waste (kg)	718 102	748 229	4 %
Total waste for material recycling (kg)	171 035	189 502	11 %
KEY FIGURES			
Material recyclable waste, share of total waste	23,8 %	25,3 %	6 %
Renewable material in packaging	97 %	97 %	0 %

	AJ FURNITURE FACTORY SLUPSK, POLAND			AJ METAL DESIGN HRNČIAROVCE NAD PARNOU, SLOVAKIA		
	2019	2020	2019/2020 changes	2019	2020	2019/2020 changes
	533 070	592 307	11 %	126 000	114 600	-9 %
	81 513	81 666	0 %	42 000	38 200	-9 %
	333 804	370 893	11 %	588 000	534 800	-9 %
	0	0	N/A	0	0	N/A
	0	0	N/A	4 352 923	4 146 918	-5 %
	3 091 200	3 022 318	-2 %	3 537 212	3 120 039	-12 %
	608 600	612 000	1 %	0	0	N/A
	1 625	1 896	17 %	308	305	-1 %
	4 870	5 590	15 %	983 330	638 480	-35 %
	0	0	N/A	0	0	N/A
	27 144	18 438	-32 %	4 850	3 850	-21 %
	74 800	90 370	21 %	15 150	6 190	-59 %
	0	0	N/A	0	0	N/A
	42 557	16 040	-62 %	24 850	10 240	-59 %
	82 840	27 740	-67 %	84 250	31 820	-62 %
	179 000	181 920	2 %	22 700	29 780	31 %
	411 211	340 098	-17 %	1 135 130	720 360	-37 %
	106 814	114 398	7 %	1 003 330	648 520	-35 %
	26 %	33,6 %	29 %	88,4 %	90 %	2 %
	91 %	92 %	1 %	94 %	94 %	0 %

* Glass, operational waste for recycling
Reporting for the full calendar year from 1/1 to 31/12.

Product care

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

QUALITY ASSURANCE

In our improvement system, we make ongoing improvements using the Plan-Do-Check-Act model. In order to find why the problem has occurred and how improvements can be made, we perform a root cause analysis. Customer complaints, supplier deviations, risks, quality controls and improvements are all examples of issues we follow up on.

Regardless of whether a complaint or deviation has been registered as transport damage, warehouse fault, a missing or damaged product, it is important to find the cause of the problem. How did the transport damage occur and where in the chain did it occur? How damaged is the product and the packaging? Each complaint or deviation is always a waste of resources to some extent. This generates costs related to handling, compensation in the form of a new product or spare parts and often additional transport requirements. By working proactively to reduce complaints and deviations we can contribute to reducing our climate impact and increase customer satisfaction.

In a short period of time we have increased our spare part range to about 300 spare parts. Sending a spare part instead of a brand new product saves both resources and reduces our climate impact.

QUALITY- AND ECO-LABELLING

Our goal is for our products to be sustainable and functional in a non-toxic circular economy. This means that we want them to have a high level of quality with regards to function and safety, have a long service life and not be harmful to either people or the environment.

In the past year we have started to create a system where we can ensure documentation for our products can be managed in a structured way. New legal requirements are continuously added for chemicals that are no longer allowed to be used as they are harmful to either people or the environment. To be able to work proactively and in a smart manner, a systematic working methodology is required in order to keep documentation updated and to be able to work in a preventative way by replacing materials or substances that may no longer be used.

Because our products are used in offices, schools, warehouses and industry, there may be some variation in the applicable requirements and needs for the products. We comply with all applicable laws and regulations regarding quality and environmental management for our products. The fundamental regulations applicable for our products are legal requirements such as REACH, CE, RoHS and Timber Regulations.

LEGAL REQUIREMENTS

- REACH
- POPs Regulation
- CE
- RoHS
- Timber Regulation

MATERIAL LABELLING

- OEKO-TEX Standard 100
- EU Ecolabel
- FSC

PRODUCT LABELLING

- The Nordic Ecolabel
- Möbelfakta
- Byggsvarbedömningen
- GS TUV

THIRD PARTY TESTING

- Strength
- Stability
- Dimensions
- Safety

COLLECTION AND RECYCLING

- FTI
- El-Kretsen
- Atea 100 % Club

Some of our products meet the requirements for FSC labelling of wood raw materials and OEKO-Tex and EU Ecolabel for textile raw materials. Our range includes products that are certified according to the Nordic Ecolabel, Möbelfakta and GS TUV standards.

We conduct third party testing in accordance with applicable EU standards. This includes, for instance, testing of strength, stability and dimensions.

We work with FTI, a nationwide recycling system, and El-Kretsen in Sweden 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 market can be collected and recycled in the best way possible. The fundamental idea of producer responsibilities for packaging and newspapers is to reduce the amount of waste and ensure that the waste that is created is also recycled and used to make new products.

MATERIALS

We work continuously to review our requirements regarding choice of materials and clarify them further. The basic requirements, such as being free from substances hazardous to health or environment, is continuously expanded with an increased focus on selecting renewable and recycled materials.

Our goal for metal components is to eventually replace or phase out any components that contain chrome. For larger product groups, this is to be implemented by 2024 at the latest.

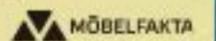
During the past year we have reviewed our range of textiles and made the decision to work with three textile suppliers. All textiles used in our product manufacturing and procurement will in future fulfil the requirements of at least two or three labels out of the EU Ecolabel, OEKO-TEX Standard 100 and Möbelfakta labels. When we create new products we want to primarily choose textiles containing natural fibres such as wool and hemp. When choosing polyester our aim is for this to contain as large amount of recycled fibres as possible.



EU ECOLABEL

Also called the EU flower, is one of the most premium environmental labels globally. This is a Type 1 label (governed by the standard ISO 14024), which means that it is independent, utilises a lifecycle perspective and has a holistic view for selecting criteria. It is the official EU Ecolabel.

The requirements for the EU Ecolabel textile section covers all production phases, including spinning, fibre manufacturing, weaving, bleaching, dyeing and after treatment.



MÖBELFAKTA

Is a complete reference and labelling system for furniture, covering technical, environmental and social responsibility requirements.

Textiles that fulfil the Möbelfakta requirements can contribute to the accreditation of a piece of furniture that also meets environmental requirements, is manufactured according to ethical guidelines and complies with the relevant quality specifications.



STANDARD 100 BY OEKO-TEX

Is one of the world's leading labelling systems for textiles, accessories and products that have been tested with regard to the labelling of health hazardous substances.

The certification means that the textiles in the finished product are free from chemicals that are hazardous to health.

OUR NEXT STEPS

One of the things we intend to work with in the future is environmental assessments, i.e. measuring and calculating the environmental and climate impact our products have. The requirement to report greenhouse gas emissions for a product throughout its lifecycle is becoming more common and our ambition is to increase our competency and knowledge in this area.

From idea to finished product

Products we develop in-house in collaboration with our suppliers include clothes lockers, school and office furniture as well as industrial and warehouse products. Many of our products are manufactured at our factories in Poland and Slovakia, which gives us control over the whole process from idea to finished product.

DESIGN DEVELOPMENT PROCESS

A prerequisite for furniture to achieve a long service life and work in a non-hazardous circular life cycle is that it is designed correctly from the start. The design development process focuses on quality, function and opportunities to extend the life of the product.



CASE: YNGVE

During the product development of classroom chair YNGVE we focused, among other things, on the product having a long service life. First and foremost, it must have a robust construction. The chair is approved by a certified test institute and fulfils requirements of standards at the highest level with regards to durability, stability and measurements (EN 1729-1:2015, EN 1729-2:2012+A1:2015).

We also created the opportunity for customers to extend the service life of the product by being able to purchase spare parts when needed. Seats and seat backs are available in several designs.

During the development process for the chair, we engaged in an ongoing dialogue with intended users of the product. We met up with children and staff from local schools and listened to their opinions and wishes. Opinions were wide-ranging, including for example there not being any gaps where pieces of food might get stuck and there not being anything on the chair that curious little fingers could remove. We took these into account when developing the chair.

Another important part of the product development was to create good ergonomic conditions for sitting. The chair enables flexible seating, so that the user can sit with their legs positioned in four different ways: to the front, to either side or with the chair turned back to front.

PUBLIC PROCUREMENT

Some of our customers are part of the public sector, such as municipalities, regions and state authorities. Public procurement is closely linked to sustainable development and the climate and environmental goals relevant to each country. The guidelines and strategies that are issued by governments and parliaments are often reflected in procurement processes and framework agreements early on, and also form a guide for our sustainability work at AJ.



Space for many loads

AJ Products helps customers to move from idea to a complete solution for warehouse and logistics solutions. We have unique products that are designed and manufactured in-house which meet the high standards placed on them.

WAREHOUSE AND INDUSTRY

As part of our Warehouse and Industry product range we also 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.

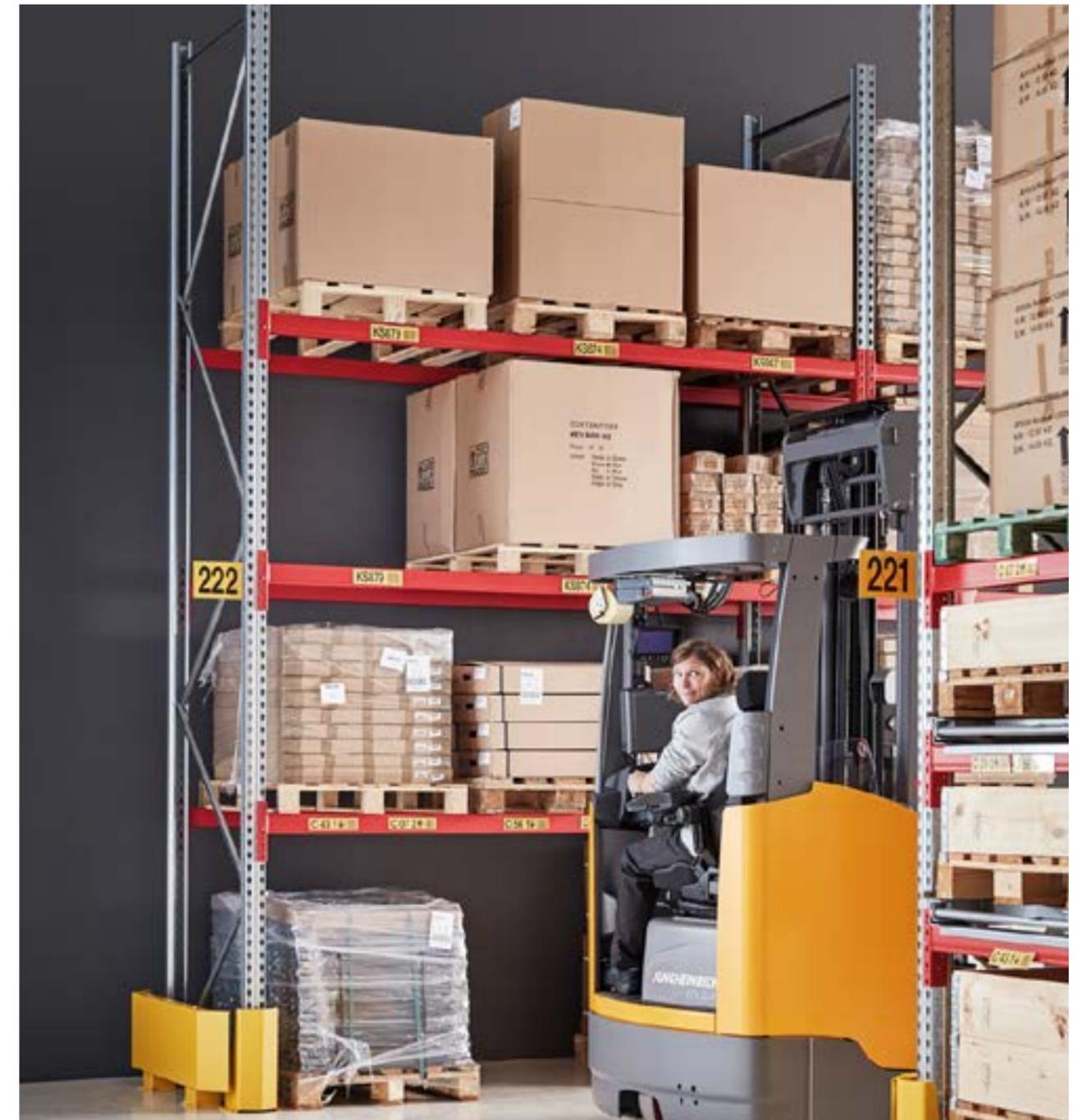
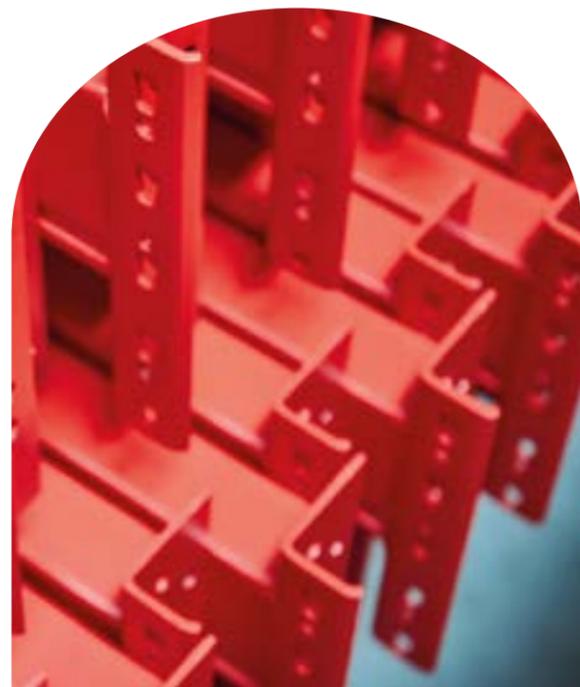
The pallet racks are made of steel, a material that is widely recycled and can be further recirculated. The majority of the greenhouse gas emissions linked to the metal take place during the extraction and refining phases. As part of the product development process, we focus on reducing the amount of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

The product improvements generate both financial and environmental advantages. The steel use in the products is reduced, which in turn generates less weight and further impacts the transport chain by causing lower greenhouse gas emissions during transport.

In addition to quality pallet racks, we also optimise entire warehouse solutions for customers. When designing these, factors such as space saving, ergonomic solutions, efficient picking routines and smart logistics flows are important.



„ In addition to quality pallet racks, we also optimise entire warehouse solutions for customers. When designing these, factors such as space saving, ergonomic solutions, efficient picking routines and smart logistics flows are important „



CASE: ULTIMATE

Pallet rack ULTIMATE is an adaptable pallet racking system offering a high degree of flexibility and is a result of AJ Products' in-house design and production. The pallet rack is adaptable to create efficient logistics solutions, warehousing and goods management based on specific requirements and demands.

Advantages of our ULTIMATE pallet rack include:

- The construction consists of high-strength steel, which means that the weight bearing and load capacity of the pallet rack are increased. This has several advantages for our customers as they can choose a more lightweight pallet rack that has the same bearing capacity at a lower price.

- The pallet rack has several different versions of supporting beams to minimise lifting height, which creates better conditions for ergonomics and easier handling.
- In order to save space, the pallet rack has five versions of uprights. The different versions mean that it's possible to place more goods on the same surface area.

A positive product development during the past year is the new back stop. The new back stop means that we save approx. 8.9 tonnes of steel every year.

Connected

Through our transformation to a more digital company and cloud-based services, we're changing how we work. With increased security and availability we have become more flexible. During the past year this has enabled and simplified our new remote working methods during the pandemic.

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 and the need for future infrastructure investments is reduced. The cloud-based services also create increased availability and more secure operations, benefitting all AJ Products companies.

E-INVOICING

Our work to simplify the handling of digital invoices and orders for customers and suppliers continues. The opportunity to use e-invoicing for our customers has existed in some of our markets for several years but is now available in more markets.

In addition, this initiative also improves the handling of e-invoices for AJ Products suppliers. The suppliers will be able to send e-invoices via a platform to the internal system at AJ Products, which makes the process even more secure.

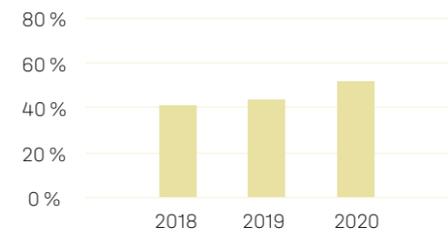
ATEA 100 % CLUB

Our membership in the Atea 100 % Club gives us an increased focus on our work to reach a 100 % recycling rate for the IT equipment that we use. By being part of the network, we develop the lifecycle management of our IT products by increasing the share of reused and recycled units. The 100 % club is a network for knowledge and exchange between organisations and businesses that promotes the reuse of all IT equipment.

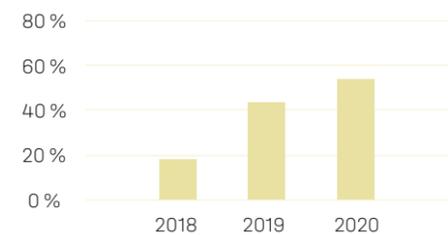
E-waste is one of the waste categories that is increasing most globally. In 2020, it amounted to around 50 million tonnes*. The disposal of electronic and electric equipment has rapidly increased, driven by increased consumption, short product lifecycles and limited repairs. E-waste includes both valuable and hazardous materials. From 2010 to 2019, global e-waste increased from 5.3 to 7.3 kg per capita annually. Environmentally friendly recycling of e-waste did not keep up, only increasing from 0.8 to 1.3 kg per capita annually.

*The-Sustainable-Development-Goals-Report-2020.pdf (un.org)

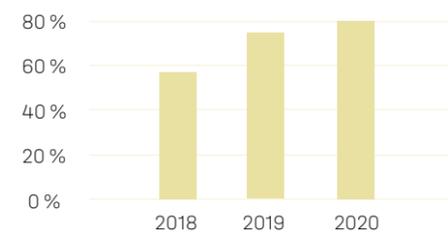
Electronic sales orders — via web/EDI



Purchase orders — via EDI



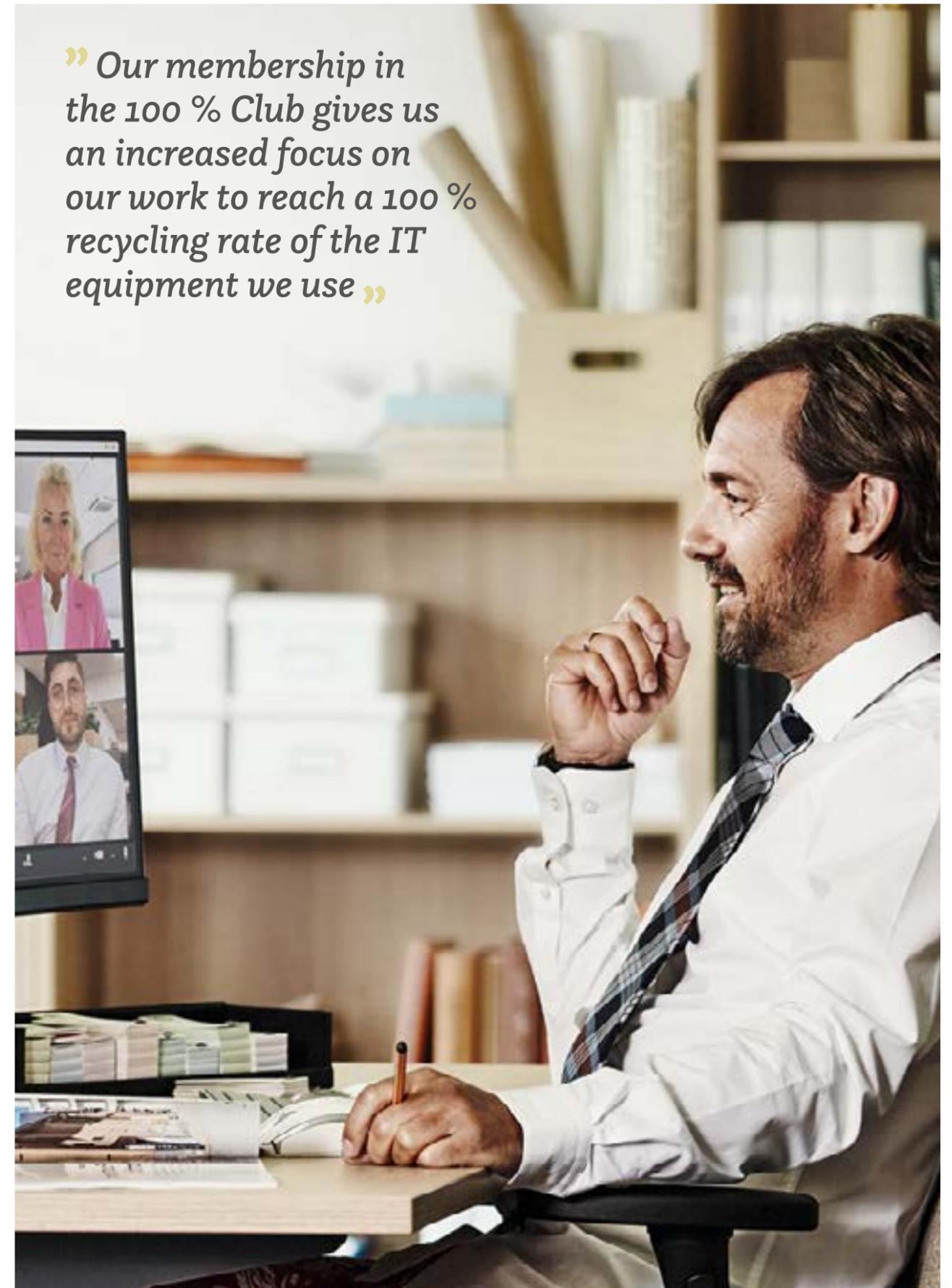
Invoices — electronic



OUR NEXT STEPS

In December 2020 we planned to carry out an internal collection of IT equipment. Due to restrictions related to the pandemic, this was difficult to carry out as the majority of our employees worked remotely. We hope that we can carry out this activity in 2021.

” Our membership in the 100 % Club gives us an increased focus on our work to reach a 100 % recycling rate of the IT equipment we use ”



On a roll

One of the greatest environmental improvement challenges globally is to reduce transport emissions in order to improve the environmental and carbon footprint. At AJ Products, transport is a prioritised environmental aspect and part of our commitment to reduce our greenhouse gas emissions is to switch to railway transportation.

ECO CONSCIOUS DISTRIBUTION

Fossil fuel combustion represents the strongest contribution to the greenhouse 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 a quarter of the total greenhouse gas emissions, with cars, vans, lorries 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, for example, developing the vehicle fleet, increasing the amount of biofuel used and reducing fuel consumption during driving affects the results. In addition, it is crucial to avoid unnecessary transports 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 the fill level has increased by 12% compared to 2018.

CASE: FROM TRUCK TO TRAIN

In 2020 we continued carrying out tests to replace vehicle transports with railway transports from our factory in Slovakia to the warehouse in Halmstad. Apart from an increase in lead times, the results were positive. The challenge in using trains is that more detailed planning is required. Starting January 2021 all transports on this route will take place via train.

This transition will more than halve greenhouse gas emissions. Greenhouse gas emissions were reduced by **52%** compared to using lorries^{*}.

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



GREENHOUSE GAS EMISSIONS

For 2020 we're reporting greenhouse gas emissions for our local distribution and line haul in Sweden, Denmark, Norway and Finland which amounts to 1,159 tonnes CO₂e. The emissions are stated in WTW, Well-To-Wheel.

This figure does not show the total picture of our transport related emissions, as we have not yet included transport from supplier to warehouse in the calculations, nor all outbound transport. The goal is to extend these calculations in the future and be able to compare figures on an annual basis, hopefully showing a positive trend.

The figures reported to us for 2019 are unfortunately not comparable as one of our logistics partners has changed how they perform their emission calculations.

COVID-19 PANDEMIC

The impact of the Covid-19 pandemic on our transports could mainly be seen with regard to maritime transports from Asia. There were significant delays due to container shortages, which in turn led to significant price increases. The price increases remained into the beginning of 2021. On the other hand, road transports in Europe worked very well despite a change in processing due to the restrictions.

OUR NEXT STEPS

One of our continued goals is to reduce the total amount of transport damage.

INTERNAL TRANSPORTS

AJ Products has a company vehicle policy that sets out guidelines and goals for the maximum permitted CO₂ emissions of newly purchased vehicles. Our overall goal is to reduce CO₂ emissions from company vehicles by 5% per year to achieve a target of 125 g/km by 2023, measured according to NEDC^{*}.

In 2020, CO₂ emissions from our company cars were 53 tonnes in total. Distributed over total kilometres driven, this amounts to an emission level of 163 g/km, measured according to NEDC. This means that we exceeded our target this year, which was an emission level of 140 g/km. This is due to the fact that the vehicles that were driven the most were transport vehicles, which have a higher emission rate per mile compared to 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, safe travel. Employees are encouraged to use public transport such as train and bus 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.

^{*} New European Driving Cycle



04 Social sustainability



Person to person

Culture has always been important to us and we have developed our company culture over time. Our values form the basis of our company culture and way of acting toward each other, 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

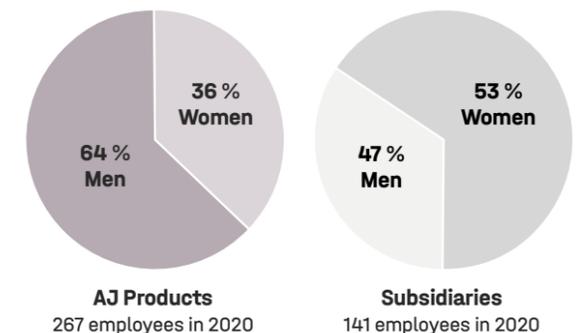
Our four core values sum up what we do and what we stand for. They guide our work and influence our decisions at all organisational levels.

- Smart
- Responsive
- Helpful
- Knowledgeable

” Having a common understanding of our culture and business concept – and practicing our core values – gives us clarity in our relationships with each other, our customers, our suppliers and society at large ”



DISTRIBUTION — EMPLOYEES



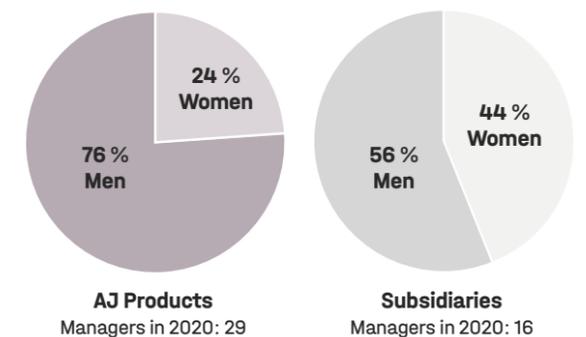
GENDER EQUALITY AND DIVERSITY

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 proportion of women working in our warehouse, the only part of the company that is male dominated. 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 — MANAGEMENT POSITIONS





Wellness at work

Wellness at a workplace is determined by many factors, both physical and social.

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 reviews, surveys and follow-up workshops we want to enable a dialogue and be responsive in order to gather opinions and suggestions for improvements.

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, information about how we work along with the physical, social and organisational working environment has been gathered and made visible in a platform that is easily accessible for everyone in 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're also a good colleague. We all need to work together as a team to develop and succeed.

Our status

It is important for us to monitor the level of wellness within the organisation and to keep striving to develop and improve. Our annual employee satisfaction survey is a valuable tool in this regard, and we are proud to see a positive trend since it was introduced.

INSIGHTS

The HR department has continuous access to large amounts of data that provide us with valuable insights. We use this data in analyses to measure and monitor areas such as sick leave, salary, training initiatives, gender distribution and staff turnover. The annual employee satisfaction survey is a valuable source of insight.

EMPLOYEE SATISFACTION SURVEY

Every year we conduct an employee satisfaction survey that highlights what works well and what areas can be improved on. It shows us what to focus on in order to improve satisfaction and engagement within the company. The participation level increased for this year's employee satisfaction survey and the response frequency was high (response frequency: AJ Products Sweden 99 %, subsidiaries 98 %).

The results from this year's employee satisfaction survey show continued high scores for both eNPS* and ESI*. Compared to the previous year, the eNPS score was lower for our subsidiaries but still at a high level. Our goal is to reach an ESI of 80. Of course there are areas with improvement potential, and this year information and communication stood out most clearly in this respect. We continue to focus on increased clarity with regard to our communications during 2021. A new concept being introduced is a Teams Talk with information from management to all employees.

ENPS* EMPLOYEE NET PROMOTER SCORE			
Measured on a scale of -100 to +100	2018	2019	2020
AJ PRODUCTS	1	17	24
SUBSIDIARIES	39	52	34
BENCHMARK	2	2	2
ESI* EMPLOYEE SATISFACTION INDEX			
Measured on a scale of 1 to 100	2018	2019	2020
AJ PRODUCTS	69	75	76
SUBSIDIARIES	81	84	81
BENCHMARK	70	70	70



AJ ACADEMY

In the past year we introduced AJ Academy to our employees. This includes digital training material for our products and training for the systems and programs we use. The aim is to gather all this knowledge in one single place so that it becomes easier for employees to find relevant information, supporting them to learn more.

AJ Academy also has an introductory section for new employees, New at AJ. The employee induction is important in helping new employees to settle into their job and get to know their colleagues, the company and their role. The induction includes a review of our company, policies, guidelines, systems and products. We continuously work on developing the employee induction further.

EDUCATIONAL COLLABORATION

We want to be a modern and attractive workplace and think it's 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 further opportunities in the form of projects and collaboration with universities and technical institutions.

Sourcing

With almost 300 suppliers in 2020, it is more important than ever to ensure compliance with the company's guidelines. Criteria such as human rights, labour rights, quality and environmental requirements and anti-corruption are central to our sourcing activities.

STRATEGY AND VISION

Our sourcing strategy is based on identified opportunities and future requirements, and is developed in dialogue with employees, company management and suppliers. The strategy is built on three cornerstones:

- Supplier performance
- Sustainability
- Procurement optimisation

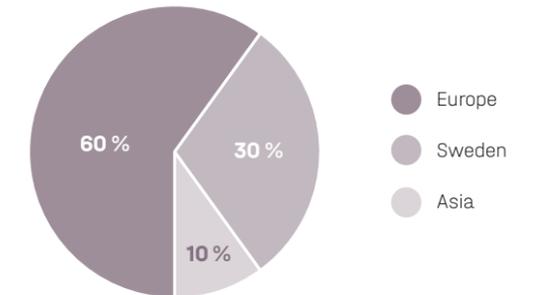
” To identify, structure and develop a world-class supplier base that creates a competitive advantage and maximises customer benefit by supplying a modern, functional, sustainable, quality range of products at the right time and at the right market price ”

AJ PRODUCTS SOURCING VISION

SUPPLIERS

AJ Products collaborated with approximately 300 suppliers in 2020. The Group carries out in-house production in two factories in Europe. The products produced 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, 90 % of the Group's suppliers are located in Europe and only 10 % 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 new supplier, we assess the supplier's delivery capacity, financial status and 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 contracts are negotiated and approved centrally by our head office to ensure compliance with the company's purchasing guidelines. 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 reach 95 % signed supplier agreements with our largest suppliers* tby 2023. We are currently at 84 % of suppliers with a procurement volume of over 0.5 million SEK for our standard range. In 2019, that figure was 80 %. We assess our suppliers on an ongoing basis with regard to aspects such as delivery reliability, quality and communication.

Supplier assessment and requirements imposed

ASSESSMENT WHEN CHOOSING A NEW SUPPLIER	<ul style="list-style-type: none"> • Financial status • Delivery capacity • Environmental requirements • 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 %.

Risk assessment

Risk assessment work was further developed during 2020 and the five-year plan was updated with new targets. Suppliers from high-risk countries were in focus again in 2020.

CSR — RISK ASSESSMENT

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

- Economic
- Social
- Environmental

In addition to the supplier assessment, a risk assessment from a CSR perspective is carried out annually. The risk factor that we chose to focus on in our 2020 CSR assessment was which country we buy a given product from, same as for the preceding year.

With regards to our work with human rights and social issues, we see the greatest risk of breaches against these being at supplier level. Over 2.78 million deaths per year are estimated to be caused by workplace accidents or workplace related illnesses according to the ILO. The risk of child labour remains high, even though it decreased between 2012 and 2016.

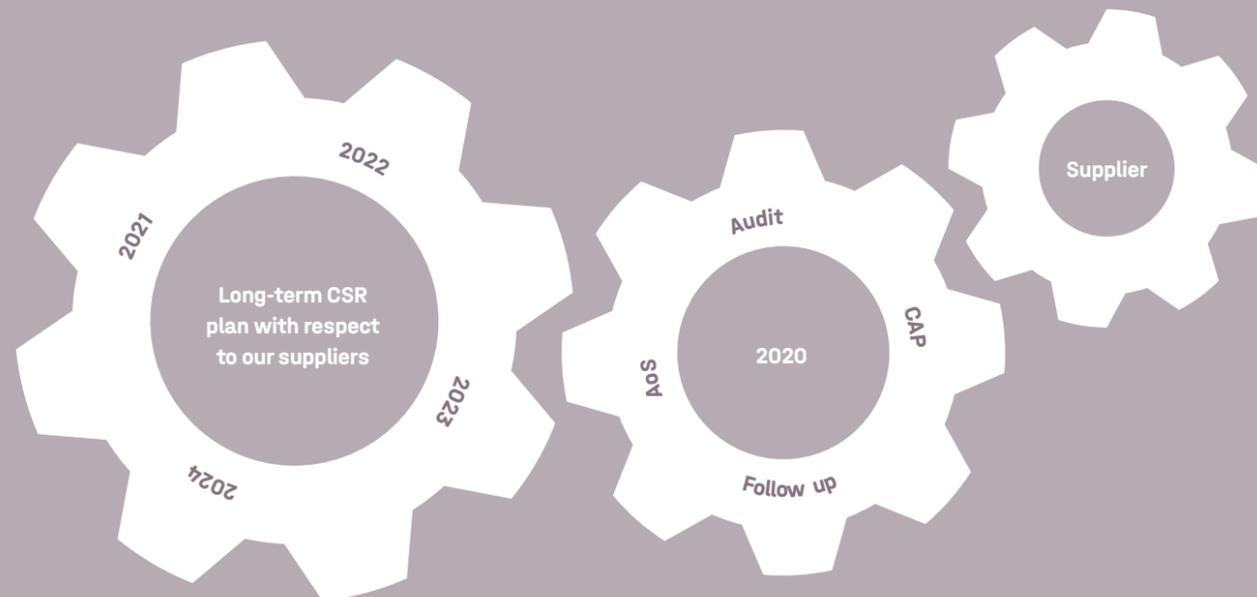
We prioritise our risk assessment for suppliers in countries that have been identified as high risk according to BSCI's Country Risk Classification* and follow up to ensure they are taking action to provide decent, safe and healthy working environments for their employees. Therefore it is also of utmost importance that all suppliers in high risk countries have signed our Supplier Agreement and Code of Conduct.

All identified suppliers were asked to complete a self-declaration (AoS — Assessment of Supplier), and we subsequently reviewed the suppliers identified as being in the highest risk group. In 2020, eight high-risk suppliers were identified and subsequently reviewed. Four audits were carried out on site and, due to the pandemic, four of them were carried out remotely as desktop audits. All suppliers were approved. Two were approved only after improvements were implemented according to an action plan created. The plan for our CSR work is followed up annually and we have updated the targets for the next five years during the past year.

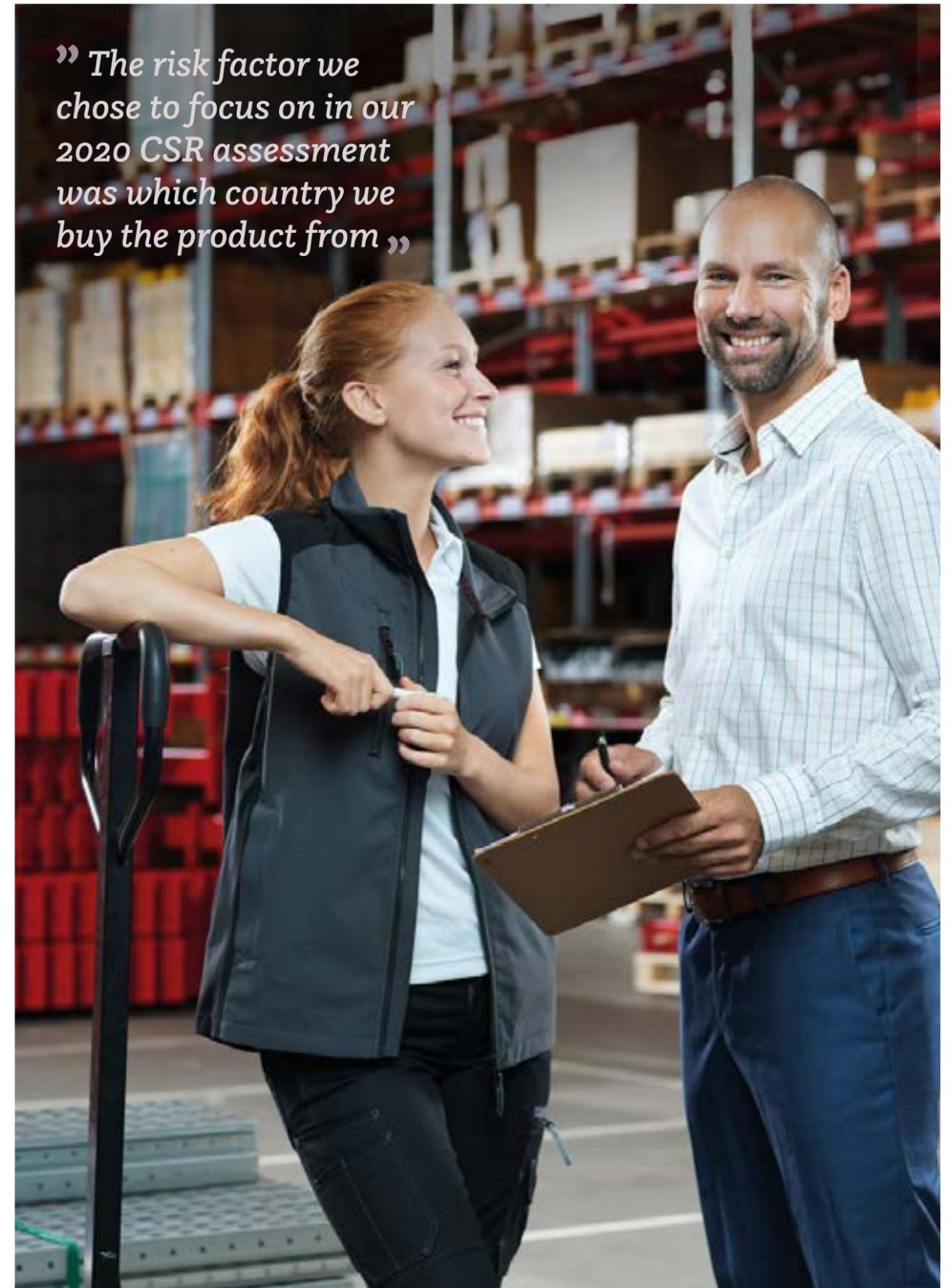
OUR NEXT STEPS

In 2021, the risk assessment is going to be focused on our major suppliers. The aim is to carry out in-depth reviews of suppliers identified as high-risk according to the templates and points system that we use. Due to the prevailing pandemic the assessments will initially be carried out as desktop audits but hopefully some audits can be carried out on site with the suppliers toward the end of the year.

* 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 been assigned a risk value based on factors such as accountability, political stability and efficacy, law compliance and corruption.



” The risk factor we chose to focus on in our 2020 CSR assessment was which country we buy the product from ”



News and updates

Marketing has been in AJ Products' DNA right from the start. The company complements traditional marketing with softer values such as charitable involvement and sponsorship.

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.

Charity organisations and associations we work with are:

- BRIS Sweden - Children's Rights in Society
- Swedish Parasports Federation
- Swedish Dyslexia Association
- 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 optimally at work is evident in our successful history as a sponsor of individual athletes and major sporting events. Over the years we have supported athletes including Patrik Sjöberg, Sanna and Jenny Kallur, Russian wrestling legend Aleksandr Karelin and, currently, the young Swedish golfer Julia Engström, who was named 2018 Rookie of the Year on the Ladies European Tour and won bronze at the European Mixed Team Championships. In March 2020 Julia celebrated her first win at the Ladies European Tour in Australia, which was followed by a second tour win in October in France. We also have a long and proud history as a sponsor of the Ice Hockey World Championships every year since 1989.

Other sports we sponsor include basketball, bandy, floorball and events such as the World Figure Skating Championships and the European Handball Championships.

CHANNELS

AJ Products has always focused strongly on marketing and on maintaining visibility in a variety of channels. When the company started, consumers mainly connected with us through our catalogue. Today we are visible in a wide range of channels including the Internet, e-commerce, TV and social media. This year we opened our first virtual showroom. This makes it possible for customers to see our products and visit the showroom in Halmstad without having to travel.



CATALOGUE

Surveys performed by us show that most of our customers want fewer catalogues. Certain customers appreciate the catalogue and the overview it offers, while others prefer digital channels. All our customers can choose whether or not to receive a paper catalogue. If they would rather have a digital catalogue, that format is also available. If the customer wishes to receive a catalogue, they can contact us via phone or email and we will arrange for one to be sent. Our current catalogues are also available on our website.

This year a decision was made to significantly reduce the number of catalogues being sent out starting from 2021. Some mailings will be replaced by a postcard or a thinner and more targeted booklet. This change will initially reduce paper consumption by 47%. From an environmental perspective, it

will bring about many benefits as we will use fewer resources and reduce the number of transports related to the mailings, leading to reduced greenhouse gas emissions.

OUR NEXT STEPS

We constantly update and manage our customer database to keep it as up to date as possible and to help us reduce the number of returned catalogues and send targeted mailings, both digital and physical. Going forward we will continue to listen to the market and our customers in order to improve our mailings and follow up on the result of the reduced number of catalogues sent in 2021.





Yennenga Progress

Our commitment to Yennenga Progress continues and we are proud to support Yennenga Progress in their work to create a welfare state in mini format that covers all of the UN Sustainable Development Global Goals.

The project started in 2001 with a preschool and now, 19 years later, a completely new society has been created with facilities such as a maternity centre, shop, restaurant, guest house and joiner's shop, along with construction and agriculture improvements.

The village school in Nakamtenga is continuously developing and it's fantastic to follow the achievements of Stina Berge and the rest of the staff. AJ has been involved with supporting the school since 2012 and has, among other things, supplied furniture for all the classrooms. For the past five years, we have also been paying the principal's salary.

The school has gone from being just a preschool to now supporting students up to age 16. The autumn of 2020 saw the first class start for 15-16 year olds and construction has also started for classrooms for students aged 16 and over. In the past year we have sent benches, chairs, ergonomic stools, steel cabinets and desks to the village.



Burkina Faso

Yennenga Progress is strongly connected to the Sustainable Development ethos. They use all 17 Global Goals in their operations. Sweden and Burkina Faso differ widely in terms of wealth and standard of living. Sweden is currently one of the top 10 countries for education, life span and living standards.

READING AND WRITING

The amount of people that can read and write in Sweden is estimated to be 100% — the equivalent figure for Burkina Faso is 37.7% (2015).



INFANT MORTALITY

For infant mortality, Sweden is ranked number 188 globally (2/1000 births) and Burkina Faso number 24 (49/1000 births).



05

Economic sustainability



Economy

Economy is one of the three focus areas for sustainable development. AJ Products' responsibility as a company is to contribute to sustainable development by generating economic profitability while promoting social and environmental sustainability at all stages of its operations.

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 the Code of Conduct is adhered to. It is therefore important to communicate the Code of Conduct and let it form a given part of our collaborations.

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

Bribery and corruption are an obstacle to free competition and constitute criminal activity that is subject to serious legal consequences. During 2020, AJ Products had no reported cases of corruption and no partnerships with suppliers were 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.

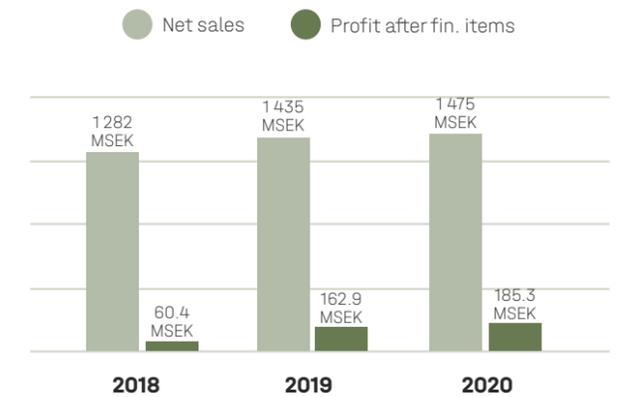
PROFITABILITY

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.

AJ Products AB

The diagram shows long-term profitability and growth





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 certifications such as FSC and PEFC promote these values along with sustainable forestry management.



AJ Products invests part of its surplus in forestry, which is also categorised 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 environment and social circumstances. FSC certified forest owners adhere to national and local laws with regard to environmental factors, forestry and 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 biological diversity, 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' forests in Sweden and Latvia sequestered almost 33,000 tonnes of CO₂ in 2020. This calculation is based on annual growth and the effect of substitution on annual timber harvesting. Forest ownership is included in AJ Products' group structure.

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

06 Sustainable future



Goals

Climate changes affect all of us and it is critical that we resolve the challenges in reducing global warming. It is our responsibility to act within our value chain to reduce emissions where 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 that means that we need to reduce our climate impact for our units by 7 % per year, i.e. for our head office and warehouse, our production facilities and subsidiaries.

PURCHASED ENERGY

We aim to reduce greenhouse gas emissions from energy purchased by at least 30 % by 2030. We intend to achieve this by reducing our consumption, select and influence energy suppliers and making active choices with the aim to replace fossil fuels such as coal, oil and natural gas with renewable types of energy.

 **Material:** Increase the proportion of recycled materials and select product materials with low environmental impact.

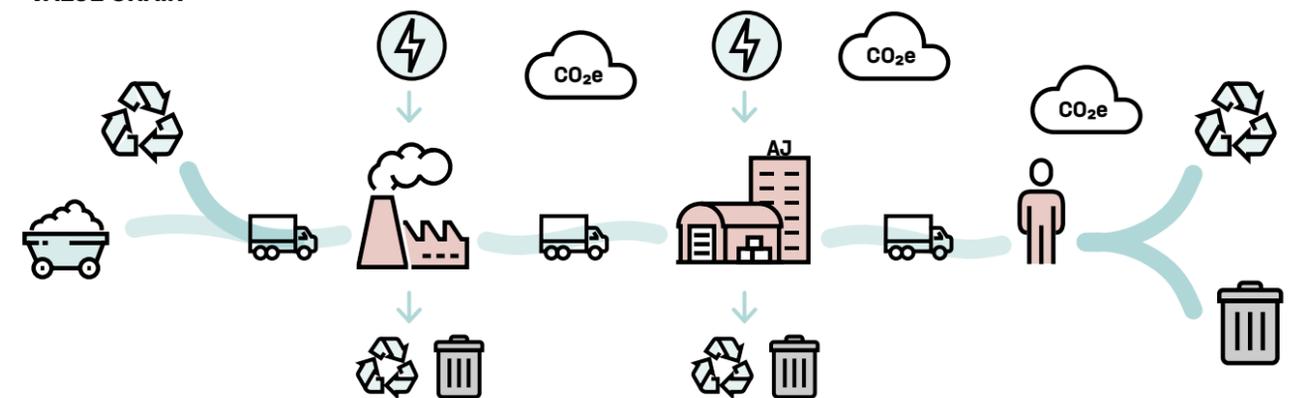
 **Energy:** Encourage our largest suppliers to reduce the climate footprint of manufacturing our products by reducing energy consumption and replacing fossil fuels such as coal, oil and natural gas with renewable energy sources.

 **Transport:** Choosing modes of transport and collaborate with our logistics partners, reducing 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.

For other parts of the business we aim to focus on environmental aspects where these have the largest impact. We haven't gathered all the data yet but aim to eventually be able to report greenhouse gas emissions in our value chain.

VALUE CHAIN



SOCIAL RESPONSIBILITY

INTERNAL

We strive to create a pleasant and safe working environment for our staff and want AJ Products to be an attractive workplace with healthy staff who want to stay with us long-term. Our goal is to achieve an ESI score of 80 in the employee satisfaction survey.

EXTERNAL

Working with suppliers that fulfil our requirements for Sustainable Development, Social Responsibility and Business Ethics. The goal is 95 % signed supplier agreements with our largest suppliers* by 2023.

* Suppliers with a procurement volume of more than SEK 0.5 million of 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 comments

AUDITOR'S STATEMENT REGARDING THE STATUTORY SUSTAINABILITY REPORT

TO THE SHAREHOLDERS OF AJ PRODUKTER AB, CO. REG. NO. 556190-7329

ASSIGNMENT AND DIVISION OF RESPONSIBILITIES

The Board of Directors is responsible for preparing the Sustainability Report for 2020 and for ensuring that it has been prepared in compliance with the Swedish Annual Accounts Act.

FOCUS AND SCOPE OF THE AUDIT

Our audit has been conducted in accordance with FAR's auditing standard RevR 12 Auditor's opinion regarding the statutory sustainability report.

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

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

STATEMENT

A sustainability report has been prepared.

Halmstad, 20th May 2021
Öhrlings PricewaterhouseCoopers AB



Bengt Karlsson
Authorised public accountant

Key partnerships

COMPANY-SPECIFIC



TRYGG E-HANDEL

is a certification for webshops. This symbol shows the consumer that the company is serious and stable and that all purchases are safe and secure.



AAA MAX CREDIT RATING

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



100 % CLUB

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



FÖRPACKNINGS- OCH TIDNINGSSAMLINGEN (FTI)

AJ Products works with FTI, a nationwide recycling system, and thereby fulfils its producer responsibility for collecting and recycling packaging materials.



ISO

Certification of quality management and environmental management systems.



ELKRETSEN

AJ Products works with El-Kretsen, a nationwide recycling system, and thereby fulfils its producer duties of collecting and recycling electric waste and batteries.

PRODUCT-RELATED



THE NORDIC SWAN ECOLABEL

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



FSC

a certification system that promotes environmentally, socially and economically sustainable management of the world's forests.



BYGGVARUBEDÖMNING

Byggvarubedömning assesses construction materials on the basis of their chemical content, their lifecycle environmental impact and their wider social impact in the supply chain.



MÖBELFAKTA

is a complete reference and labelling system for furniture that includes technical, environmental and production ethical requirements. Furnitures having this standard meet the demands of environment, manufacturing according to ethical guidelines and set quality requirements.

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