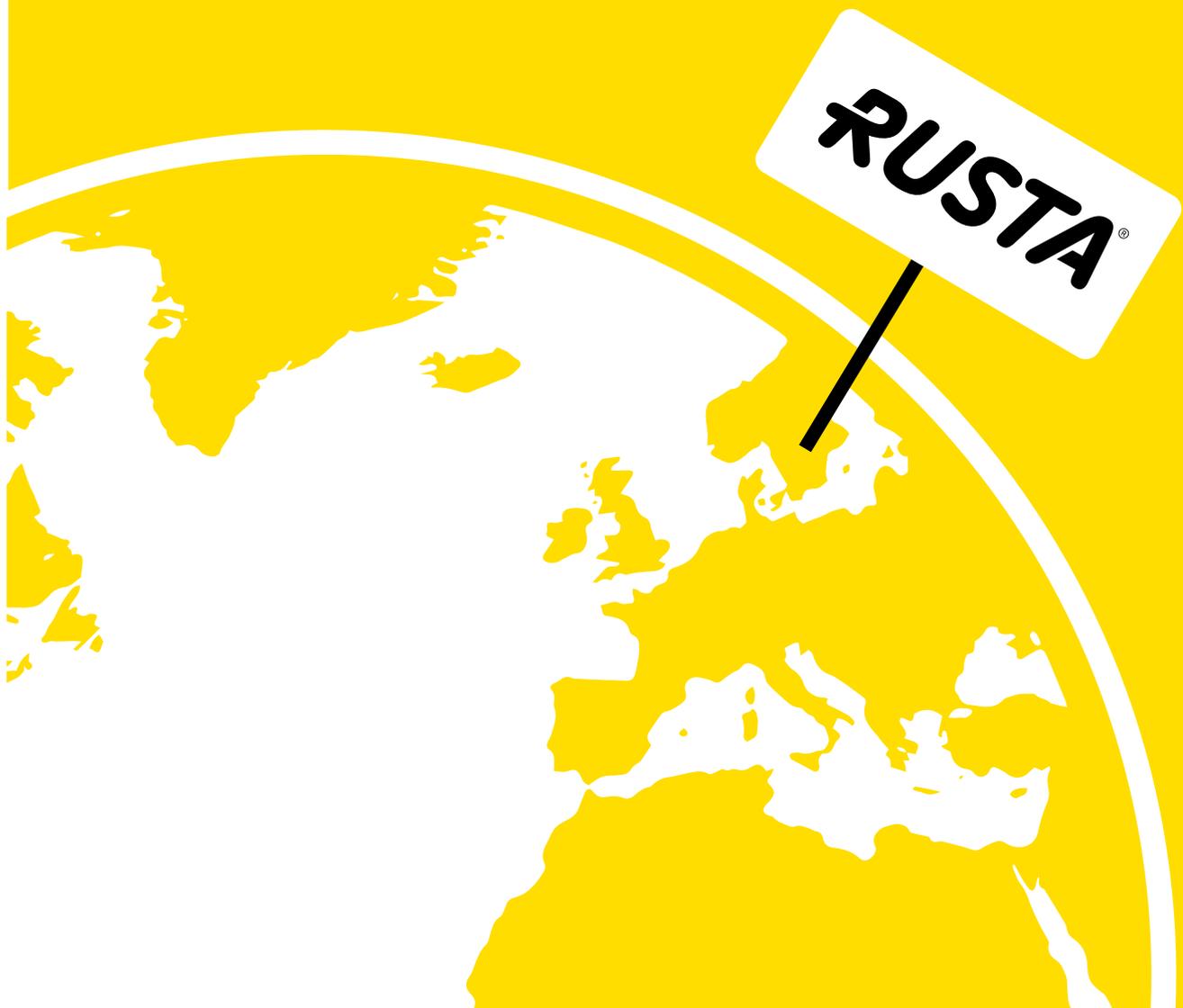


Rusta sustainability report

Financial year 2017/18



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A word from our CEO

We will be the most sustainable low-price retailer in the Nordics by 2021!

Back in 1986, Rusta was founded on a simple idea – to offer our customers great value for money. That same idea also provides the foundation for our sustainability approach. Low prices can go hand in hand with a sustainable way of working. At Rusta we are taking active steps to attain our vision that everyone should be able to choose sustainable products for life at home, without compromising on price.

The ways in which we can contribute to a sustainable society are many, especially when it comes to production, distribution and use of our products. Being on site where our products are made enables us to keep costs down, while ensuring quality, production, working conditions and transport are all managed in a sustainable manner.

We are on our way to reaching our sustainability goals, but we are not there yet. We do, however, have a clear vision of where we are headed, and we are working as a team to get there.

Upplands Väsby in June 2018



Göran Westerberg
CEO Rusta

Sustainability from factory to our customer's home

At Rusta we actively work for better production systems and working conditions at our suppliers. Each year, every one of our suppliers is required to sign our Code of Conduct and Ethics policy, to ensure safe and healthy working conditions. We also demand that all suppliers actively strive to continuously improve and play their role in supporting this work.

We also place great importance on which materials are used in our products, we examine and document those materials to continuously develop and improve our offering.

- **By 2018, all our product departments shall offer at least three sustainable products.**
- **By 2021, all wood in our products will be certified.**

Products from Europe are transported via lorry, train or boat to our central warehouse near the port in Norrköping. Our products from Asia reach the same warehouse primarily via boat. Regardless of how we transport our products, we choose smart packaging and fill our shipments to capacity. We always select the best travel route to our stores to minimise our environmental impact.

- **By 2019, all Rusta flights will be climate compensated.**
- **By 2021, all Styrofoam (Expanded Polystyrene, EPS) will be phased out of our packaging.**

We want to make it easy for our customers to find sustainable products at low prices. Currently, we are developing guidelines for labelling sustainable products and help our customers to make more sustainable choices. We do not sell products such as tobacco, snuff, energy drinks and fireworks. To improve our environmental footprint, we separate waste and recycle materials in all our stores.

- **By 2019, all our stores and warehouse shall be 100% powered by renewable energy sources.**

At Rusta, we are entirely convinced that low prices and qualitative, sustainable products go hand in hand. Our products should be safe and made to last, making unnecessary purchases a thing of the past. We continuously improve our products bringing in external experts to perform product testing.

We accept our customers' used electronics at our stores, ensuring they are reused or recycled. Throughout 2018, we are introducing new return bins for batteries, lightbulbs and electronics, making them even easier to spot in our stores.

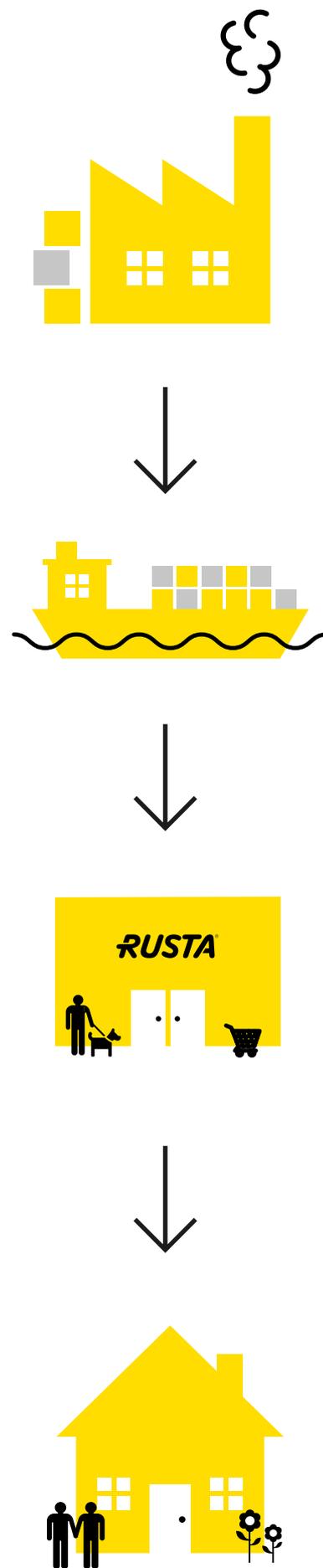
At Rusta, we take our sustainability work seriously with a goal-orientated approach to ensure we are continuously improving. Choosing sustainable products at good prices should be the simple choice – without compromising on quality or ignoring our collective responsibility to future generations.

Our objective is to become the most sustainable low-price retailer in the Nordics by 2021.

Upplands Väsby in June 2018



Mats Malmberg
Quality & Sustainability Manager



About this report

This sustainability report covers the financial year 2017/18 lasting from May 1st, 2017 to April 30th, 2018. The latest Rusta sustainability report was published in October 2017. That report was not made in accordance with Global Reporting Initiative Standards and for this reason, we have not made any restatements of information or changes in reporting practices in the present document.

During the financial year 2017/18, we have performed a materiality analysis that helps us understand and identify which sustainability areas are the most relevant for Rusta to focus on. The materiality analysis, together with Rusta's sustainability strategy, forms the basis of this sustainability report.

The work behind this report was initiated during the fall of 2017. Based on the input from our stakeholders we have organised several workshops and forums, which have, in turn, led to further actions and improvements within the sustainability area. The way in which we have identified the most significant sustainability aspects is described in the chapter "Stakeholder engagement".

This report has been prepared in accordance with the GRI Standards: Core option and the Swedish Annual Accounts Act. The report principles for defining report content have been applied. The limitations that we have used are described in the respective chapters.

This report has been reviewed by the board of Rusta and examined by our auditors to ensure the report fulfills the requirements in the Swedish Annual Accounts Act. It is our intention and aim that it shall give our stakeholders useful and transparent information on our progress.

Omissions

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

Market presence

Rusta finished the financial year of 2017/18 with a total of 114 stores, 90 of which are located in Sweden and another 22 in Norway. During the year we also opened two new stores in Germany, thereby entering a third Rusta market. We closed the year with some 2,286 co-workers in six countries and our sales reached 5,125 billion SEK.

	Sweden	Norway	Germany	China	Vietnam	India
Purchasing operations	✓			✓	✓	✓
Stores	✓	✓	✓			
Distribution center	✓					

Our operations and procurement practices

Since 1986, Rusta's business promise has been to make it easy to refill and renew at home – always at surprisingly low prices. At Rusta, we offer an attractive core assortment combined with inspirational and ever-changing seasonal products. All our purchases are made through direct import from Europe and Asia or from manufacturers in Sweden.

Rusta has, since its inception, been price leader in Sweden. This is achieved by working directly with our manufacturers, thus skipping the intermediaries. Instead we establish close co-operations with our suppliers to find the best solutions in terms of function, quality and price. We commit ourselves to continuously fine-tune every step of the business process, from market knowledge and purchasing, to supply chain management and customer experience in our stores.

Rusta's goal is that all our suppliers and their employees shall enjoy good working conditions. For this reason, Rusta has formulated a Code of Conduct. Since 2008, all our suppliers shall sign our Code of Conduct annually.

Rusta has five sourcing offices with approximately 170 co-workers. The sourcing team includes sourcing developers, quality-assurance technicians, supply planners, quality inspectors and various other specialist functions. These co-workers have the task of continuously monitoring and controlling that Rusta's Code of Conduct is being adhered to by our suppliers. Rusta's sourcing staff have the right to, at any time, make unannounced visits to all factories producing goods for Rusta to check suppliers' compliance with our Code of Conduct. Furthermore, in accordance with our policy, Rusta's staff always visit a supplier before placing an order.

Results financial year 2017/18:

Facts and figures about Rusta's assortment:

- 59% is sourced directly by the Rusta headquarters in Sweden
- 41% is sourced in Asia by our local sourcing offices
- 65% is sold under Rusta's own brands, with a further estimated 35% being global A-brands
- 32% renewal rate

Sourcing per local office/country:

Sweden	41% (+18% non-local sourcing)
China	32%
India	3% (+3% non-local sourcing)
Vietnam	2% (+1% non-local sourcing)

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

A new supplier shall always agree to fulfill the following basic demands:

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

Results financial year 2017/18: Code of Conduct basics secured 100% on Supplier level, factory evaluation on-going.

During 2017 we have identified key areas for improvement. Until now, Rusta has recorded suppliers in our Electronic Data Interchange system. During the financial year 2017/18, we have implemented a system that enables us to follow our suppliers' Code of Conduct performance down to factory level.

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

- Health and safety (Working environment, Emergency planning and Fire safety, Physical and Chemical hazards)
- Compensation
- Working hours

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

The table below shows the social Code of Conduct business impact staircase:

CODE OF CONDUCT-RATING	BUSINESS IMPACT: CODE OF CONDUCT-RATING	BUSINESS IMPACT: IMPROVEMENT RESULT	FOLLOW UP
High Points: >37	Current orders may ship, and future orders can be placed. New businesses are encouraged.		Within two (2) years
Good Points: 28-36	Current orders may ship and future orders on existing products can be placed. New business is allowed		Within one and a half (1,5) year
Average Points: 19-27	Current orders may ship and future orders on existing products can be placed.	New business/item is only allowed when at least three improvements per six months are made.	Within six (6) months
Poor Points: <18	Current orders may ship. No new orders can be placed.	No new business/item. New orders on existing products can be placed if at least three improvements per three months are made.	Within three (3) months
Unacceptable Fail Rusta Basic	No orders can be placed.	Current orders can be shipped if there is an action plan to fulfil Rusta Basics within three months. No orders can be placed until Rusta Basics are fulfilled. A non-Rusta supplier will not become a Rusta supplier.	Within three (3) months

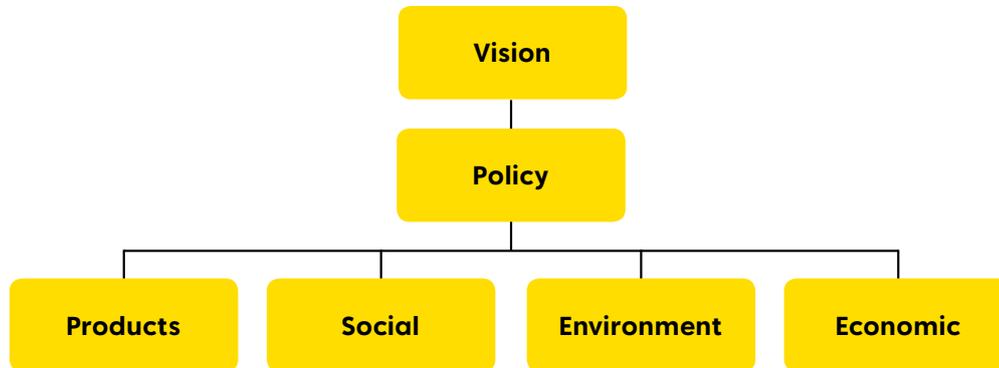
Results financial year 2017/18: Suppliers' rating according to the Rusta social Code of Conduct 2018-04-30:

High	15%
Good	61%
Average	22%
Poor	2% (The eight basic Code of Conduct demands have been fulfilled. However, business consequences have been enforced due to lack or slow progress with regards to Rusta's demands for continuous improvements. See table above.)

Rusta has clear guidelines for the treatment of animals in our supply chain. We secure that products containing leather, down and feather are produced responsibly. In 2017 we adopted the policy of "Djurens Rätt" (Animal Rights Sweden), which means that we only permit the use of residual products from animals slaughtered for their meat. In case the slaughter has been completed further down the supply chain, Rusta's staff will always make a site visit to the producer to verify compliance.

Sustainability strategy

Rusta adopted the current sustainability strategy in November 2015. The strategy contains vision, policy, Rusta's definition of sustainability as well as our objectives and activities.



Above is Rusta's definition of sustainability.

Rusta's current and long-term direction within Sustainability:

1. Products: More sustainable products over time

- 1.1 Safe and wholesome products for our customers
- 1.2 Offer products that are designed for long lasting life
- 1.3 Simplicity in design and construction
- 1.4 Develop smart packaging made from renewable resources
- 1.5 Offer products for a more sustainable lifestyle
- 1.6 Full knowledge and transparency on product content

2. Social: Together work for a better society wherever we do business

- 2.1 Together with suppliers continuously improve our Code of Conduct performance
- 2.2 Responsible sourcing is a natural part of doing business
- 2.3 Improve diversity in our company
- 2.4 Include people outside the social structure
- 2.5 Partner with organisations that contribute to a better society

3. Environment: Our commitment - behave environmentally conscious and resource efficient

- 3.1 We use non-hazardous chemicals
- 3.2 We use certified raw materials
- 3.3 Products are made of recycled materials and constructed for recycling
- 3.4 We use renewable energy and we are energy efficient
- 3.5 Our products have a lesser environmental impact than comparable products on the market
- 3.6 Our transports and travels are climate compensated

4. Economics: Sustainable business gives long-term profit

- 4.1 Give our customers great value for money
- 4.2 We have the courage to see past short-term profit to reach our long-term business goals
- 4.3 Grow our business with partners that act sustainable
- 4.4 Prove that low cost companies can make sustainable business

Our focus 2021

Products

Objectives
Activities

Code of Conduct

Objectives
Activities

Sustainability Report

Objectives
Activities

Rusta

Sustainability Policy

Rusta's sustainability vision is to offer **Sustainable products for life at home.**

Since we started out in 1986, we've believed that doing things right from the beginning is the most cost effective and sustainable way. Making things simple and taking responsibility are important parts of our business, and are how we can provide the best prices and quality products for life at home. To us, quality means much more than functionality, durability and safety – it's about products that are produced and marketed in a sustainable way, too.

To ensure that we act sustainably throughout the business and value chain, Rusta is guided by these principles: Leadership, Transparency and Continuous Improvement. Within this, Rusta focuses on **four key areas of sustainability**, where we aim to create long-term development that meet the needs of both present and future generations

Products

Rusta sets clear requirements for the lifecycle of our products' packaging, construction and durability. Each product a Rusta customer buys shall maintain a good level of quality, functionality, safety, and sustainability. We take precautionary actions to eliminate hazardous substances and increase the amount of sustainable materials in our products.

Environment

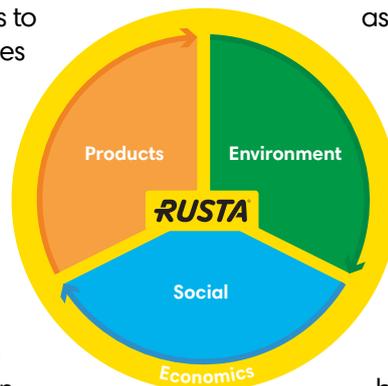
At Rusta, we behave in an environmentally-conscious and resource-efficient way, taking a systematic approach to all aspects that affect the environment. Rusta will offer the market sustainable products, be energy efficient, use renewable resources and minimise waste and emissions.

Social

Rusta works for a better society wherever we do business. We believe in diversity, inclusion and responsible sourcing. Constant improvements enable us to always achieve good working conditions, as well as long-term sustainability. Before production begins, we visit, evaluate and approve all our suppliers.

Economic

Rusta is committed to creating a responsible and sustainable business that offers long-term profit. We believe that responsible business leads to both better results and a better society. We will work with stakeholders who share our views and incorporate sustainability in their own operations.



This policy applies to the entire Rusta Group and outlines our responsibility towards the society in which we act. Rusta was founded on the idea that it is always possible to do everything better, and our commitment to sustainable development is based on that belief.

The United Nation's sustainable development goals



Rusta's activities in the sustainability field follow the United Nation's sustainable development goals. The squares above that have been checked constitute Rusta's current focus areas, for which we have set up specific initiatives or activities as accounted for in the present document.

Stakeholder engagement

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

The basis of our materiality analysis is the United Nation’s Global Sustainability Goals. We have then proceeded to combine these overarching goals with the goals that Rusta has identified on the basis of our stakeholder dialogue on sustainability, which has been ongoing throughout the past financial year.

The stakeholder input has given us a list of areas on which we at Rusta need to focus. The stakeholder input has also been elaborated through workshops and more specific in-depth interviews with our stakeholders. These priorities have thereafter been confirmed and elaborated through group discussions within the sustainability reporting team.

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

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



Identified material aspects

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

1. Social responsibility in the factories where our products are produced:

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

Rusta's Code of Conduct with regard to labour is based on international standards, including the Fundamental International Labour Standards as defined by the International Labour Organisation (ILO).

The social performance of all new suppliers to Rusta is screened and evaluated before any order is placed. There are no exceptions to this rule.

Apart from Rusta's eight basic requirements, which constitute the minimum requirements that we demand from any supplier, we will also seek to work together with them to ensure continuous improvements in their social responsibility-performance. Social responsibility in factories is a significant material aspect for Rusta. Therefore, during the financial year of 2017/18, we have started to record our factories' Code of Conduct performance in our Electronic Data Interchange. We will henceforth be able to present statistics on a specific factory's performance and improvements.

Results financial year 2017/18: Rusta have performed 131 Social Code of Conduct evaluations during the year, as well as a number of self-assessments performed by the suppliers themselves. Rusta's Code of Conduct basics is 100% secured on supplier level, while our evaluation of the factory level is still on-going and will be accounted for in the sustainability report for the financial year 2018/19. In total, 100% of new suppliers were evaluated and screened in accordance with the social requirements laid out in Rusta's Code of Conduct.

2. Chemicals in our products which could potentially damage the health of coworkers, customers or the environment

Safety is the main concern in all our quality assessments of any Rusta product. Products sold by us shall always be safe, durable more than three years and fully functional.

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

In our Asian sourcing offices and in our warehouse in Norrköping, we use X-ray fluorescence (XRF) scanners to help us analyse the chemical content in our products. We currently perform random checks both in Asia and in Sweden on all electrical items before they can be sold in Rusta stores.

Results financial year 2017/18: Going forward we have identified a need to analyse this area further, before we set key performance indicators, measurement methods and clear objectives.

3. Effluents and emissions from factories

Our stakeholder analysis has highlighted the importance that our stakeholders place on the issue of effluents and emissions from factories. Since this also is an integral part of our sustainability strategy, Rusta works together with our suppliers to improve our environmental performance.

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

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

- Wastewater
- Energy consumption
- Green-house gas (GHG) emissions
- Waste management
- Emission to air (not green-house gas)

In this process, suppliers firstly conduct a self-assessment which is then verified or revised by our Code of Conduct evaluators located in China, India and Vietnam.

Going forward, we see a need to analyse this area further before we define measurement methods and clear objectives.

Results financial year 2017/18:

China 89 factories (active) environmental screening:

Good	20
Average	61
Poor	8 (The eight basic Code of Conduct demands are fulfilled, however environmental performance is considered insufficient)

Vietnam 13 factories (active) environmental screening:

Good	1
Average	12
Poor	0

India 29 factories (active) environmental screening:

High	12
Good	11
Average	6
Poor	0

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

4. Technological improvements

At Rusta, we perceive sustainability as a business opportunity. We understand that to become the most sustainable low-price retailer in the Nordics by 2021, we need to partner with suppliers who are innovative, who invest in new materials and who are willing and have the capacity to invest in the Best Available Technology (BAT).

Our stakeholder group "Suppliers" has clearly expressed the need to work with technological development and new technology in order to meet the demands of tomorrow. With regard to Best Available Technology, we refer to factories producing goods for Rusta in Asia, Europe and North America. By studying this area in more detail, we can share knowledge and best practices with our suppliers.

Result financial year 2017/18: We have initiated a dialogue with our suppliers on this subject and will explore this area further during the financial year 2018/19 so as to allow us to implement key performance indicators, measurement methods and clear objectives.

5. Corruption and bribery in relation to suppliers

In our Supplier Manual (RSM), we clearly account for Rusta's business ethics policy.

We have a zero-tolerance policy towards any form of bribery or corruption. We strive to act fairly and transparently throughout the different levels of our supply chain. The business ethics policy is communicated to and signed by all Rusta co-workers and our suppliers on a yearly basis. Moreover, we closely monitor the potential impact which may occur between interrelated agents in our supply chain.

During the financial year 2017/18 we have updated our policy on business ethics further by renewing our whistleblower policy. In doing so, we aim to encourage Rusta's internal and external stakeholders to use the whistleblower function, should they observe or suspect any conduct indicating corrupt behavior in relation to our suppliers. For this reason, we have during 2017 conducted several training sessions on this topic in our sourcing offices in China, India, Sweden and Vietnam.

Results financial year 2017/18: 97% of Rusta co-workers with any relation to our suppliers have received training on our business ethics and have signed our updated ethical policy.

6. Carbon footprint

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



Pictures: Shown above are some examples of Rusta's products made from recycled materials. To the left, the carpet OLIVIA made of 100% recycled PET-bottles. In the center, rag rugs made of 100% recycled cotton. To the right are Christmas stars made of paper produced from 100% recycled cotton.



Above are some examples of "eco"-labels. From the left: Forest Stewardship Council, Nordic Swan Ecolabel and Better Cotton Initiative.

Going forward, Rusta is, during the financial year 2018/19, also planning on developing our own sustainable product logo to further encourage our customers to buy sustainable products. Moreover, logistics and travel are additional areas where Rusta has identified scope for improvement so as to further reduce our environmental impact.

- By 2019, all Rusta business flights will be climate compensated
- We will increase our use of Skype meetings to reduce travel. All co-workers in the head office will be informed and educated on how to use Skype as a communication tool
- Rusta will continue to analyse the filling rate and pallet optimised packaging to set KPI's
- Projects implemented over the past year enable us to measure products made by recycled material in our Electronic Data Interchange. This information will be included in the next sustainability report for the financial year 2018/19

Results financial year 2017/18: At the end of the financial year, we had 384 products labelled sustainable in our assortment. Average container filling rate was 80%.

Moreover, by 2021 we will:

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

7. The quality and durability of our products

Our customers are a prioritised stakeholder group. Rusta seeks to exceed their expectations by making it easy for our customers to find sustainable and durable products at low prices.

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

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

In connection to quality and durability, Rusta has set two overarching goals:

1. Reduction of customer returns related to poor quality with -20% per year
2. In the coming year, one of Rusta's focus areas with regard to quality, will be to further clarify and set more precise guidelines for the sale of "wear and tear-products" and long-lasting products in our stores. Through this measure we aim to further improve our performance in selling "safe, durable and fully functional" products.

Moreover, we can see that the implementation of Rusta's quality strategy has so far been successful. Since its introduction in 2011, defective customer returns have been reduced by some 72%!

Results financial year 2017/18: Defective customer returns in value were reduced by 16% while, at the same time, sales increased by 13%.

SIFO Kantar have throughout the past year made 100 interviews on a weekly basis regarding "Rusta's ability to deliver good enough quality". During this period, the positive response rate has increased by 9%.

Communication and dialogue

One of Rusta's priorities regarding sustainability is to gather, process and implement the input given to us by our stakeholders. Accordingly, we do our best to share information on Rusta's progress, challenges, goals and achievements with our stakeholders. This is done in various ways. We organise meetings on all levels with the board, management and co-workers from all functions and departments. Moreover, we try to take every opportunity to discuss quality and sustainability with co-workers in the course of our daily work.

Going forward, we wish to organise regular sustainability updates in all internal corporate forums.

Apart from the Rusta homepage where we share our policies and how we work with quality and sustainability, we use our customer loyalty programme Club Rusta, social media and our customer service as information channels to inform external stakeholder groups.

Rusta's environmental commitment

At Rusta, we continuously seek to minimise the environmental impact of our operations, whether it be from our offices, our stores or from our warehouses. These efforts include responsible management of water use, energy consumption, emissions of greenhouse gases and waste handling.

Wherever possible, we change to more environmentally friendly and sustainable materials in our products. We offer FSC (Forest Stewardship Council), BCI (Better Cotton Initiative), Oeko-Tex and Fairtrade certified products. Moreover, Rusta's Quality and Sustainability team is in continuous dialogue with specialised research partners to help contribute to a more responsible and sustainable use of plastic materials.

Rusta always seeks to fill our pallets and containers to a maximum. We mainly use 40 feet high cube containers. We continue to work with efficient packaging solutions - all the way from the production stage to the finished product. Container ships, trucks and trains deliver the goods to Rusta's central warehouse in Norrköping, strategically chosen to be located close to harbor, railways and main roads.

Our Code of Conduct contains a passage on the environment, in which we make it clear that Rusta maintains the right to gather environmental data from all our suppliers. The passage has been added to ensure that we, together with our suppliers, can take common action targeting the environmental areas most significant for our shared business. In this context, we have identified five key areas for this data gathering, i.e. water consumption, energy consumption, greenhouse gas emissions, waste handling, and emissions to the air (other than greenhouse gases).

Rusta's strategy in the environmental field is based on the four sustainability principles laid out by "The Natural Step".

Marketing and communications

Direct mail is Rusta's main marketing channel, representing 65% of the total media investments. The goal is to gradually decrease our dependence on direct mail by using digital channels such as Rusta's loyalty program Club Rusta, social media and online marketing.

We strive to minimise the environmental impact of our direct mail and have chosen to print our direct mail on paper that meets the requirements of the Nordic Swan Ecolabel and Forest Stewardship Council labels.

Both the printing technique and the colors used in the production of our direct mail are environmentally approved. Moreover, together with our printing- and distribution partners, we continuously work to minimise the volume of direct mail for each market.

On each Rusta direct mail there is detailed information for the recipients on how to recycle it.

Energy

Rusta expands by 13 to 18 stores a year. For each new store we open, we learn and find new ways to reduce energy consumption. During the financial year 2017/18, all Rusta stores have been equipped with:

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

By implementing the measures mentioned above, in one single store, electricity consumption was reduced by some 150 000 kWh during 2017. This figure is sourced from direct measurements supplied by the property-owner and the energy provider. Store operations remained the same or increased during the measured period. Rusta will continue to monitor the energy consumption in our facilities so that we may take corrective action, should we notice that energy consumption increases.

Results financial year 2017/18: Rusta's use of mainly renewable energy in Sweden, divided into buildings, activities and transports:

Buildings	15 079 MWh
Activities	24 717 MWh
Transports	864 MWh
Total:	40 660 MWh

We are currently collecting data to present figures for all energy consumption in Rusta's facilities in the six countries where we are active. This data will be described in detail in the next Sustainability report, for the financial year 2018/19.

Biodiversity

Protecting biological diversity is important to Rusta since our operations, like that of other companies, has an impact on plants, wildlife, genetic diversity and natural ecosystems. In accordance with our Code of Conduct, we communicate to all our suppliers that we do not accept products that contain parts from any flora or fauna that is listed in the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) appendices.

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

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

Apart from this we do not accept any wood which:

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

It is compulsory for all our suppliers of wood- and wood-based products to comply with these requirements.. Moreover, through our suppliers we collect and store all data about the wood species, harvesting region and supply chain.

Rusta has made the decision to, by 2021, exclusively use Forest Stewardship Council-, or Programme for the Endorsement of Forest Certification (PEFC)-certified wooden materials in our products. This decision is another step towards improving our performance with regard to the protection of biodiversity, plants and wildlife.

Results financial year 2017/18: No International Union for Conservation of Nature(IUCN) red listed species have been used in Rusta products or have been sold in Rusta stores.

Emissions

Green-house gas emissions and other emissions to the air is another prioritised sustainability area for Rusta. For this reason, Rusta has, during 2017, installed a new monitoring system which will allow us to gather real-time data on carbon dioxide emissions from our stores and warehouses. We are currently working on systematizing and analysing this data to allow us to set key metrics - both for our own and for our supplier's operations.

By 2019, all our stores and warehouses shall be 100% powered by renewable energy sources. Today a large majority of our Swedish stores' energy supply comes from renewable sources purchased directly from the energy supplier. Going forward, Rusta will work to ensure that those stores that have outsourced their provision of energy to the respective property-owner, will also purchase energy from renewable sources.

By 2019, all Rusta business flights will be climate compensated. Moreover, we are working to find new ways to reduce our corporate travels. In 2017 Rusta changed our routines for the store managers and deputy store managers' travels to the headquarters; a measure that has since reduced these trips by some 37%.

During the financial year 2017/18, Rusta changed the way we stack empty pallets transported back from the stores. This change has reduced these transports by the equivalent of 60 trucks per year.

Effluents and waste

Rusta is determined to prevent effluents or spills into water from our operations. We continuously strive to minimise our waste and to recycle the waste that we generate. In our stores and warehouses, we collect and review data regarding the generation, treatment and disposal of waste.

During the past financial year, we have implemented a yearly collecting schedule with our waste management partners to minimise the hazardous waste that our warehouse and our stores generate. Although our emissions of this type of waste are comparatively limited in quantity, it nevertheless remains a priority for us to collect it in a secure and simple manner.

In our requirements laid out in Rusta's Basic Code of Conduct, we have tried to secure that any critical environmental hazard is taken into consideration.

These activities are described more in detail under the heading Social responsibility in the factories where our products are produced.

To further reduce the use of fossil-based material and to increase the share of renewable and recyclable materials, Rusta has decided to phase out Expanded Polystyrene from our packaging by 2021.

Results financial year 2017/18: Figures given by our waste disposal partner in Sweden gives us the following numbers in kilograms of disposed waste.

Hazardous waste:

Recycling	10 233 kg
Combustion	8 414 kg
Landfill	938 kg
Recovery	263 kg

Non-hazardous waste:

Recycling	3 666 058 kg
Combustion	1 412 652 kg
Landfill	24 950 kg
Recovery	6 167 kg
Deep well injection	744 kg

In 2017/18 we equipped all our stores with improved waste sorting bins. We estimate that this will reduce waste for combustion by some 20% in the coming financial year.

Employment

At the end of the financial year 2017/18, Rusta had 114 stores and 2 286 co-workers in six countries.

Rusta is an inclusive company. Our co-workers reflect the broader society in the markets where we are active. Differences create possibilities and diversity is a central asset in Rusta's continued journey and future growth. At Rusta everyone is given equal opportunities and rights.

Our growth enables us to offer work and employment opportunities also in smaller cities and communities.

Rusta has a flat organisational structure. We want it to be easy for our co-workers to make their voices heard and to make positive changes happen. We want our co-workers to enjoy being part of Rusta. For this reason, we work to provide great opportunities for professional development. We seek co-workers with high ambitions who like an ever-changing environment, together with highly motivated colleagues.

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

Rusta regularly performs co-worker surveys. The latest survey was conducted during the fall of 2017. The response rate was 94%. A large majority of our co-workers feel that Rusta is a very good employer (79%) and would recommend working at Rusta to others. According to the same survey, the leadership index, which serves as an indication of our co-worker's satisfaction with their managers, is 79%.

Training and education

Development of leaders and leadership profile

Rusta has created a leadership profile that guides all managers in our organisation. At Rusta, a leader shall engage and inspire co-workers by being a good example. Moreover, a manager should always encourage initiative and learning. Rusta-managers are working with continuous improvements where good examples are being used to spread best practices and further improvement over time.

For this reason, Rusta has created a specially designed program for leaders, participation in which is mandatory for all managers in the company. The programme builds on our model leadership profile as well as our corporate values.

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

Development talks

At Rusta all managers and co-workers regularly meet to set and follow up on the following targets:

- Performance
- Development needs
- Working environment etc.
- Future prospects

These dialogues are held every year and are always documented so that they may be systematically reviewed and followed-up on. The purpose of this dialogue is that all co-workers shall get feedback on their work performance and to discuss personal and professional development.

Appraisal for good performance

All managers shall acknowledge good performance. At Rusta we normally give appraisal to a team rather than to individuals, as we wish to encourage the team-work and team-spirit.

Diversity and equal opportunity

All co-workers shall be treated equally and with respect. Rusta's diversity shall reflect the society in which we operate and that all feel welcome to Rusta.

Total number of Rusta co-workers as of 2018-04-30 were 2,286.
 • Women 61%
 • Men 39%

Management team:
 • Women 25%
 • Men 75%

Board of directors:
 • Women 40%
 • Men 60%

New co-worker hires during financial year 2017/18 at Rusta *

	China	India	Vietnam	Germany	Norway	Sweden
Amount	16	5	2	13	231	1 792
Age <30	3	2	0	1	168	1 467
Age 30-50	12	3	2	11	57	314
Age >50	1	0	0	1	6	11
Women/Men	9/7	4/1	1/1	9/4	140/91	1 075/717

* The majority of the new hires are temporary staff to support during vacations and sales peaks.

Co-worker turnover during financial year 2017/18 at Rusta *

	China	India	Vietnam	Germany	Norway	Sweden
Amount	13	4	0	2	130	1 701
Age <30	3	2	n/a	1	91	1 368
Age 30-50	10	2	n/a	0	19	320
Age >50	0	0	n/a	1	20	13
Women/Men	6/7	0/4	n/a	1/1	55/75	1 009/692

* The majority of the co-worker turnover is due to the hiring of temporary staff support during vacations and sales peaks.

Co-worker split during financial year 2017/18 at Rusta

	China	India	Vietnam	Germany	Norway	Sweden
Amount	54	15	9	20	376	1 812
Age <30	2	3	0	2	220	967
Age 30-50	40	11	9	18	73	830
Age >50	12	1	0	0	83	15
Women/Men	25/9	8/7	5/4	12/8	219/157	1 121/691

Non-discrimination

Rusta is an open and including company with a zero-tolerance policy towards any kind of discrimination. If a case of discrimination is reported, Rusta's HR-department is notified and will handle the case in accordance with pre-set routines set out in our HR-policy. During the reporting period Rusta's HR-department has handled, followed-up and closed two such incidents.

Results financial year 2017/18: In our latest co-worker survey (2017) 89% of our co-workers perceive Rusta as being an open and including company. This is a 16% increase over a five-year period.

Freedom of association and collective bargaining

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

We will explore this area further during the financial year 2018/19 to enable us to implement key performance indicators, measurement methods and clear objectives.

Home workers

An important matter related to our business is to secure that all people in our supply chain are covered by our Code of Conduct. A small, yet important, part of our production is carried out in villages in Vietnam and India. One of Rusta's focus areas during the year to come will therefore be to continue our work to improve the situation for home workers.

One example where we have achieved such improvements together with a supplier, is the case with a carpet producer in Lucknow in India where we have:

- Set up weaving centers
- Secured wages and working hours through biometric time attendance record
- Automated the process of dyeing (coloring) the fabrics in order to secure the health of the workers
- Implemented a bonus and gratuity system
- Installed solar panels to heat up the dyeing and washing water at the factory

Forced or compulsory labour

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

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

Rusta are proud partners of Médecins sans frontières, My life AB and Animal Welfare Sweden. Rusta are members of Swedish Standards Institute and Swedish Trade Federation.

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

Auditor's report on the statutory sustainability report

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

Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the financial year 2017-11-01–2018-04-30 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

A statutory sustainability report has been prepared.

Stockholm, 4th July, 2018

Sten Håkansson
Authorised Public Accountant



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