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Kährs in short

Kährs is a flooring company, founded in Nybro, Sweden with production in Sweden, Finland, Romania and Poland With extensive knowledge and history from both wood and resilient flooring, the Swedish flooring company provides floors with a high dedication to quality and durability, and a rooted passion for the environment, efficiency and interiors

The reporting organisation is the group of companies where Kährs BondCo AB is the controlling company. For 2023, the group included wenty legal entities, where Kährs Holding AB is the proganisation where ESG reporting is included.

In 2023, sales for the reporting organization amounted to MSFK 2897



Sustainability Reporting in 2023

This is the Kährs Sustainability Report for 2023. The report and the key figures presented covers the entire Kährs group and the subsidiaries within it, unless otherwise stated. The report encompasses details concerning environmental impact, social responsibility, employee welfare, upholding human rights, and combating corruption. The report covers the period 01 January 2023 to 31 December 2023, which corresponds to the financial year 2023 for Kährs BondCo AB.

Starting in 2024, a new EU directive called the 'Corporate Sustainability Reporting Directive' (CSRD) will mandate companies to disclose their environmental and social impact initiatives. To adhere to these guidelines, the EU has implemented a series of European Sustainability Reporting Standards (ESRS). At Kährs we have the ambition to report according to the Annual Accounts Act and the ESRS standard for the financial year 2024. While this 2023 report does not adhere to the ESRS standard, we have started to structure and document our reporting accordingly to prepare for 2024. Our sustainability reporting has also been part of the Kährs annual report since 2017 and can be found here from 2022: Kahrsgroup.com

Within Kährs there is a great commitment to environmental and sustainability issues. We are determined to act responsibly to preserve and protect natural resources and conduct a long-term and circularly oriented business. All materials that are used and the products that are produced must comply with laws and regulations regarding the protection of the environment, and we have as a long-term goal to reduce greenhouse gases more than our value chain emits. As a significant purchaser of goods and services, we use our influence to minimize the impact on the environment by supporting and promoting innovations for the sustainable use of natural resources.





Highlights of the year 2023



Climate control

We mapped our emissions for all scopes for our base year 2020 in accordance with the Green House Gas Protocol (GHG)

Certified wood

We are proud to say we have a very high share of FSC® certified (FSC-C019122), and PEFC certified (PEFC/05-35-153) oak in our products, with a steady increase from 2022 to 2023. The part that is not certified we mainly purchase according to our own rigid due diligence process from forest owners in Sweden.

Monitoring

We have set up a new system to monitor our suppliers even more closely according to human rights and environmental regulations. Our aim is to monitor, and risk assess 100% of our suppliers during 2024.

ISO certified

We are certified with ISO 14001 and ISO 9001 for all our sites globally.

Climate Action

During 2023 we committed to and started validation process together with Science Based Targets Initiative. During 2024 Q2 we are expecting to get our

targets validated and communicated externally.

Sustainability Reporting

We have conducted a CSRD gap analysis and double materiality assessment to set the base for our CSRD reporting for 2024.

Carbon Footprint

We have lowered our carbon footprint in scope 1 & 2 with 77% from our base year of 2020, and we have implemented a low carbon transition plan for 2030 with aligned initiatives throughout the organisation.

Nordic Swan Ecolabelled products

The Nordic Swan Ecolabel is based on a life cycle assessment. It guides consumers to the most sustainable choices and is one of the most credible environmental certifications available. Kährs was first in its industry to obtain the certification. In 2023 more than 180 wood floors were certified.

Climate positive wooden floors

We have life cycle analysis of all our floors transparently communicated. These show that all our wooden floors produced in Nybro is climate positive.





Reflections on 2023 and the future

"One year into our 2030 sustainability strategy and we are off to an excellent start in the pursuit of our ambitious targets. Last year we implemented a low carbon transition plan across our value chain, established a new governance structure to lead and accelerate the sustainability agenda within the company, committed to and started to validate our Science Based Targets in line with 1.5 °C goal of the Paris Agreement, prepared and set up the organization for CSRD reporting, started taking back installation waste from our resilient floors to use again in our new flooring products, implemented a Diversity, Equity and Inclusion strategy with KPI's, implemented a new whistleblowing system and implemented a new tool to follow up on engagement and temperature within the company.

Already we are seeing some results. We have been able to cut the greenhouse gas (GHG) emissions in our direct operations by 77%, in comparison to our baseline year of 2020, setting us on a good path to achieve net-zero in our direct operations by 2030.

Alongside these headline achievements, we made

strong progress in laying the foundations to embed sustainability across all our divisions, as well as our value chain. We view sustainability and circularity as a given in our business strategy and as a part of our customer offer. This is alongside being a great place to work with a winning and inclusive culture, where all our coworkers feel engaged and are thriving.

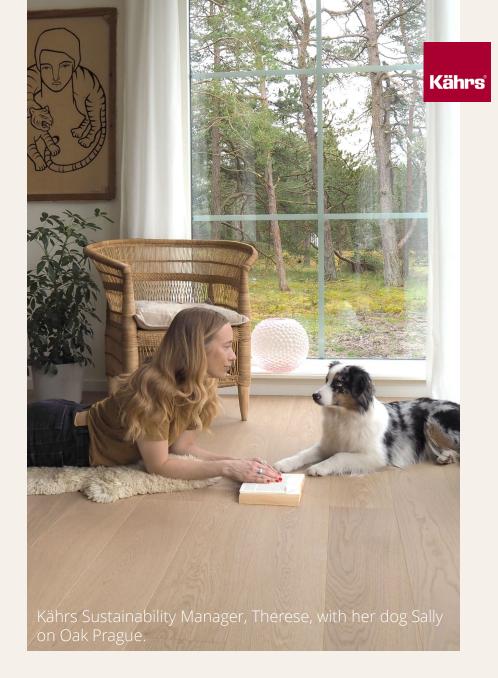
Our ambition is to be the sustainability leader within the flooring industry, and while work remains to be done, it's an exciting future with many opportunities."

> Johan Magnusson President and CEO



About Kährs

At Kährs, we go the extra mile to create high quality floors that innovate the flooring industry. We help make homes and businesses look beautiful, feel comfortable, and be healthier for us and the planet. And we do it beyond expectations — both internally and externally









About Kährs

Kährs Group is the European leader in flooring with our own production of multi-layer wooden floors and PVC-free plastic floors. We also distribute floors in other product categories and are now a full range supplier of floor solutions for all areas of use. With leading positions in wooden flooring in Sweden and Finland, as well as strong positions in other important markets such as Norway, the USA and Germany. Our products are sold in approximately 70 countries, with employees across 15 countries. We target groups with demands on high quality, design, and durability for all types of rooms and needs. The focus is therefore to offer premium products with high design content, good quality, a responsible relationship with the environment and a high level of service.

As a pioneer in the PVC-free resilient floor segment we launched the world's first PVC-free resilient floor (2004), first homogenous PVC-free resilient floor (2014), and first Nordic Eco-labelled collection within the category (2022). The Kährs range also includes products in the luxury tiles and textile tiles categories. This also includes a new type of functional, vinyl-free, bio-based floor; Kährs Aware.

Founded in 1857 by Johan Kähr our strong brand has been built through innovative flooring solutions and close relationships with customers, suppliers and forest owners, which has all contributed to consolidating the company's strong position in the market. We continuously develops products and our offering to create added value for private, commercial and public spaces through beautiful and environmentally sustainable floors.

Our consolidated production network in strategic locations, maintains proximity to raw materials and key markets, to ensure competitive quality products, punctual deliveries and the shortest possible logistics distances. Business is conducted with local adaptations in terms of sales strategy, market strategy and distribution, but with increasingly harmonized product platforms that enable efficient capacity utilization and flexible production planning. Production is always adapted to achieve a balance between economies of scale, local presence and consideration for the environment. The company has five production units; in Sweden, Finland, Russia, Romania and Poland. The technical development and design center for wood-based multi-layer floors is located in Nybro, Sweden, while the product development of PVC-free plastic floors is in Finland.

2023 in numbers

Customers: 5,200 Employees: 1,245 Sqm of flooring sold:

8,096,473 m2

Net Sales: 2897 MSEK Operating Profit: 182 MSEK

Employee engagement Temperature: 7.4 Participation Rate: 61% eNPS: -17

LTFIR: 9.2

Work-related injuries: 72 Fatality numbers: 0

Scope 1 & 2 emissions: 2599

tCO2e

Share of energy consumption

renewable: 93%



The Kährs Value Chain

We provide flooring solutions of Kährs produced and externally sourced products.

Wood

Kährs Group manufactures wood floors at five production facilities; Sweden (two facilities), Romania, Russia and Poland. Sustainable supply of wood is of the utmost importance to us. As a significant user of wood as a raw material, we have a responsibility to support and encourage the development of sustainable forestry.

Wood

Luxury

Tiles

Resilient

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It is our belief that by continuously increasing the demand for certified wood, we will contribute to long-term, sustainable forestry practices that help the environment and the people affected by forestry activities, such as indigenous peoples near logging sites.

Luxury Tiles

The Quartz collection consists of quartz vinyl tiles intended for extremely hard wear in public environments. The tiles consist of 70% natural materials such as quartz sand and minerals. The tiles have certified low VOC emissions and do not contain softening chemicals such as phthalates or DEHP.

Resilient

Enomer® is a unique and innovative floor material developed by Kährs (formerly Upofloor) and is made from

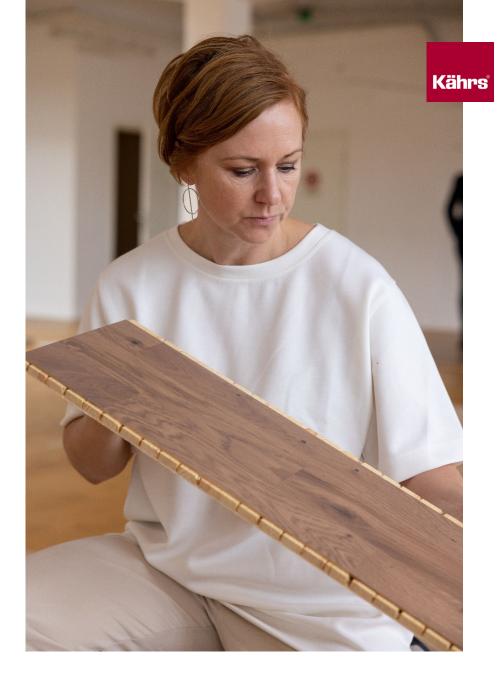
natural minerals and thermoplastic polymers. Enomer is free of PVC, plasticizers, phthalates, halogens, chlorine and heavy metals and is used in the Kährs Xpression and Zero collections. The Estrad collection was previously manufactured in-house, but the current production facility was dismantled in the second half of 2019 and the products are instead purchased from an external manufacturer.

Kährs has an EPD environmental declaration (Environmental Product Declaration). A very large proportion of waste material in the manufacture of plastic flooring is recycled for production. In the new Nordic Ecolabelled collection Zero & Green, 40% of the polymer is bio-based and up to 50% is recycled material.

Create With Our Hearts

"To Create with our Hearts means to design long lasting and unique floors that adds value for next generations to come. We want to be leading the way by being unique, aspirational, passionate, and focused. Staying ahead by identifying future market needs and trends. By using and selecting responsible materials, design needs to be pushing the boundaries of future floorings"

Petra Lundblad Design Manager





Sustainability Strategy & Governance

"Our prosperity - and that of our customers - depends on society and natural environments being healthy. However, there are challenges, such as resource scarcity, climate change, inequality and population growth facing us and the planet. That's why we have made a deep commitment to Sustainability and aim to become the sustainability benchmark within the flooring industry.

In 2023, we made promising positive progress in many sustainability areas, such as renewable electricity, climate change, solutions for circularity and supplier risk assessment, collaboration and engagement. We also measured and analyzed more data and metrics than ever before to better capture our full sustainability impact. At the same time, our results from 2023 helped us further identify where we have the biggest obstacles to overcome, such as where our products end up after use, transportation, more environmentally friendly raw materials and sustainable product sourcing.

Our corporate climate footprint decreased with 77% compared to our 2020 baseline, and we continue to strive toward decreasing our footprint each year until our target year 2030, with an ambitious and aligned low-carbon transition plan.

During 2023 we have also focused heavily on new reporting standards, analyzed our business and identified gaps that have helped us to further justify where to prioritize and, most importantly, work together throughout the company, because Sustainability is everybody's business. "

Therése Gerdman Sustainability Manager



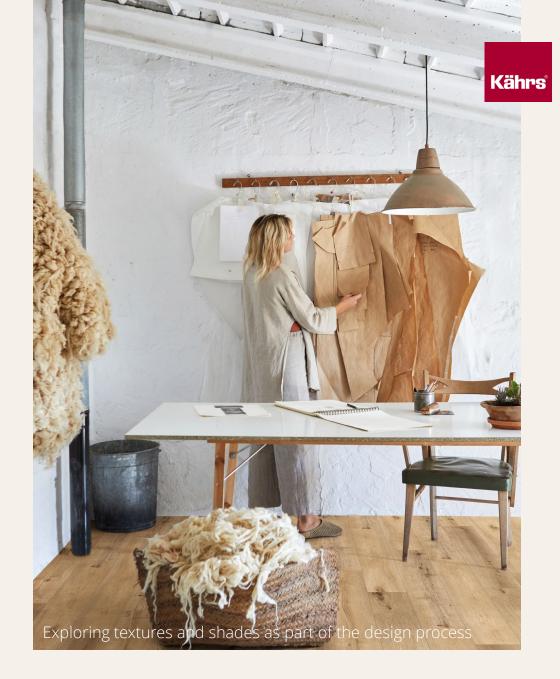
Sustainability Strategy

The construction and building industry accounts for 38 percent of global CO2 emissions, and 72% of carbon emissions will come from new construction worldwide by 2030. Kährs aim is to be the natural partner to reduce the carbon footprint within the building industry.

Kährs Planet Positive Journey is our path that looks at materials, products and corporate responsibility in their overall environmental impact. With our floor coverings, we not only want to contribute to sustainable and responsible materials in the construction process, but also have a positive impact on the daily lives of people and future generations. – For a worth living planet and for us.

Sustainability is about both the planet and people. During 2023, we expanded our diversity, equity and inclusion (DEI) measurement and efforts in 2023, tracking more data and establishing new policies and training resources. We see opportunities to improve gender and diversity balance among leadership at Kährs and develop new initiatives to make changes in the right direction."

Furthermore, we have worked on developing new processes and implementing a new Supplier Relations Management (SRM) system, to follow up our suppliers according to the new rules that come with the CSDDD (Corporate Sustainability Due Diligence Directive). CSDDD imposes stricter requirements on responsibility for the environment and human rights throughout the value chain, which means that companies need to follow up on their suppliers to assess risk and minimize risk. Within the framework of this work, we have introduced new policies, implemented SRM system, implemented a new risk minimization process, new internal governance, and carried out supplier visits to suppliers where we identified higher risk based on the corruption index.





Governance

During 2023, focus has been on continuing the work to anchor the sustainability strategy within the company, as well as to also lead the continued work to drive sustainability issues cross-functionally through the business. One result of this work is a new internal management structure of sustainability work, including steering groups and working groups, described below.





External and Internal Policies

External policies and strategy documents

We have several external policies that primarily serve as a framework and guidance for our daily sustainability work, with guidance in design, product development, logistics and supplier processes. Each policy is linkable for further reading.

- ➤ Code of Conduct
- > Environmental policy
- > Human Rights Commitment
- ➤ Health & Safety Policy
- ➤ <u>Diversity</u>, <u>Equity and Inclusion Policy</u>



Internal policies and guiding documents

Internally, we work with several different policies and guiding documents.

- > Code of Conduct
- > Anti Bribery and Corruption Policy
- > Working from home Policy
- ➤ Supplier Compliance Policy
- > Anti Money Laundering Policy
- > Anti Trust Guideline
- ➤ Conflicts of interest policy
- > Information and Security Policy
- Quality Policy
- > Energy Policy



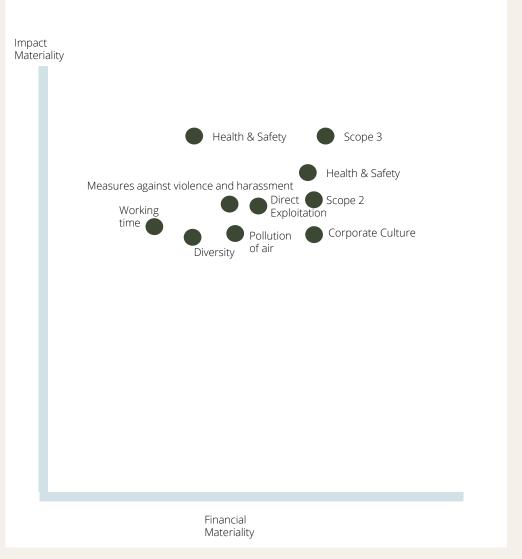
Materiality Assessment

The dual materiality analysis conducted in 2023 was the first steps in developing an outlook of our material impacts, risks and opportunities. Our dual materiality analysis is based on a series of workshops, interviews and internal documents and visualizes the subjects deemed to be of material and of importance to Kährs. We are now working on defining the impact, risks and opportunities within the ESRS areas to understand the interaction with our strategy and business model. More work is ongoing after this process to develop policies, objectives and measures to deal with the results of the dual materiality analysis.

During the materiality assessment, we identified material stakeholders, considering the stakeholders' impact on Kährs, our impact on the stakeholders and the stakeholders' materiality to companies in the same industry. We have identified four key groups of stakeholders:

- Consumers,
- Employees and co-workers,
- Suppliers and subcontractors,
- Investors.

We asked identified stakeholders for their views on sustainability issues to identify significant sustainability-related impacts, by conducting interviews with various functions throughout the company and among our key stakeholders within suppliers, subcontractors and investors.





The Sustainable Development Goals

The United Nation's SDGs are a universal call to action to eradicate poverty, protect the planet and ensure that by 2030 all people can enjoy peace and prosperity. The 17 SDGs are integrated with each other and consider that development must balance social, economic and environmental sustainability. With actions in one area affecting outcomes in others. This is a perspective we integrate into our business and sustainability strategy, goals and activities.

While all SDGs are critical to enable a safe and just space for people, we have identified 6 SDGs that will guide our activities, where we believe our operations have the greatest impact.



Our floors should help maintain a healthy indoor environment.



We strive to achieve equality and strengthen the position of women.



We contribute to healthier products and construction projects through transparency, environmental certifications and certification systems.



We must ensure sustainable consumption and production patterns.



We work actively to become climate positive and take urgent measures to help combat climate change.



We work with the protection, restoration and promotion of sustainable use of ecosystems, sustainable management of forests and stopping the loss of biodiversity.



Three Focus Areas

As a response to the three major challenges impacting Kährs business, we have identified three corresponding focus areas to help us to fulfil Kährs sustainability ambition to become planet positive and create more sustainable floorings within the limits of our planet

Ambitions for 2030

Commitments

Key enablers



CLIMATE & ENVIRONMENTAL PROTECTION

Reduce climate footprint & become climate positive, while growing Kährs business.

Working towards Science Based Targets, short & long-term, lowering climate footprint

Enable circular business opportunities

Regenerate resources, protecting ecosystems and support and improve biodiversity



DESIGNED WITH A CONSCIENCE

Inspiring and enabling people to make more sustainable choices through transparency and honesty

Flooring solutions with improved sustainability parameters including refurbishment offer

We continuously drive a more innovative and more sustainable portfolio through:

- ▶ Optimizing use of Raw Materials
- ▶ Design of Products
- ▶ Certificates & Labels compliance



RESPONSIBLE BUSINESS

Creating a positive social impact for everyone across Kährs value chain

Being an inclusive business & promote equality

Corporate Sustainability Due Diligence Directive

CSRD Reporting

Corporate culture

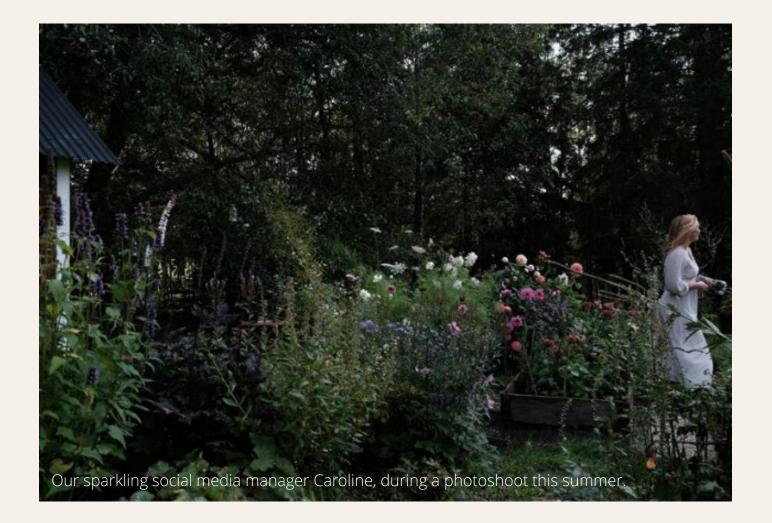
Co-creation & partnerships, innovation & entrepreneurship & inclusiveness



A Love For Nature

Kährs is a Swedish company. As a country covered in forests, our love for nature runs deep. Our roots are reflected in the look and feel of our products and how they're produced. Simply put, nature is in our DNA, and we want to do everything to protect it. Our first focus area is about becoming climate positive, protecting ecosystems, support and improve biodiversity and regenerate resources while growing Kährs business.



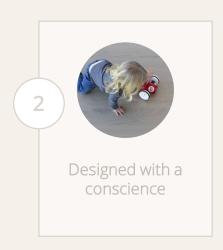




Responsibly Made Floors

We want to inspire and enable people to make more sustainable choices through transparency and honesty and enable new more sustainable product offerings through innovation.

Sustainability runs like a red thread throughout Kährs. While we are proud of the sustainability goals that Kährs has accomplished over the years, this work is an ongoing process that never ends. We are continuously trying to improve our production process; for example, sourcing from sustainable forestry, finding ways to use less water and energy, and avoiding unnecessary chemicals.







Human and Honest

We care about our co-workers and are dedicated to creating a workplace where people thrive. We work actively with diversity and inclusion, as to make everyone feel welcome. No matter how much we grow, being a human- oriented company will always be at our core.

Nobody is born an expert. In some areas of our business, we are making significant progress; in others, we still don't have all the answers. But transparency, honesty and sharing our progress and where we are is our top priority, both towards our co-workers but also towards our external stakeholders so we all can contribute to a change for good.







Environment



Kährs Climate Impact 2023

For 2023 we have reported the emissions of our own operations (scope 1 and 2) and are measuring our progress against a base year of 2020.

In 2023 we see that our electricity consumption is the greatest emitter in our own operations, closely followed by emissions related to transportation from our owned and leased vehicles.

To reduce our emissions of greenhouse gases, we are in the process of transitioning our internal production traffic to fossil-free operation. From 2021 all indoor traffic at the production facilities in Sweden runs on fossil-free fuel (HVO100) or electricity. While all outdoor trucks within our Swedish production sites have been replaced and switched to fossil-free operation.

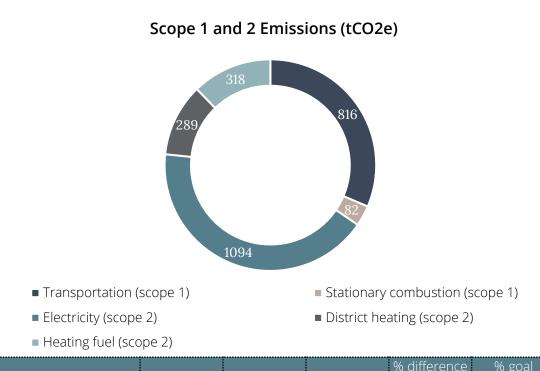
We continue to use alternative and fossil-free fuels where possible, replacing oil with biogas for process

heating in our Finnish production facility and replacing fossil-fuelled forklifts in our Romanian and Polish production facilities.

We have also focused on sourcing renewable energy for our international production facilities and warehouses, which has contributed to the lower Scope 2 emissions in 2023. This work will continue throughout 2024.

We have chosen to communicate our climate data according to a market-based method. The comparison figures from the previous one are updated according to our choice of method.

The climate footprint data is annually reviewed and updated to accommodate new data and facts. Baseline calculation 2020. Numbers have been rounded.



Emissions Category	Base year 2020 (tCO2e)	2022 (tCO2e)		% difference 2023 vs base year	
Scope 1 Emissions	2658	1159	898	-66%	
Scope 2 Emissions	8707	2987	1701	-80%	
Scope 1 + 2 Emissions Total	11365	4146	2599	-77%	-95%

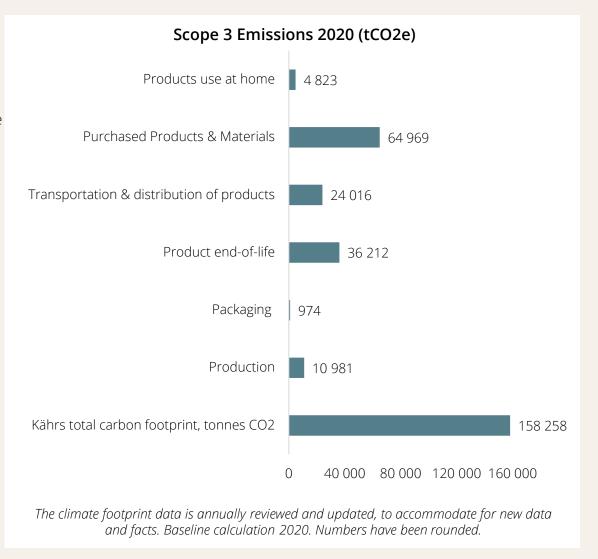


Kährs Climate Impact 2023

Our ambitions and targets for scope 3 emissions reductions are against a 2020 base year, which have been calculated according to a screening methodology and submitted to the Science Based Targets Initiative for validation.

From the base year calculations, we can see that the most significant emissions footprint comes from our purchases of products and materials, followed by emissions related to the end-of-life of the products we sell. For example, while the wooden floors produced by Kährs in an average year store more than 130,000 tons of carbon dioxide and can remain as a carbon sink for 50 years or more in installed floors, we have more work to do to establish circular solutions to extend the life cycle of our wooden floors and our other products.

In 2024, our focus will be on collecting scope 3 data for 2021, 2022 and 2023 to enable us to measure progress and prioritize emissions reduction initiatives across our value chain. This data will be published and shared in our 2024 report



Turning Waste to Energy

Kährs operations in Nybro delivers a surplus of CO2 neutral, fossil fuelfree biomass that is used for energy production. The biofuels from the residual material in wooden floor production provide more energy than we consume for heat and electricity within the entire group.

For decades, Kährs had been providing energy in the form of wood powder, made by wood shavings and sawdust, for district heating in the region. In 2019 we invested in a new facility to refine the byproducts of our flooring manufacturing into wood pellets at our factory in Nybro Sweden.

Today, the facility has a capacity to produce 60,000 tons of pellets annually. Wood pellets are considered climate neutral, as they do not contribute to increased net emissions of greenhouse gases into the atmosphere when consumed. And the corresponding energy if extracted from fuel oil would emit approximately 85,000 tons of CO2 emissions.

In 2020, Kährs wood pellets were certified according to the Sustainable Biomass Program (SBP) for sustainable biomass and in 2022, Kährs received the Swedish Energy Agency's Sustainability Statement for all biofuels; bark, sawdust, chips, pellets.





Green Bond

Kährs has chosen to establish a sustainability-related bond framework and to integrate it with financing operations. This Kährs issued green bond is linked to the outcome of three defined sustainability KPIs.

Already we exceeded the expectation of KPI 1, achieving a 77% reduction of CO2 emissions in our direct operations against our 2020 baseline. We are now working towards a commitment to achieve a 95% reduction by 2030. For the remaining KPIs, 2 and 3, we are progressing steadily. For KPI 2 our documentation has been submitted to SBTi and we are progressing through the validation process. And for KPI 3 we are continuing to work towards achieving our target of sourcing 87% sustainable wood by 2025.

We are committed to annually report our progress against these KPIs and have this reviewed and verified by third parties. Third-party review has been conducted by Position Green for the climate calculations related to scope 1 (direct emissions of greenhouse gases from operations over which Kährs has direct control), scope 2 (indirect emissions from purchased electricity, heating or cooling), and scope 3 (purchased materials, purchased goods, transport). This data has also been submitted for the SBTI validation and process. Our results regarding sustainably procured forest raw material were published on kahrsgroup.com in November 2023.

Links:

Verification of green bond.

KPI 1
40% reduction
of tCO2e from
direct
operations
(scope 1 & 2)

KPI 2
Achieve
Science Based
Targets
Initiative
validation

KPI 3 Sourcing 87% sustainable wood



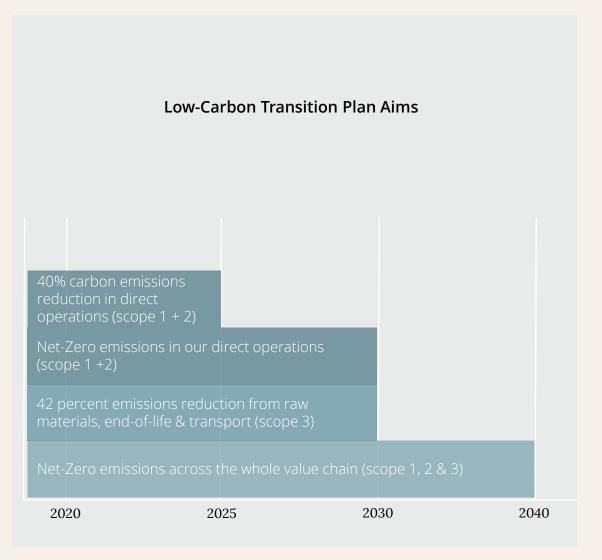
Kährs Low-Carbon Transition Plan

Kährs Low-Carbon Transition Plan (LCTP) outlines our sustainability targets and sets the scene for how we will operate in the future. Recognizing the urgent action required to tackle the climate change crisis, the LCTP brings forward Kährs aim to achieve carbon neutrality in its direct operations (scopes 1 + 2) by 2030.

It also includes our target of achieving net-zero emissions across Kährs entire value chain by 2040. Our path to carbon neutrality is signified by;

- Driving business growth forward by integrating ESG factors.
- Decarbonizing our value chain through key initiatives.
- Harnessing the power of new technologies, innovations, and nature-based solutions.
- Climate action is built with strategy, transparency, and engagement.
- Accelerating our action on climate change.

Our aims are consistent with our Green Bond and have been submitted to the Science Based Targets Initiative for validation to ensure alignment to the Paris Agreement. The first step in the LCTP, to reduce emissions in our direct operations by 40%, was achieved and exceeded in 2022, 3 years earlier than planned. Our focus is now to achieve net-zero emissions in our direct operations and reduce emissions in key areas within our value chain by 2030.





Pollution

Air

The manufacture of wooden and resilient products is often an energy-efficient process that directly contributes relatively small emissions of carbon dioxide. Significant environmental aspects are the transport that takes place in connection with harvesting and transport of materials in upstream processes, intermediate transports and the distribution of finished products for sale. Transport (apart from internal transport that is operationally managed by Kährs) is difficult to influence and make better environmental choices for but can be optimized. For example, where possible we utilize train transport between Kährs' operations in Romania and Sweden, as well as conduct trials with biogas trucks in Kährs Sweden's raw material transport.

All internal trucks powered by fossil diesel have been challenged by Kährs climate program and we have already seen a transition to biodiesel in Sweden as well as changes to gas or electric trucks in the other units in Kährs factories in Europe.

Heat supply to our processes is completely bio-based (residual waste from wood) in our wooden floor factories and in the plastic factory in Finland we have invested in a biogas plant which is phasing out the heat supply on oil.

The manufacturing processes at Kährs, in both wooden floor manufacturing and plastic floor manufacturing, generate dust in the air. This dust can be unhealthy for people and the environment if not cleaned. The dust is transported in pipelines to filter facilities that limit the emissions of dust at our factories. Preventive

maintenance ensures that the filtration equipment functions satisfactorily. By measuring, examining and listening to the equipment, we can find faults early and prevent emissions and avoid costly repairs to the filters.

VOCs consist of volatile organic substances found in our additive materials (paint, oil, glaze, putty and glue) as well as in various chemicals used in cleaning and maintenance of machines. The largest number of VOCs is consumed during cleaning with solvents in the production processes. Spent solvent is handled as hazardous waste and taken care of by approved contractors.

Emissions of VOCs occur primarily in the surface treatment process. Certain VOC-classified substances, such as those included in the curing of glue, are consumed when they react and are therefore not released during manufacturing. Kährs works actively to reduce the proportion of VOCs in chemicals in both development work and daily phasing out and substitution.

Water

Water is part of a closed cycle and it is important that the water we return to nature is clean. The largest share of our water use goes to irrigate timber and to regulate the moisture content in the drying process.

Watering the timber ensures that the timber does not dry and cracks before it is sawn during the summer period. At the sawmill in Blomstermåla, Sweden, water is taken from the Alsterån for this purpose.



Pollution

In Blomstermåla, there is no recirculation of the irrigation water, but it is infiltrated in an artificial infiltration bed and then led through a natural wetland before the water reaches Alsterån again. In 2023, Kährs carried out tests on also directing the used irrigation water through bio-towers filled with LECA balls for cleaning in a so-called aerobic process (adsorption of sludge particles and dissolved organic substances). We will continue to evaluate that facility during 2024. Outgoing water to Alsterån is continuously tested by Kährs.

Water is also used to regulate the moisture content in the drying process and thereby prevent the sawn wood from drying too quickly. Used water for the dryers evaporates into the air.

Water is also used for cooling certain processes and for personal hygiene and is released directly to treatment plants. Process wastewater from surface treatment processes is always classified as hazardous waste.

Cleaning of gluing equipment in Sweden also gives rise to process wastewater. The polluted water contains difficult-to-degrade organic substances (TOC), which are not broken down in the municipality's sewage treatment plant. Therefore, all this process wastewater is treated in an internal treatment plant with sedimentation and adsorption of pollutants before it is diverted to the municipal wastewater network. Annually, approx. 150 m3 of treated process wastewater is diverted from the Nybro operation.

Rainwater and the storage of timber and biofuels also give rise to the release of stormwater and leachate, which lead to increased levels of oxygen-demanding substances and tannins (a substance that occurs when wood or other organic substances break down). In Nybro, Sweden, there is a vegetation and sedimentation

filter to reduce the amount of organic material to the recipient.

In Satulung, Romania, rainwater/stormwater and wastewater are received in a separate treatment plant located within the area of operation.

Microplastics

Microplastics is a collective name for small plastic fragments that are up to five millimeters. It can be manufactured as microplastics or formed during the wear and tear or degradation of plastic. Microplastics are often divided into two groups, primary and secondary.

The primary group includes, for example, those that have been produced intentionally to be used as raw material in the plastics industry, as scrubbing material in various products or as an additive. Secondary microplastics come from larger plastic and rubber objects that have been broken down into smaller particles. As a possible influencer, Kährs will review its upstream operations as well as its own production of plastic flooring (polymerization process).

Substances of concern and substances of very high concern

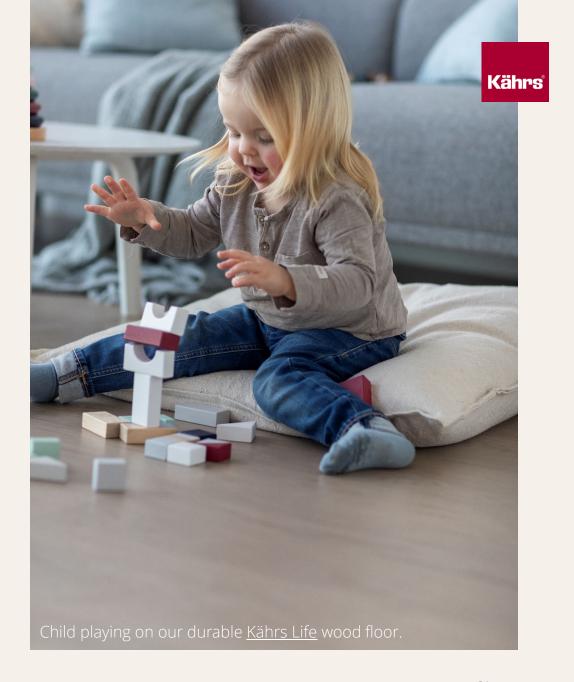
There are also risks linked to the chemicals used in the products that can affect the production environment and indoor environment when using the products. In the manufacture of wooden floors, there is a risk that wood may come from fellings that do not meet requirements for sustainable forestry or that are illegal. Environmental certifications and third-party audits of the procurement chain are examples of how we minimize this.

Pollution

The iChemistry system is used for our handling of chemicals and is based on a database that improves and simplifies the management of chemical use and provides increased transparency, something that is very important in the work with environmental declarations and labels such as BASTA, SundaHus, Miljöbyggnad, Byggvarubedomningen and Svanen (the Nordic Swan Ecolabel).

During 2022, the use of the system within the group continued with a continued focus on the intake of new chemicals into the business. The aim is to ensure that we take in the best available alternative for each type of chemical, from a sustainability point of view.

The chemicals handled at our production facilities go through an approval process before they can be used. We use iChemistry to assess the risks of different chemicals and to develop our chemical use. We strive to continuously reduce the number of products and to replace them with better products when they become available on the market. Our products have environmental labels such as Svanen, M1, BASTA and SundaHus. Environmental labels help users choose products with low emissions, which is beneficial for a good indoor environment.



Water and Marine Resources

The results of the materiality analysis are important in view of our approach to water use. Currently, we do not have a specific policy for water and marine resources. We are aware that due to climate change, water shortages can affect our operations. Therefore, we will address this topic in our environmental policy, which we will revise and develop in 2024.

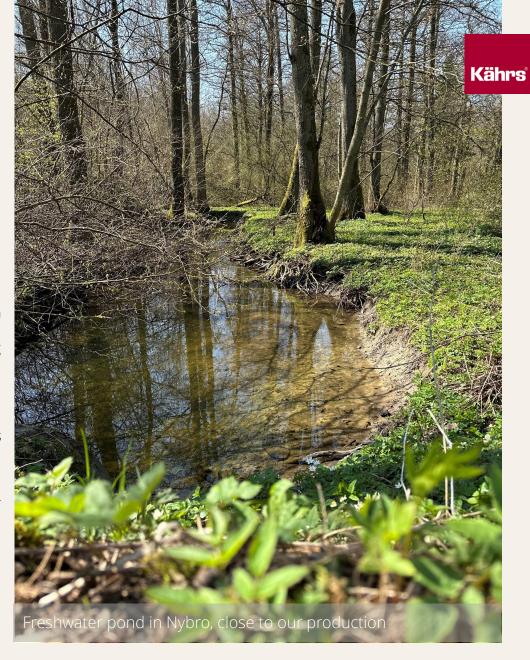
Water consumption is considered in the Kährs environmental policy and there are risks with the use of water in the event of a shortage of drinking water or during severe droughts, which could affect river water for irrigation. However, Kährs is a relatively small consumer of water. Possibilities for savings in use exist and mainly through technology changes for cooling methods, which will be further investigated.

Kährs uses water for drying, irrigation, cooling, cleaning and hygiene in its floor factories. The total water consumption of fresh water is approx. 60,000 m3 and of this approx. 26,000 m3 can be counted as drinking water, the

remaining part is river water (fresh water). About 80% of drinking water use comes from municipal drinking water and 20% from own groundwater abstraction.

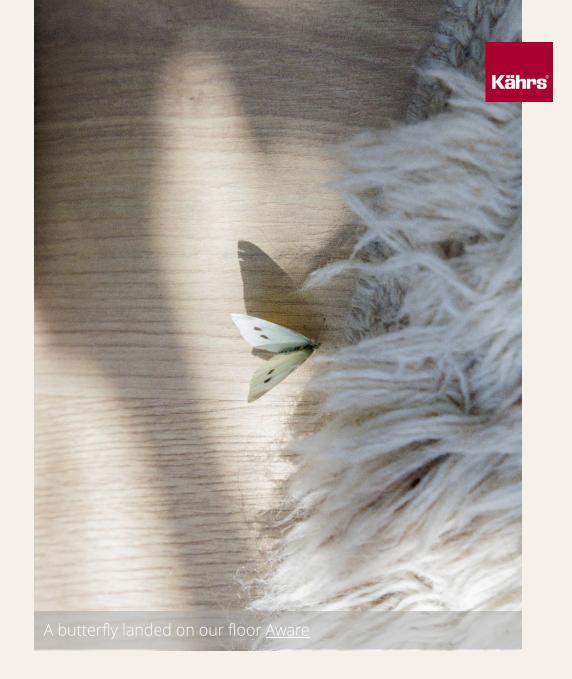
Åvatten (fresh water) is taken from Alsterån in Blomstermåla for irrigation of timber. Between 30-40,000 m3 is taken up annually and approx. 60% returns to Alsterån the remaining part has gone into the air or been absorbed/evaporated into timber, soil or air).

Rainwater/stormwater from Kährs industrial areas can affect recipients outside Kährs areas if they are contaminated. In Sweden, Nybro, the water is handled in sedimentation ponds and a vegetative sedimentation filter with ongoing controls. In Romania, Satulung, runoff takes place to the own treatment plant. In Poland, Bialosliwie, a small facility, drains the storm water into the ground. In Finland, Ikkalinen leads stormwater to the municipality's treatment plant.



Biodiversity and Ecosystems

Our ambition for 2030 is to, to the greatest extent possible, use sustainably sourced renewable or recycled materials for our products, and to have a positive impact by regenerating resources, protecting ecosystems and improving biodiversity. This work involves identifying, preventing, reducing, and addressing potential negative impacts on biodiversity and ecosystems linked to our business. We depend on materials and ingredients to be able to manufacture our products. We will always work to find new ways to do more with less.



Biodiversity and Ecosystems

We are aware that our business model can generate a high impact on biodiversity, as wood products are one of the priority sectors assessed by the TNFD (Taskforce on Nature-related Financial Disclosures). Thanks to the adoption of the "Kunning-Montreal Global Biodiversity Framework" during the UN conference on biological diversity, COP15, biodiversity and restoration of natural ecosystems have come high on the agenda and global goals for 2030 have been set. The new global framework contains goals that are expected to help reverse the negative trend in biodiversity and to stop the extinction of animals and plants.

In addition to four permit targets to be achieved by 2050, the framework also contains 23 action targets. One of the most important goals is to protect 30 percent of the Earth's surface at sea and on land by 2030. In 2023, the initiative worked to speed up the assessment of the biological diversity of FSC®-certified forests, on how those who have FSC certificates can demonstrate their impact on biological diversity and nature. This is an important link to put in place going forward as FSC is a certification system that is used in the timber and forestry industry to ensure that you trade in sustainably sourced wood raw material

Alongside the other global and EU documents outlining the importance of respect for planetary boundaries and nature restoration, we will work on a biodiversity and ecosystem transition plan for Kährs. We will continue to map our impact on biodiversity, set goals to reduce potential negative effects and plan future actions and integrate this into our operations.

The goals we are currently working on are linked to certified wood raw material that is integrated into our business plan and sustainability strategy.

Our timber purchases must meet the requirements of the EU Timber Regulation (EUTR). Risk assessments in accordance with the EUTR are continuously monitored by us both as operators and traders* to ensure compliance with the EUTR. If necessary, we also use a global, third-party organization to verify legal compliance.

*'Operators' is the timber regulation's designation of actors who place timber or wooden products on the EU's internal market, and 'traders' are actors who buy and sell wood material that has already been placed on the EU's internal market.





Biodiversity and Ecosystems

The purchase of wood raw material is made according to the Kährs Group's standard for controlled wood, as the minimum acceptable level. The forest certifications Kährs Group have today are FSC® (Forest Stewardship Council®, FSC-C019122), FSC Controlled Wood and PEFC (Program for the Endorsement of Forest Certification, PEFC/05-35-153).

In some countries, we accept other certification systems if they are considered acceptable by leading environmental organizations. All production facilities for wooden floors within the Kährs Group have been audited according to FSC ® and PEFC requirements. In 2020, Kährs wood pellets were certified according to the Sustainable Biomass Program (SBP). The SBP was created to enable certified companies to demonstrate that they produce, trade or use biomass from responsible and sustainable forestry. SBP certification is based on principles of legal compliance, sustainability and independent audit and verification. The SBP certification is based on established certifications for sustainable forestry such as the Forest Stewardship Council® (FSC) and the Program for the Endorsement of Forest Certification (PEFC). Kährs was already certified under both FSC and PEFC, but needed to implement additional risk reduction activities, involving 450+ suppliers in more than 25 countries, to also comply with the SBP framework.

In our environmental policy, we have declared that we will work with our design, development and production processes to strive for a circular product life cycle, with innovative choices to drive and develop more sustainable products. With our "Sustainability Commitment", which our business partners get when we enter into partnerships with them, it is communicated the importance of biological diversity,

and that we must work together to find circular solutions to use as little raw material as possible.

Our commitments and goals:

- Continue to increase the share of sustainably procured wood raw material and promote responsible forest management, to eliminate deforestation and a deterioration of our forests.
- Work closely with forest owners when procuring raw materials to offer expertise, inspiration and advice in sustainable forestry, biodiversity and ecosystems.
- Offer and promote solutions, services, inspiration and provide easy access to knowledge on how to extend the life of our products and materials.

Green Bond KPI 2	2020	2021	2022	2023 (Target)*	2024 (Target)	2025 (Target)
% of sustainable wood sourced	80.5%	82.4%	82%	84%	85.6%	87%

^{*}An update to the table was made on 1 July 2024, to correct an error made in the labelling of columns.

"We work daily to ensure that when purchasing oak timber, the timber comes from sustainably managed forests, by visiting forest owners and sites before and during harvest to ensure the oak has the right qualities and dimensions. During these visits, there can also be a lot of advice for the next generation of oak forest, in this way we can help and inspire knowledge about sustainable management, biological diversity and nature-related risks."

Magnus Bergström Wood Purchaser



Resource Use and Circular Economy

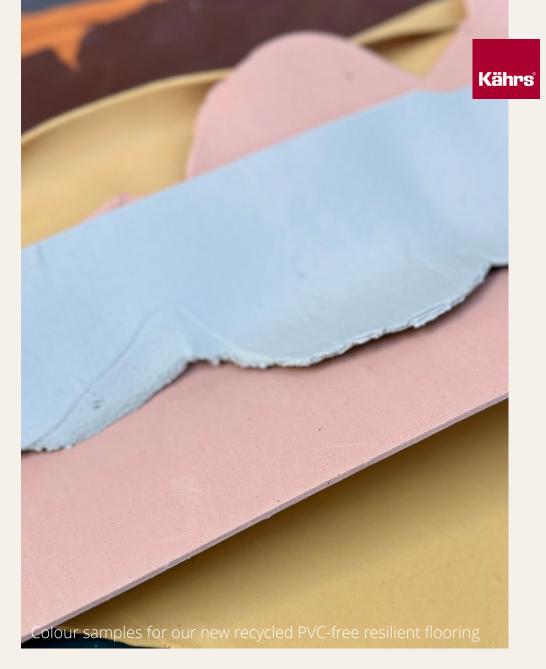
Conscious and circular design is a priority for our business, today and in the future. Reusing and recycling products recirculates existing natural resources, limiting biodiversity loss by reducing the extraction from and disruption of landscapes and habitats.

Our commitment to circularity starts with offering flooring solutions that are long-lasting, timeless, and of high quality. Through ongoing innovation and collaboration, we continuously focus on responsible sourcing, minimizing waste, and extending the lifespan and value of the materials we use.

We are committed to reuse all our PVC-free plastic material, both from waste and end of life to make new healthier spaces for humans and the environment.

We recognize the connection between resource use and responsible business practices. Today, we consider both the efficiency and utilization of resource use in our factories, as well as the potential for circular models with our suppliers, customers and end users. The double materiality analysis carried out in 2023 was the first steps in the development of a comprehensive strategy for circularity. In the assessment, circular economy was identified as a subject of high materiality, based on a series of internal workshops, interviews and the review of internal documents and their adaptation to external standards.

More work is ongoing after this process to develop policies, objectives and measures to deal with the results of the dual materiality analysis. Based on the results of the ongoing workshops to develop Kährs strategy for circularity, a set of measurable targets and KPIs consistent with CSRD and the principles of circular design will be established. These metrics will be aligned with and included in Kährs overall strategy, as an important component to support our circular transformation.



"At our wooden floor manufacturing facility in Nybro, manufactured floors that don't meet quality assurance requirements, and therefore can't be sold in the market, are recycled, repaired and made available for purchase by the staff. You could say that we make a new floor from a discarded one.

Our colleagues all work hard and we repair the floors to the point where they are still high quality. Which means that we can offer colleagues a nicely priced way to enjoy the products they work with.

It is also a good thing for the environment, as we avoid throwing away products that can be used. It's important we take care and value the raw material we work with everyday."

Sara Stensson Sales to personnel





Resource Use and Circular Economy

The next step in our journey towards increased circularity is to develop a strategy for increased circularity that is adapted to the effects, risks and opportunities that we identify within the ESRS topics climate, pollution, water and nature. Driven by the Sustainability Governance Structure and the CSRD Steering Committee, a series of workshops is underway to collect and document the impacts, risks and opportunities related to the circular.

These results will support and contribute to the strategic direction of Kährs, leading to a consistent and transparent set of policies and measures. As a starting point, this map of our inflows and outflows of resources provides a basis for us to evaluate potential impacts, risks and opportunities for circularity.

Alongside our ambition to achieve SBTi validation this year, we are currently compiling 2023 data for material and

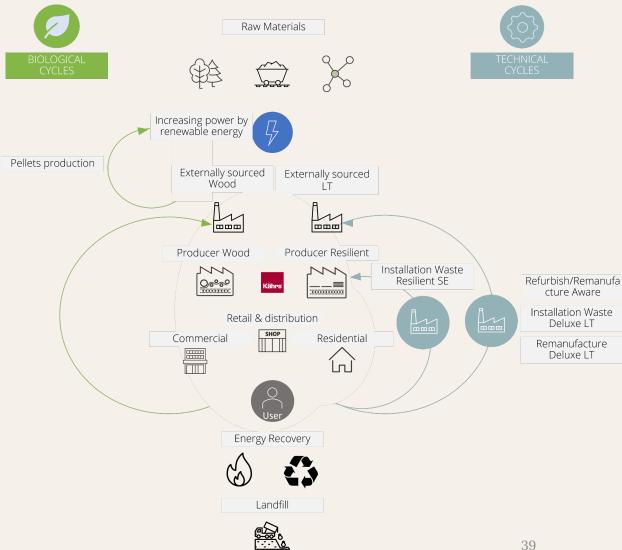
resource use in our production and throughout our value chain. This would provide a breakdown of inflows and outflows related to Kährs operations.

Today, we analyze the waste generated in our operations, in the office, factories and warehouses. We have achieved a 20% reduction in waste-related emissions when comparing 2022 to 2023. An indication of our continuous efforts to reduce the impact of waste.

Since 2010, Kährs has recycled production waste from our PVC-free elastic floors manufactured in Ikaalinen, Finland.

Additionally, our vinyl flooring suppliers ensure that all production waste is collected and recycled within their manufacturing processes.

In 2023, we launched a take-back program to recycle installation waste for our PVC-free plastic flooring in Sweden.

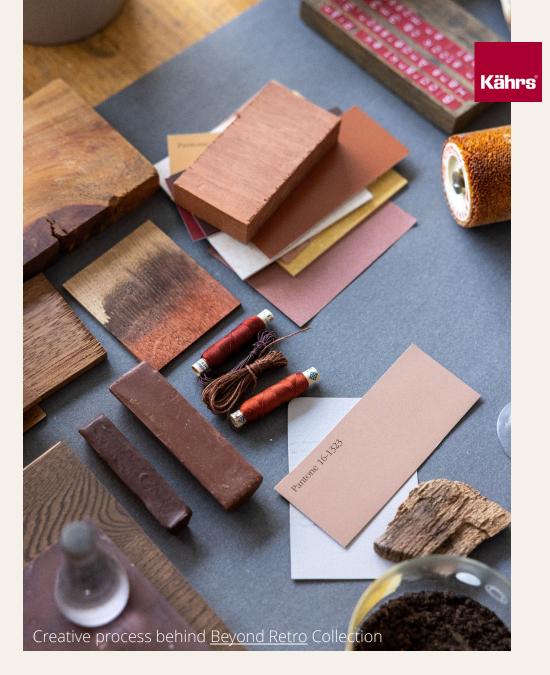


Resource Use and Circular Economy

Recirculation of installation waste takes place within Sweden's framework of GBR's (National Flooring Industry Association) national recycling system in Sweden and the Swedish flooring industry's common system for collecting installation waste. It is open to all GBR-affiliated plastic flooring manufacturers and the material can be recycled and reused within our existing PVC-free flooring manufacturing. Another initiative to minimize waste is that at our production facilities in Nybro, Sweden and Satulung,

Romania collects wood waste and recycles it into wood pellets and chips used as energy sources. This is either consumed within our production or sold as a commercial offering externally.

Despite the progress made so far, we are aware of our responsibility to implement circularity and circular business models in our own operations and value chain. Work is underway to manage the effects, risks and opportunities of circularity through an impactful circularity strategy. Our commitment to reuse all our PVC-free plastic material, both from waste and from end-of-life products, to create new healthier spaces for people and the environment, is one of the first steps for Kährs.







"Circularity is part of our DNA. At our production site in Ikaalinen, Finland we ensure zero production waste and showcase recyclability by circulating material waste from production back into the manufacturing process.

During 2023 we have increased our focus on circularity. We are now part of the Take-Back Program of GBR, the Swedish national flooring industry association, who collect all installation cut-offs from our PVC-free Zero sheet and Zero&Green collection in Sweden. The material is brought back to our Ikaalinen production and used in new floorings, such as a Zero&Green a Nordic Swan labelled product containing recycled material and biobased polymers. Our research and product development has been focused on developing a new PVC-free floor product that contains a higher percentage of recycled material. And by the end of 2024 we will launch a new product range that utilizes the installation cut-offs we collect.

We believe that how long a floor stays on the ground matters, and we know our high quality, high performing, and timeless designs will stay on the ground for a long time. Our aim is to encourage our customers to prolong the lifetime of their floors even further and a pilot of a new refurbishment proposition in Waasa, Finland is a further step in offering flooring solutions to support every stage of a floors life cycle to truly encourage increased circularity and reduced material consumption."

Sara Olofsson CCO Commercial

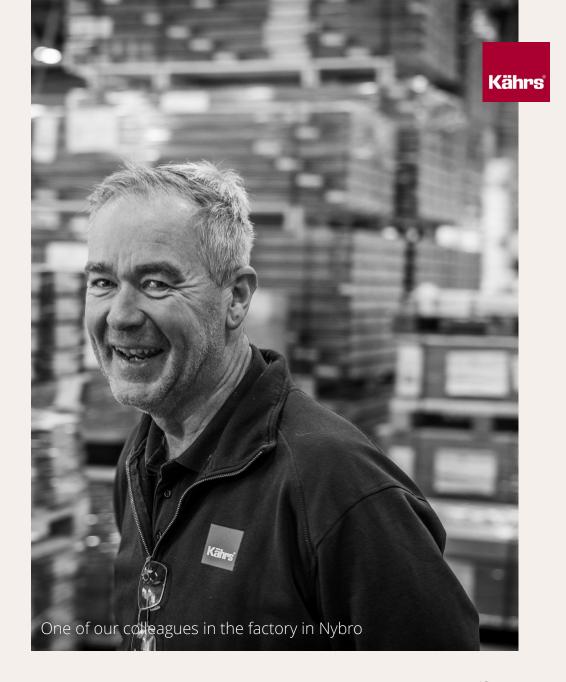


Social

Own Workforce

Within the Kährs Group, we have a strong commitment to corporate ethics and integrity. We want all people to be treated with dignity, and we do not accept behavior that does not show due respect to others. Everyone who is part of our business, as an employee or as a business partner, must be offered a workplace where well-being and health are neither compromised nor compromised.

Employees' terms of employment must at least meet the minimum requirements in national legislation and relevant ILO conventions to guarantee a safe and healthy workplace. Kährs Group wants to be a modern and attractive employer that can recruit talented employees with the right skills, despite intensifying competition on the labor market. It must be clear what Kährs Group stands for. We must be sensitive to how our employees perceive their workplace and what we have to offer, so that we take care of our strengths and can and can capture what we can improve on. We see equality and diversity as obvious conditions for success and want all our employees to have the same conditions to develop and feel good within all parts of the group.





Own Workforce

Risk management and social responsibility

In a manufacturing industry, there are risks for employees to injure themselves in daily operations. To minimize these risks, we work with comprehensive safety programs at all our production units. All our employees receive a review of the Kährs Group's code of conduct and relevant personnel receive in-depth training regarding our business practices and our guidelines against bribery and corruption.

In 2016, the Kährs Group started an initiative, which we have called Safety First, to introduce a common strategy for safety across the entire group. A series of activities to increase focus and awareness around safety were carried out in stages at all production facilities and dealt with everything from routines, protective equipment and incident reporting. In 2017, the Kährs Group launched a joint deviation and incident reporting system, IA (WIA for the wood industry). We encourage our employees to be active and register all types of deviations/events in the system, which thus become a good basis for the preventive work and to support the work with continuous improvements. Since 2017, approx. 2,500 events have been registered in the WIA system in all categories, which in addition to accidents and incidents, include risk observations, quality, environment, improvement proposals and other deviations.

Whistleblowing

It is important to us that our employees have the opportunity to participate and influence their work environment, but also that we should be able to detect and remedy any irregularities as quickly as possible. In 2022, we introduced a new

whistleblower service, WhistleB, which enables employees to anonymously report any irregularities in a secure manner. The whistleblower service can be used to alert us to serious risks that could harm individuals, our company/organization, society or the environment. No reports of irregularities or corruption have been received in our whistleblower system.

Employee survey

In 2022, we implemented the temperature measurement system Winningtemp throughout the group. It is a way for us to follow how the employees feel and what they experience works well and not so well. It will also make it easier for us to work towards and set relevant goals and activities to increase the percentage of engaged and satisfied employees. The measurements provide a good basis for working actively with continuous improvements. Winningtemp is based on all employees receiving a few short questions every two weeks to answer via an app or email. An overall result of all responses is presented as a scale between 0 and 10, which is a temperature measurement of how we experience our workplace.

Temperature in WinningTemp

	2023	2024 Target	2027 Target
Score	7	7.5	8
Participation Rate	55%	75%	90%



Own Workforce

Diversity, equality and inclusion

Over the past year, we have focused on diversity, equality and inclusion as we saw a great need to raise this area, partly as part of our social work under ESG, partly because after our sustainability reporting to our owners we saw a gap in strategy, initiatives and goals in this area. In 2023, we developed a strategy for how we want to work with both culture, as well as diversity, equality and inclusion. We developed a strategy and action plan with clear goals and initiatives based on the gaps and opportunities for improvement we identified.

To fully understand where our organization was and how we were doing internally, we did in-depth interviews internally, exit interviews when people left, and used our employee survey to fully understand where the organization was. While we were mapping our needs, some key people within the company also attended training in diversity, equality and inclusion in order to deepen the subject and be able to take it further within the organization. During the year we have had training in unconscious bias and will in 2024 hold training in inclusive leadership. It is the ESG function within Kährs that holds these trainings.

Policies for our own workforce

The following internal documentation provides guidance on how our business should be conducted responsibly in terms of employee health and safety:

- Code of Conduct
- Health and Work Environment Policy

Measures to address risks and opportunities

- Secure a higher response rate in Winningtemp, our employee survey to be able to form a fair picture of how people feel internally
- Proactively work to improve our culture and engagement across all functions, at all levels within the company. By:
 - Interviews with employees internally to provide internal recognition
 - Colleagues and managers can nominate who should receive extra attention one month
- Work culture as a building block into our KPI and work tool Howwee
- Increase information flow internally so that we increase understanding, commitment and transparency
- Internal training in Winningtemp to increase response rate:
 - Prioritize people and culture as part of our ESG strategy and agenda
 - Follow up on equality, inclusion and diversity in our employee survey Winningtemp

Key Performance Indicators

	2023	2024 Target	2027 Target
Employee net			
promoter score	-18	0	+13

	2021	2022	2023	2027 Target
Lost Time Injury				
Frequency Rate	7.5	8	9.2	5



Workforce in the Value Chain

Kährs Group manufactures most of the wooden and resilient floor products that the company sells on the market. Kährs Group also has agreements for the purchase of certain products with external suppliers that meet our strict specifications.

In 2018, the external purchases of finished products were expanded with the product category, LVT, and in 2022 we expanded the offer with a new product category, bio-based, vinyl-free floors. The externally purchased products are an integral part of the group's total offering under the Kährs brand. Since 2019, Kährs has a partnership agreement with a Belgian manufacturer of textile floor tiles, Modulyss, for the distribution of their products on the Nordic project market.

Key stakeholders

During the materiality assessment, we have identified material stakeholders, taking into account the stakeholders' impact on Kährs, our impact on stakeholders and the stakeholders' materiality to companies in the same industry. We have identified four important groups of stakeholders:

- Consumers
- Employees and collaborators
- Suppliers and subcontractors
- Investors

We asked identified stakeholders for their views on sustainability issues to identify significant sustainability-related impacts, by:

- Conducting interviews for various functions throughout the company
- Conducting interviews among our key stakeholders: suppliers, subcontractors and investors.

Impacts, risks and opportunities

Evaluation of our value chain is for us an important step in developing and strengthening cooperation with our partners. It allows us to better understand how they work, and what their strengths and needs are in terms of our collaboration when it comes to sustainability. This is a crucial part as we define more sustainable products and implement a circular roadmap and initiatives for the future.

Kährs Group requires that the application of our business principles is in line with our ethical expectations and legal obligations. These are mainly based on internationally agreed standards such as the Universal Declaration of Human Rights, the principles of the UN Global Compact, the UN Convention on the Rights of the Child and applicable ILO conventions.

There is a risk that purchases are made from suppliers who do not treat people with dignity and respect or who disregard the minimum requirements in national legislation and relevant ILO conventions, therefore we work continuously to update policies, evaluate our suppliers and have a close collaboration with our suppliers.



Workforce in the Value Chain

Policies

We have developed a framework for cooperation with suppliers and subcontractors that will take into account social issues regarding workers in the value chain. We want to ensure that they are treated as our own workers in areas such as human rights, diversity and equality, health and safety. In 2023, we implemented a new Kährs Code of Conduct that sets even higher requirements and complies with the new legislation that Kährs needs to comply with, in both the environment and human rights.

To minimize the risk of purchasing from suppliers who do not treat people with respect or disregard the minimum requirements in national legislation, we collect a signed Kährs Code of Conduct from our suppliers certifying that they have read and understood our requirements. We inspect all factories that manufacture finished products for our range, and they go through our supplier evaluation process, where we evaluate risk and work to minimize risk among our suppliers. In order to be able to do this methodically and administratively efficiently, we have implemented a new SRM system where we can follow up on our suppliers. We are documenting the process for how we analyze and minimize the risk of our suppliers during the first part of 2024.

The following documentation provides guidance on how we and our partners should act to protect human dignity and human rights:

- Kährs Code of Conduct
- Human Rights Policy
- Supplier's Policy

External suppliers undergo our supplier evaluation process with criteria to ensure quality, environment, governance and financial security for our stakeholders. All external manufacturing facilities are inspected and receive ongoing support from our purchasing and quality organization.

Measures to address risks and opportunities

The risks we see are that if we don't work with our suppliers or have a process in place, we can't ensure that they comply with the demands we have on them when it comes to human rights. Our strategy is that after we have analyzed and evaluated our suppliers, we lay a foundation to either be able to continue working with the supplier and help them become better in these areas or to end the relationship. We already see that the working method we have introduced in evaluating our suppliers has opened up a better dialogue and understanding that we must work towards sustainability goals together and that we can help them partly with inspiration, but also good examples, structure and the importance of this continued change work.

By working closely with our partners, we can cooperate and drive a positive change within our value chain, to reach even higher standards in the areas of environment, labor rights and human right. Anders Edh, Purchasing Manager at Kährs

The first goal we are working on is to get answers from our most strategic partners, this to be able to follow up on them in an adequate way.

	2023	2024 Target	2027 Target
Supplier response rate	50%	80%	100%



Governance



Business Conduct

Risk management Governance & business ethics

We act with integrity and in the spirit of good business practice and we do not tolerate any activities that distort the market or inhibits economic, social and democratic development such as corruption, bribery and dishonesty anti-competitive measures.

We must comply with national laws in the countries where we operate. Should any requirement in our Code of Conduct conflict with national legislation in any country or territory, the law must always be followed. However, Kährs Group's demands can go further than the requirements set out in national legislation. Within a global operation, there is a risk of this occurring corruption and bribery. We counteract this through clear guidelines regarding what is not permitted or ethical acceptable - both based on laws and our corporate values. We train staff in ethical issues.

Our suppliers commit to complying with our code of conduct and we inspect all factories that manufacture finished goods products to our range, and they go through our supplier evaluation process. We make use of Corruption Perceptions Index as part of the risk assessment when entering a new market or when choosing supplier. The risk of purchasing illegal wood is minimized by buying certified wood or using one third-party organization to verify legal compliance if there is uncertainty about the

origin of the wood.

The following documentation provides guidance on how we work ethically with regard to accountability, justice and transparency with our stakeholders:

- Code of Conduct
- International Sanctions policy
- Anti-Money laundering
- Anti-Trust Guideline
- · Anti-bribery and Anti-corruption guidelines

Whistleblowing

It is important to us that our employees have the opportunity to participate and influence their work environment, but also that we should be able to detect and remedy any irregularities as quickly as possible. In 2022 we implemented a new whistleblower service, WhistleB, which enables employees to anonymously report any irregularities in a secure manner. The whistleblower service can be used to alert us to serious risks that may harm individuals, our company/our organization, society or the environment. No notifications about irregularities or corruption have entered our whistleblower system.





EU Taxonomy

Kährs Group reporting in accordance with the EU taxonomy regulation

The purpose of the EU taxonomy regulation (EU 2020/852) is to facilitate the identification and comparison of environmentally sustainable investments through a common classification system. Large companies of general interest affected by the sustainability reporting requirements according to the directive on non-financial reporting (Non Financial Reporting Directive) must report how much of the business is covered. The taxonomy is based on activities which, according to the research, account for a large part of the climate-affecting emissions and which the EU believes has a decisive role in the transition to a low-carbon, resilient and resourceefficient economy. Kährs Group's activities in the manufacture and sale of floors are not one of these, which means that only a limited part of the business is covered by the taxonomy. Although Kährs Group's main business is not found among the taxonomy's activities, the group is still deemed to be able to contribute to the transition. Kährs Group has been conducting extensive sustainability work for many years, where sustainability is an integral part of the whole business. Several of the group's sustainability goals are in line with the UN's global development goals, even if they are currently not covered by the six environmental goals that Kährs evaluated within the taxonomy. Not part of Kährs Groups turnover is included among activities classified as direct income generating according to the taxonomy. However, the group has an indirect influence on the economic activities mentioned in the first two of the taxonomy delegating acts on limitation of and respective adaptation to climate change. Group's investments in tangible fixed assets as well as right-of-use assets and costs that are related to these are the parts that are to the greatest extent covered by the taxonomy.

Assessment of compliance with the taxonomy regulation

Transport by motorbikes, passenger cars and light motor vehicles Kährs is covered by the economic activity 6.5 Transport with motorcycles, passenger cars and cars, motor vehicles according to the environmental objective Limitation of climate change regarding the purchase of taxonomy-related products and services. More specifically, this refers to capital expenditure for leasing passenger and company cars. In order to be able to assess compatibility with the EU taxonomy, there is a lack of information to be able to ensure that we meet them technical criteria.

Acquisition and ownership of buildings

Kährs is covered by the economic activity 7.7 Acquisition and ownership of buildings according to the environmental objective limitation of climate change regarding the purchase of taxonomy-related products and services. More specifically, this refers to capital expenditure for newly taken up and renegotiated leasing of premises. To be able to judge compatibility with the EU taxonomy, there is a lack of information to be able to ensure that we meet the technical criteria.

EU Taxonomy

Accounting principles / Accounting policy

Within the framework of accounting in line with the EU taxonomy, turnover, capital expenditure and operating expenditure are defined as below. Definition of capital expenditure and operating expenditure differs here from our ordinary financial reporting.

Revenue

The statement of total turnover corresponds to the net turnover item in the consolidated income statement on page 40 as well as note C4 "Segment reporting" and C5 "Revenue reporting".

Capital expenditure

Reporting of total capital expenditure refers to additions to tangible and intangible assets during the previous year depreciation, revaluations and write-downs as well as the exception of changes in fair value. Also included additions to rights of use as well as tangible and intangible assets arising from business acquisitions excluding goodwill.

See notes C14 "Intangible assets", C15 "Tangible fixed assets, owned" and C31 "Tangible fixed assets, right of use" in the Annual Report.

Operating expenses

The reporting of operating expenses within the framework of the EU taxonomy includes the group's direct costs that relate to research and development, building renovations, short-term leases and maintenance and repairs. According to the taxonomy shall operating expenses covered correspond to direct, non-activatable, costs for daily maintenance such as may be or may become environmentally sustainable. More specifically, it refers to, among other things, building renovation, short-term leasing agreements as well as maintenance and repair. Kährs is not covered by any operating expenses.

Kährs Group's activities that are covered by the taxonomy regulation, and which may be or become environmental sustainable, are reported within the Annual Report.

Oak Prague

Link: Kährs Group Annual report (kahrsgroup.com)

Kährs

