



Sustainability Report 2023



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INTRODUCTION

You are now reading our sustainability report. Here, we provide you with a comprehensive picture of our sustainability work, our goals and the way we reach them. We want the report to increase knowledge about and inspire more sustainable initiatives, both internally and externally.

Our products are market leaders, both in terms of safety and quality, and we have been delivering smart products and system solutions in HVAC to the Swedish market since 1910. We have a strong focus on sustainability, which includes environmental certifications that strengthen our work towards continuous improvements. This is fully in line with LK's development of smarter and more sustainable solutions. Our customers can be confident that sustainability is guaranteed in our products and in our business at all stages, from enquiry to order confirmation, tender, manufacturing, delivery and aftersales market.

"To create the best opportunities for our sustainability work, our environment shall provide the conditions for personal development, and be characterised by job satisfaction, trust, learning and listening to each other. We create commitment and motivation by including employees in decisions and ensuring they are involved in the development of our processes. We want an open work culture, where we feel comfortable raising questions and proposing alternative solutions. With our most important resource at LK, our personnel, we will continue to be successful for many years to come," the Group Management at LK says.

We work continuously with reviews of our suppliers and inspection of our own operations. The sustainability report helps us to question and act. It not only highlights what we do well but also what we can improve. It strengthens our conviction that we should not rest on our laurels or get stuck in a rut. Every day, we are working to achieve increased sustainability for our customers, ourselves and the rest of the world. The report does not cover the operations conducted within LK Finans AB. Portfolio companies in LK Finans AB that are subject to the legal obligation prepare their own sustainability reports.



THE GLOBAL GOALS For Sustainable Development

The world's leaders have committed to 17 global goals to achieve four fantastic things by 2030. Ending extreme poverty. Reducing inequalities in the world. Solving the climate crisis. Promoting peace and justice. Currently, LK has a strong focus on the organisation's mapping from a sustainability perspective and this will continue in the years to come. We do this, for instance, by producing EPDs (Environmental Product Declaration) for our products, via our CoC and compliance with future requirements linked to the CSRD (Corporate Sustainability Reporting Directive). This can be achieved through the Global Goals for Sustainable Development. In every country. For all people.

FOR A SIMPLER AND SMARTER EVERYDAY LIFE

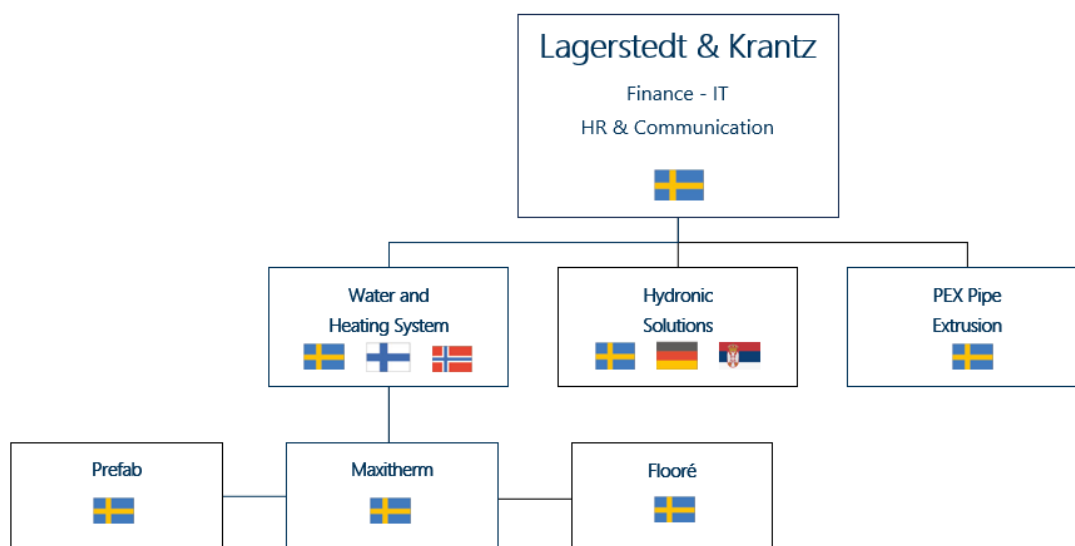
Simpler, smarter and more sustainable – at LK we always assume that there is a better way to do things. In everything we do, we prefer innovation to the status quo and simplicity rather than complexity. With this conviction, we develop smart products and system solutions at LK for heating, water and sanitation.

LK Armatur is a leading valve and system manufacturer in Europe with an annual production of millions of valves for the global HVAC and plumbing market. Our solutions are based on a comprehensive approach to how valves, controllers, components and prefabricated products work together. In everything from standard to advanced customisations, we make sure that the solution you need today will also equip you for the future.

LK Pex manufactures high quality plastic pipes for the HVAC and plumbing industry. Our own production of cross-linked polyethylene PE-Xa pipes with unique flexibility and pressure strength is an example of continuous product development, always with the goal of simplifying your life and securing you an even smarter future.

LK Systems is a Nordic leader in heating and tap water system solutions. Our systems are easy to install, and we also manufacture in our prefabrication plant customised systems that further simplify the installation. From idea to finished product, this is where you find the smartest solutions, today and in the future.

Five facts about LK



THE GLOBAL GOALS

The world's leaders have committed to 17 global goals to achieve five fantastic things by 2030. Eliminating extreme poverty. Reducing inequalities in the world. Solving the climate crisis. Promoting peace and justice.





THE GLOBAL GOALS
For Sustainable Development

LK supports Agenda 2030 and has identified five goals where we are already making a difference today and we want to maintain our focus on them in the future.

GLOBAL MILESTONE	FOCUS ON MILESTONES	HOW WE ARE CONTRIBUTING TO THE GOAL
 <p>6 CLEAN WATER AND SANITATION</p>	<p>6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all.</p> <p>6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.</p>	<ul style="list-style-type: none"> • Manufacturing products for safe drinking water, for good health while preventing dangerous emissions. • Creating products that increase water-use efficiency and prevent water degradation. Page 19. • — LK CubicMeter is creating increased awareness of water consumption. • — LK CubicSecure measures water flow in real time and detects water leaks immediately.
 <p>7 AFFORDABLE AND CLEAN ENERGY</p>	<p>7.3 Target: By 2030, double the global rate of improvement in energy efficiency.</p> <p>7.A By 2030, strengthen international cooperation to facilitate access to research and technology on clean energy, including renewable energy, energy efficiency, and advanced and cleaner fossil fuel-based technology, and promote investment in energy infrastructure and clean energy technology.</p>	<ul style="list-style-type: none"> • By developing products that promote the use of renewable energy sources, such as water saving systems or valves that efficiently utilize renewable energy sources. • We invest in research and development to create innovative solutions that contribute to increased energy efficiency and reduced climate impact.
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	<p>8.1 Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7 per cent gross domestic product growth per annum in the least developed countries. Jobs that help strengthening Sweden's GDP.</p> <p>8.4 Improve progressively, through 2030, global resource efficiency in consumption and production and ambition to decouple economic growth from environmental degradation, in accordance with the ten-year framework of programmes on sustainable consumption and production, with developed countries taking the lead.</p> <p>8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.</p> <p>8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.</p>	<ul style="list-style-type: none"> • Direct jobs that strengthen Sweden's GDP. Indirect jobs that are involved in the supply chain. • We are working constantly to improve resource efficiency and to choose sustainable materials in our production. Thanks to smart solutions, we are helping consumers to their reduce energy and resource consumption. Page 14. • Working actively for a safe, pleasant and inclusive work environment. With the help of policies and certifications, we monitor these efforts continuously. Page 21. • Code of Conduct regarding finances, environment and social responsibility. The Code of Conduct guarantees the ethical and legal requirements for our suppliers and employees and promotes a safe and secure working environment for all. Page 12. • Programme for work environment, health and safety. To ensure our employees can feel that they are working in a safe environment including CPR and training in the physical work environment and organizational and social work environment. The training is an essential part of our ability to identify and prevent risks in the workplace.

THE GLOBAL GOALS

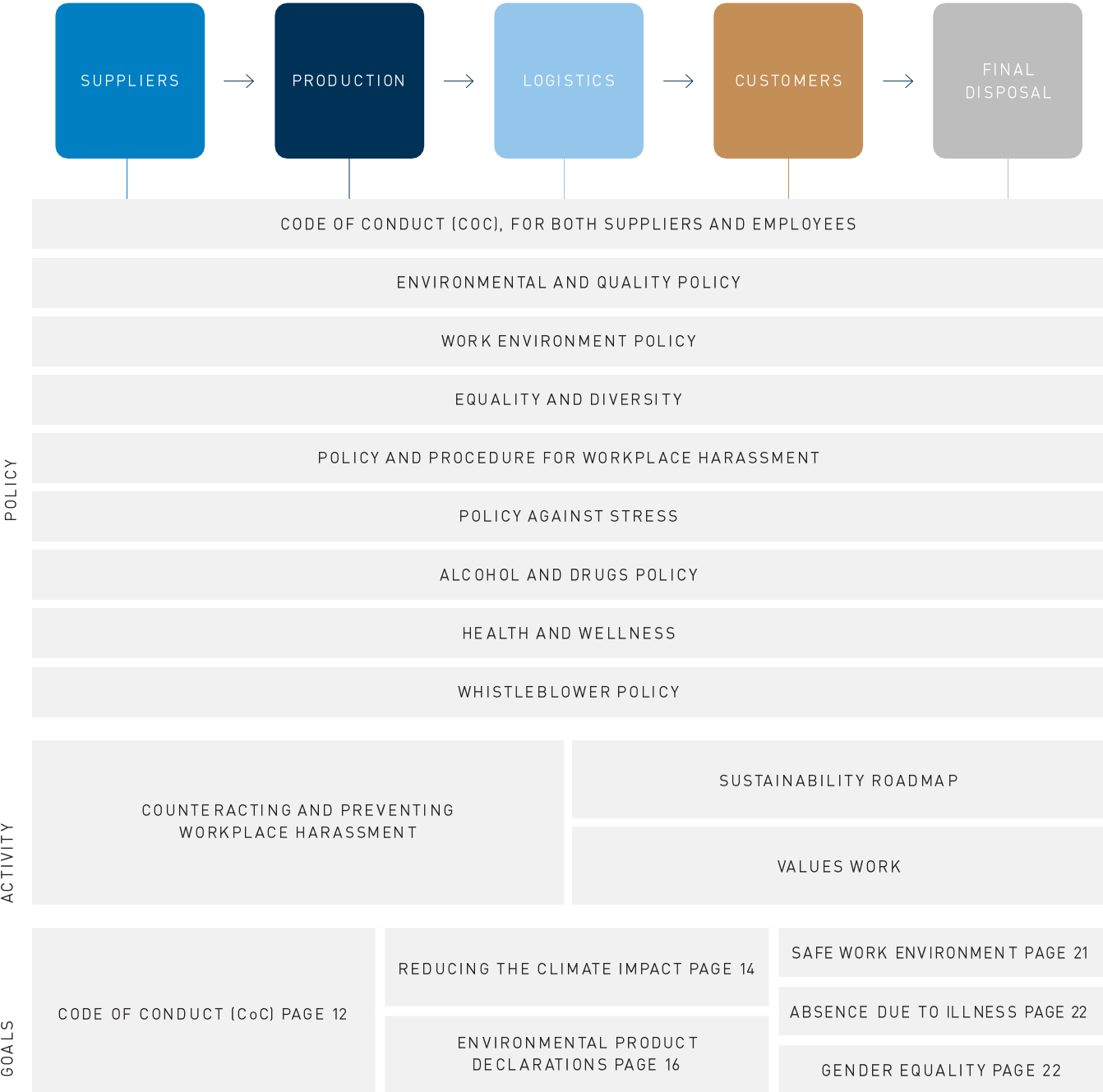


GLOBAL MILESTONE	FOCUS ON MILESTONES	HOW WE ARE CONTRIBUTING TO THE GOAL
	<p>9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.</p>	<ul style="list-style-type: none"> • Working with new materials and innovations for a lower environmental impact. Page 14. • Participation in the Newleaf project - about the new generation of lead-free brass alloys. Page 15. • Safe chemicals for people and for the planet. • LK's pipe factory and logistics center in Ulricehamn is self-sufficient in heating. This is thanks to heat recovery from the production. In addition, both electricity and water consumption have been reduced. Page 18.
	<p>12.2 By 2030, achieve the sustainable management and efficient use of natural resources.</p> <p>12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.</p> <p>12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.</p>	<ul style="list-style-type: none"> • Collaborations with suppliers to reduce climate impact through smart material choices. Page 14. • We continuously review our transports and how we can streamline them. In 2017, we moved our Swedish logistics center from Malmö to Ulricehamn. The logistics center is located next to our pipe factory. The move and the new premises mean more efficient deliveries and shorter transport distances as we have come closer to several major customers. Page 20. • Product guide for smart material choices with the lowest environmental impact. • Recycling of waste heat in LK's pipe factory. Page 20. • Transform to circular and sustainable consumption. • Reduce waste with optimal design and reuse of materials. • Continuous internal and external work on resource use in production. Our sustainability reports are transparent and in connection with our EPDs we make suggestions for improvements. Page 16.

Business model

Our vision

We are the first choice for smarter and more sustainable solutions in a simpler life.

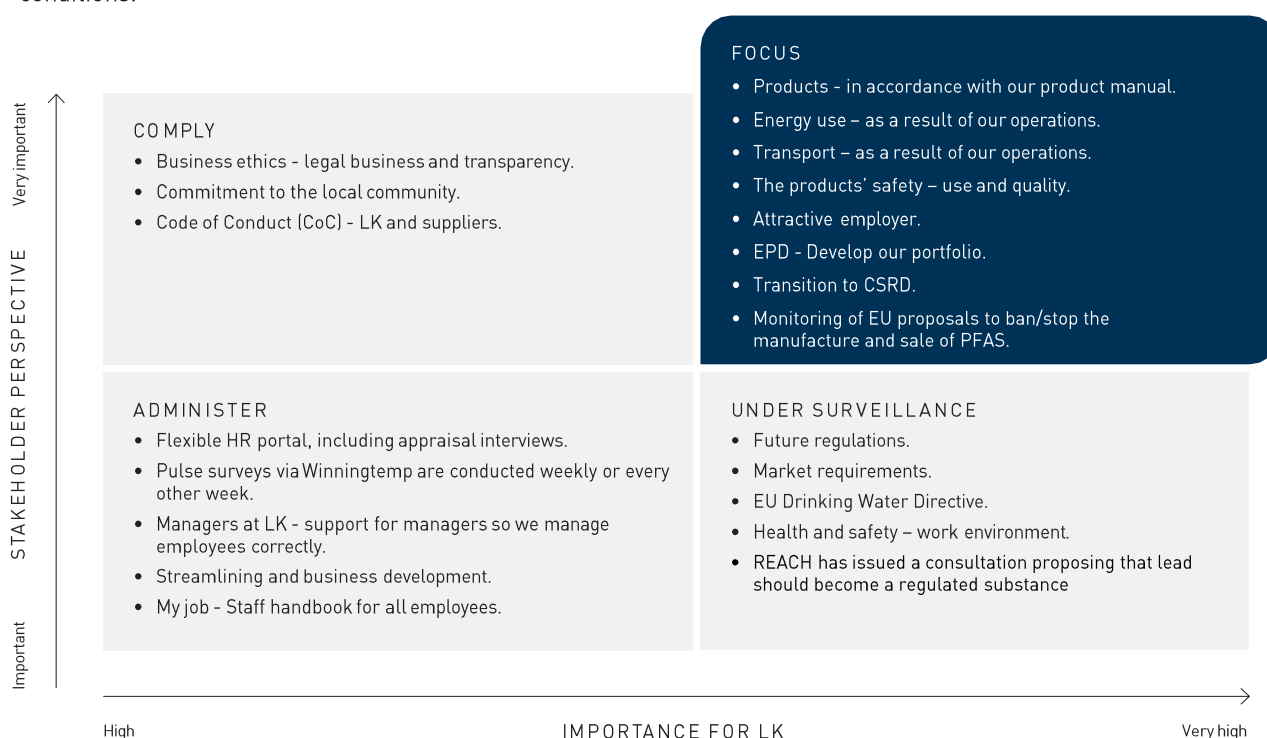


Materiality analysis

LK is an organisation with excellent market agility. We have always ensured excellent performance in terms of product delivery. A sneaking suspicion that the market might slow prompted us to make alternative plans. That suspicion proved correct, and we have had to put those plans into action, although this will ultimately result in a stronger LK.

LK is a planning organization. Whether faced with a pandemic, boom or recession, we adjust and adapt and come out stronger on the other side. Our internal and external surveys confirm this, and it is a subject you can read more about in our sustainability report. Starting with our value chain, we have identified strengths and weaknesses in our organization that are linked to sustainability. We have taken a close look at the world around us and have asked our stakeholders and ourselves what it is essential to report on. We conduct continuous reviews at LK, some of which involve customer and employee surveys. During the year, we carried out a brand survey. This shows by and large across all parameters that LK is a very strong brand. To identify the issues that the world around us considers to be essential for our sustainability work, we have focused on the five thematic areas in the Swedish Annual Accounts Act: environment, personnel, human rights, anti-corruption and social conditions.

We work continuously to develop our sustainability strategy. It may vary slightly between companies, but the overall focus is very much on mapping our climate footprint. There is some work still to be done before we can obtain a complete picture of our environmental impact, but our EPDs are helping to make that picture clearer. Our efforts to put CSRD requirements in place will also provide us with excellent information on areas where improvements are needed. Our intention is to launch products on the market each year that focus on, and accelerate, the part we play in the green transition. In the results from the employee survey for the year, scores are once again high across all indices. Examples of overall indices are the measures of leadership, commitment and a work situation that includes the psychosocial work environment. Activities focusing on well-being and commitment are implemented regularly, which explains how we maintain our great results.



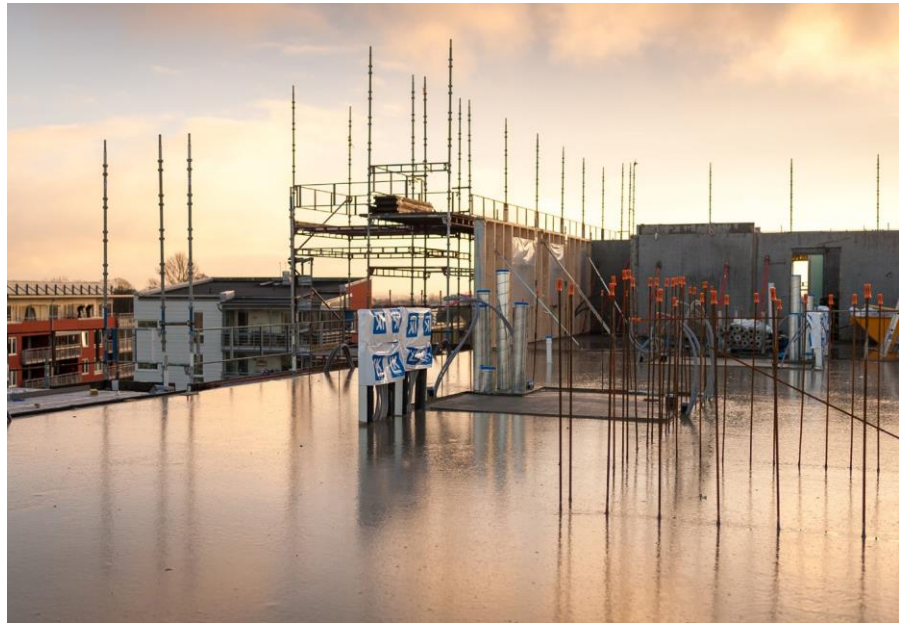
Our impact

We continuously analyze our environmental impact through EPDs and CSRD. We focus on using the results of EPDs. For example, choosing LK pipes instead of metal pipes can halve your climate footprint, which EPDs help demonstrate.

We have several good examples of sustainable improvements. At one of our production facilities, we recycle waste heat and circulate water in closed systems. We continuously evaluate our energy use. In 2023, LK Armatur upgraded its lighting to LED technology, reducing energy use by 39%.

The Ulricehamn plant plans to make the same switch in 2025. These measures are not only sustainable but also economically beneficial.

Our sustainability goal is to ensure long-term, sustainable development for the company. We have strengthened our focus on staffing. We currently have six people in the Group who work part- or full-time on sustainability, but there is commitment throughout LK.



Our focus now is on surveying our impact in more detail. We do this by not only measuring the company's impact according to CSRD but also the products' impact, by producing environmental product declarations.

For LK, sustainability means that we:

- **Conduct sustainable business** - We want to create long-term relationships with our customers. We do business ethically and in line with LK's values.
- **Are a sustainable employer** - Our staff is our most important resource, who should develop and thrive. We work actively to ensure a safe and secure working environment and take the utmost care for our staff.
- **Work for a sustainable environment** - Parts of our product range are intended to be in use for over 100 years. We are working continuously to reduce the use of resources in our operations.
- We, and our suppliers, must **follow our Code of Conduct**.
- We must be **profitable** to remain an attractive supplier, employer and customer even in the future.

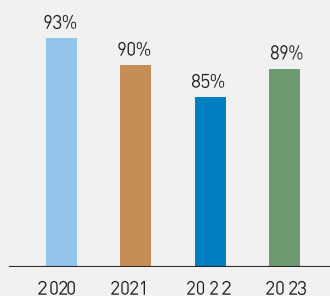
Risk analysis

THEMATIC AREA	IDENTIFIED RISK AREA	DESCRIPTION OF POTENTIAL RISK	HOW WE MANAGE IDENTIFIED RISKS
ENVIRONMENT	Energy consumption in the organisation	Our production unit in Ulricehamn has our greatest energy consumption.	<ul style="list-style-type: none"> • Thanks to a joint electricity contract for all our operations, we achieve better control of the electricity we buy. • We intend to reduce our purchases of electricity from fossil sources annually. • Our company, LK Pex, recovers heat from the production and delivers the surplus to Ulricehamn Energi.
	Transport	<p>Our materials need to be transported and, starting from the central warehouse in Ulricehamn, the intention is to offset all transports from there.</p> <p>The environmental impact of our products throughout their life cycle, from material extraction to final disposal.</p>	<ul style="list-style-type: none"> • By planting trees, we counteract the effect of the carbon dioxide emissions. • LK Prefab uses smarter packaging for delivering products to facilitate sorting at source.
	Circularity	The majority of LK's product range is designed to be installed for its entire technical lifespan. Circularity therefore does not fit well with LK's product range.	<ul style="list-style-type: none"> • In-depth studies are increasing our knowledge base, for instance, by participation in various projects, such as those below; <ul style="list-style-type: none"> – New Leaf – Circular plastic building products – LFM30 – Product Manual
	Transition to lead-free	The organization will not be ready for the upcoming legal requirements.	<ul style="list-style-type: none"> • We monitor upcoming legal requirements and have several different action plans depending on the outcome of the legislation.
STAFF	Absence due to illness and occupational illness	Imbalance between the economic cycle, organisational changes and the workload for the staff.	<ul style="list-style-type: none"> • We continuously follow up on all sick leave. • Pulse surveys via Winningtemp are conducted weekly or every other week. • Regular employee interviews. • Frequent use of Avonova's occupational health services for preventive purposes. • Health checks every other year. • Continuous work environment training for managers and safety representatives. • Employee support for all employees via Falck Healthcare. • Random drug and alcohol testing.
	Occupational accidents	The risk of accidents at work, especially in the warehouse, working with machines and in production.	<ul style="list-style-type: none"> • Safety inspections are conducted regularly. • Incidents and accidents are registered in a common system for the group, which is followed up by the safety committees. • In the pulse surveys with Winningtemp, we ask questions about the physical, organizational and social work environment as well as discrimination.
	Corruption	Risks associated with customer and supplier contacts.	<ul style="list-style-type: none"> • LK does not tolerate corruption, bribery and unfair conduct that restricts free competition. • We provide our employees continuously with information about the Code of Conduct. • Suppliers who do not have their own Code of Conduct, equivalent to LK's, must sign our Code of Conduct.
HUMAN RIGHTS	Diversity and discrimination	By tradition, the plumbing industry is male-dominated, which is also mirrored in the distribution at LK.	<ul style="list-style-type: none"> • On our careers page, we highlight our business areas, benefits and career opportunities in the form of employee interviews, where we have interviewed a majority of women. • In recruitment, if two candidates are equal, the female candidate should always be prioritized with regard to the gender distribution of the group. • We measure and follow up on discrimination in our pulse surveys based on all discrimination grounds. • We at LK have a zero tolerance for discrimination. • Each company must have at least one activity related to gender equality in their respective company business plan, which should aim to increase gender equality within LK.

Highlights during the year

89%

RESPONSE RATE FROM THIS YEAR'S PULSE SURVEYS



PINK OCTOBER AND MUSTASCHKAMPEN

LK IS PARTICIPATING IN THE NEWLEAF RESEARCH PROJECT, WHICH IS ABOUT LEAD-FREE BRASS ALLOYS



VI-SKOGEN

WE PLANT

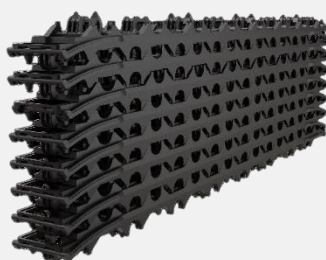
800

TREES TO CARBON-OFFSET TRANSPORTS FROM OUR LOGISTICS CENTRE.

EPD®



LK SYSTEMS HAS EPDS FOR 50% OF ITS INSTALLATION RANGE



LK CLIP RAIL COMBI 16/20 IS MADE OF 100% RECYCLED HDPE, A PLASTIC WITH A LOW ENVIRONMENTAL IMPACT



LEAD-FREE BRASS RANGE FOR TAP WATER.

THIS YEAR'S EMPLOYEE SURVEY.

Management.....8.1

Commitment8.1

ENPS.....22



ISCC

International Sustainability & Carbon Certification

LK PEX AND LK SYSTEMS ARE CERTIFIED ACCORDING TO ISCC

RESPECT FOR HUMAN RIGHTS AND FIGHTING CORRUPTION

All business activities have to be conducted in compliance with the laws and ordinances applying in each country. To ensure control of our value chain, we promote long-term partnerships with both customers and suppliers.

Code of Conduct

Our Code of Conduct permeates our entire business. We do not tolerate corruption, bribery and any other action that restricts or distorts competition. It clarifies our demands and the expectations we have of our suppliers, such respect for fundamental human rights and treating their employees fairly and with respect. All suppliers must sign our Code of Conduct or present a version of their own that is equivalent to ours. Our employees receive regular information about our Code of Conduct.

“ALL SUPPLIERS MUST SIGN THE CODE OF CONDUCT (CoC) OR PRESENT ONE OF THEIR OWN THAT IS EQUIVALENT TO OURS.”

In our operations, we have clear information about the importance of our suppliers and ourselves complying with these principles and requirements.

LK Systems works to ensure compliance with the Norwegian Transparency Act (Åpenhetsloven).

The aim of the Norwegian Transparency Act is to promote companies' respect for human rights and decent working conditions. LK Systems is a leading Nordic supplier of solutions for heating and tap water systems. Our systems are easy to install, and in our prefabrication factory we also produce tailored systems that further simplify the installation process. From idea to finished product, we provide our customers with the smartest solutions, today and tomorrow.

Our products are market leaders in terms of both safety and quality, and we have been supplying smart HVAC products and system solutions to the Swedish market since 1910. We have strong focus on sustainability including, among other things, environmental certifications that enhance our work aimed at achieving continuous improvements. This is completely in line with LK's development of smarter and more sustainable solutions. Our customers can feel safe in the knowledge that sustainability is ensured in all aspects of our products and our operations, from enquiry to offer, order confirmation, production, delivery and aftermarket.

LK Systems' work with the Norwegian Transparency Act:

- To ensure compliance with the Norwegian Transparency Act, we actively work on the documentation and reporting of our operations.
- We inform all employees about LK's Code of Conduct.

Assessment of suppliers:

- We assess our suppliers on the basis of criteria regarding social responsibility, including working conditions, environmental performance and human rights.
- We regularly perform second-party audits to prevent and stop actual negative consequences or limit any significant risk of negative consequences.
- We perform regular supplier reviews to ensure that our suppliers are complying with our requirements regarding social responsibility and sustainability.

- We also perform regular audits of our reporting to ensure that it is correct and up to date, and we provide training to the individuals responsible for carrying out the audits.
- We aim to only work with companies that are certified to ISO 9001 and/or ISO 14001. We feel safe in the knowledge that certified companies are subject to audit by an accredited third-party auditor.
- All our suppliers must sign our Code of Conduct or work on the basis of their own equivalent code, in which case they must be able to provide evidence to this effect.
- Our products are subject to type approval and third-party audit, where the environment is one of the aspects taken into account.

We are determined to maintain the highest possible standards when it comes to transparency, as this enables us to create credibility, trust and long-term relationships with our customers and business partners. We treat the Norwegian Transparency Act seriously, and we will continue to strive to be a role model in terms of promoting companies' respect for human rights and decent working conditions.



Tomas Strand
CEO



Michael Söderberg
Chairman of the board

ENVIRONMENT

Our environmental efforts

At LK, we always assume that there is a better way to do things. This attitude also permeates our environmental work, where we are constantly trying to reduce our environmental impact and develop more sustainable ways to move forwards.

As a leading player in the HVAC and plumbing industry, we feel it is our responsibility to lead by good example. We consider laws and environmental regulations to be the minimum requirements and we always strive to stay one step ahead in promoting the development towards a sustainable future.

To ensure a focus on high quality and environmentally-friendly production, we are ISO certified*. In addition, we set requirements on our suppliers and on their environmental performance by means of a Code of Conduct. Among other things, this says that the supplier shall have knowledge and control of its environmental impact, and actively work to reduce any negative environmental impact.

However, in order to conduct the continuous development of more environmentally-friendly products, solutions and systems, just having regulations and stated environmental goals is not enough. It also requires long-term commitment, changes in attitude, and practical tools in the day-to-day operations. For this reason, we devote time and resources to ensuring there is support for the environmental work throughout the organisation. At LK, the improvement work never stops.

Material use

The use of materials in our products accounts for a significant part of LK's environmental impact. Our knowledge of the alternative materials that can be used has increased thanks to LK Systems' product manual, where we have guidelines for which material should be used depending on the purpose. The fundamental rule is that we want to create the greatest possible benefit with the minimum possible environmental impact. No material is by definition environmentally friendly or not. Only when the material is used in a product does it become possible for us to assess the environmental impact. The environmental impact is measured during the development of the product. The product manual's purpose is to create products that have as low a climate impact as possible in relation to the design and expected service life.

We try to use materials that we believe will be attractive in the future, i.e. the material will be in high demand after recycling and thus contribute to the circular economy. We want to make "clean" products as far as possible, i.e. by not mixing materials in a product that would make effective recycling difficult or impossible. This also gives us the opportunity to influence, and place stricter requirements, on our suppliers. We also make sure we design products to ensure the minimal use of materials and energy during production.

We know the importance of being involved in various trade and standardisation organisations, such as VVS-Fabrikanternas Råd, Säker Vatten, SINTEF, TEPPFA and Svensk Armatuindustri. This assists us in our efforts to keep up to date with developments in the industry.

*ISO CERTIFICATION

LK SYSTEMS AB
- ISO 14001/ISO 9001
LK PREFAB AB
- ISO 14001/ISO 9001
LK ARMATUR AB
- ISO 14001/ISO 9001
LK PEX ABX
- ISO 14001/ISO 9001
LK MAXITHERM AB
WORKS ACCORDING TO ISO 9001
FLOORÈ AB
WORKS ACCORDING TO ISO 9001

RECYCLED MATERIALS IN OUR PRODUCTS

We always try to use recycled materials, with as low an environmental impact as possible, in our products as far as this is possible. This is an issue that we prioritise and follow up with our suppliers. The product manual controls which material is the most suitable. In some cases, this can mean recycled material and, in those cases, we always try to use it. All products that include recycled materials are marked in the product range with the "Made from Recycled Material" symbol.



The new generation of lead-free brass alloys

In May 2022, LK Systems became a participant in NEWLEAF. This is a research project run in close collaboration between the Nordic brass companies, RISE and Swerim. NEWLEAF's goal is to optimise and develop the future's lead-free brass alloys in order to meet stricter requirements and to contribute to the continuation of a circular, sustainable and efficient brass industry in the Nordic region.

The Swedish brass industry is already circular to a high degree, thanks to a collaboration where the production of brass is primarily based on recycled material that is returned to the producer from the customers who cast and machine the brass. Over the past decade, alloys with a low lead content, to replace traditional brass alloys with 2-3% lead, have been developed and optimised in multiple research projects. The greatest focus has been on the cutting properties and productivity, as well as on methods for removing lead. New, and more restrictive, rules on the use of lead and leaching into drinking water in the EU mean that there is a risk that the newly developed lead-free alloys will not be approved, which is a major threat to the industry.

Removing the lead from scrap is central for a circular production and the technology will be investigated further and verified on a larger scale. Life cycle analyses regarding the alternatives available for production and purification that meet the requirements set today and in the future will be carried out focusing on carbon dioxide emissions and the consequences for the brass industry. It is important to take a holistic perspective, where all of the parameters are taken into consideration, to obtain a sustainable industry, the service life of the products as well as lead leaching.

NEWLEAF will establish new fundamental knowledge about the relationship between corrosion mechanisms, alloy composition and leaching of lead into drinking water. This can be then used to optimise alloys and production processes as well as to contribute data on the climate impact from a holistic perspective. The results from NEWLEAF will be relevant inputs to approval systems, at the national and EU level, for materials that come into contact with drinking water. Based on the results, the industry and authorities will have the possibility to adapt new regulations from a holistic perspective.

FACTS ABOUT THE PROJECT

Duration - 3 years

Total budget - SEK 8,600,000

Financiers - Vinnova, the strategic innovation program for metallic materials (4.3 million)

Environmental documentation

To discover which substances our products contain and the climate impact, we request comprehensive and relevant information from our suppliers. We present this information in our Building Product Declarations and Environmental Product Declarations (EPDs). Our environmental product declarations describe the product's environmental impact throughout its entire life cycle and they are third-party audited by an independent party. At present, we have environmental product declarations for 41% of our range, products that are installed in buildings and, in 2024, we expect to have environmental product declarations available for 65% of the range.

We have building product declarations for 90% of the items that are installed, a figure that is steadily increasing. We send the building product declarations (BPD) for assessment to Byggsvarubedömningen (Building Products Assessment) and/or Sunda Hus, where necessary. In this way, we gain an even greater knowledge about the products' environmental impact.

We also make sure we register products that are suitable for Svanen's Nordic Ecolabelling Portal. Two of our products (LK Heatfloor 22 V-belt pulley and LK Heatfloor 22 turntable) satisfy Svanen's tough requirements and carry their label. **We are proud of this!**



Energy use

The production units within LK account for the majority of our electricity consumption. This part is under continuous development, partly for our strong environmental commitment, but also to increase our competitiveness. Annual targets are set in order to increase productivity and reduce the waste from our production units. This contributes to reduced energy consumption per cabinet or per meter of pipe produced.

A few years ago the operations moved to a newly built pipe factory in order to create better conditions for efficient, world-class, pipe production. The new factory has resulted in significant savings in terms of energy and water consumption, you can find out more about this on page 18 of the report.

ENVIRONMENTAL DOCUMENTATION

GOALS

By 2027, all our installed products will have an EPD.

STATUS

By 2024, 65% of the installation range will have an EPD.

ACTION

Continuous work to develop EPDs for the remaining range.

Goal, status and action apply to LK Systems AB.



LK Systems AB acquires Flooré AB

During 2023, LK Systems AB acquired Flooré AB. Among other benefits, LK Systems is gaining access to in-house manufacture of underfloor heating panels, which enables us to strengthen our offer to customers within waterborne underfloor heating. It is also clear to us that in-house manufacture provides increased scope for reduced transportation and the development of more sustainable materials.

The acquisition provides LK's customers with an even more complete range. LK's long-term aim is also to develop more sustainable options for the future. Flooré's core business and production operations are in Torpshammar, just outside Sundsvall in Sweden. The company launched in 1991 and currently has a turnover of approximately MSEK 50 and 14 employees. Just over 70% of sales go for export to a number of European countries. The company's main product is its in-house manufactured and patented underfloor heating panel.

"With clear synergies between the two companies, we are strengthening our position as an underfloor heating supplier. We are also continuing to broaden our offer to customers. This acquisition is one element in our long-term strategy to broaden our offer and develop more sustainable solutions for our customers. It also provides us with opportunities to jointly develop our export segment," says Michael Söderberg, CEO of LK Systems AB.

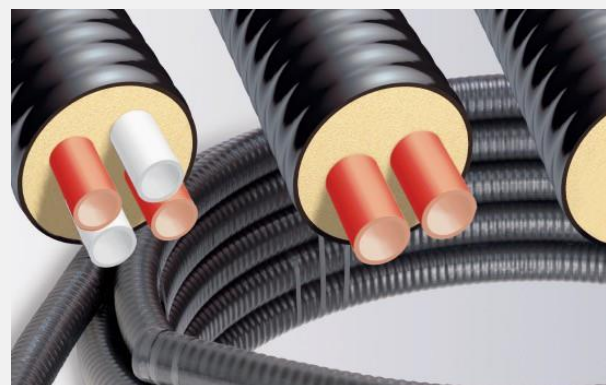


Maxitherm's low lambda value contributes to a sustainable environment

Maxitherm's pre-insulated pipe solutions are part of LK and supplement LK's portfolio of similar products. They provide LK's customers with energy-efficient solutions and low heat losses. Thanks to years of research, LK Maxitherm's lambda value has crossed a magical threshold. With our pre-insulated pipes energy losses can be reduced by up to 50% per year compared with other brands.

Never before has a pre-insulated pipe supplier's fixed pipe system received such a low certified lambda value from IMA in Dresden, Germany, which is an accredited laboratory.

The lambda value in question is an incredible 0.0199 W/mK, which will result in great savings for both customers and the environment. The incredibly low value of 0.0199 W/mK contributes in several ways to a sustainable environment. The good insulation properties improve energy efficiency, which reduces the need for energy for heating and cooling. Our flexible range accommodates everything from traditional heating, cooling and domestic water systems to systems where the water temperature can reach up to 180°C.



The climate footprint for underfloor heating is lower than for radiators!

This knowledge is relatively new and is based on calculations produced using EPDs. An EPD is an environmental product declaration that describes the product's environmental impact throughout its life cycle. It incorporates product data sheets, a process description, LCA methodology and results of the environmental impact. It is reviewed and/or verified by an independent third party and complies with the standard for sustainability of construction works, environmental declarations and product-specific rules.

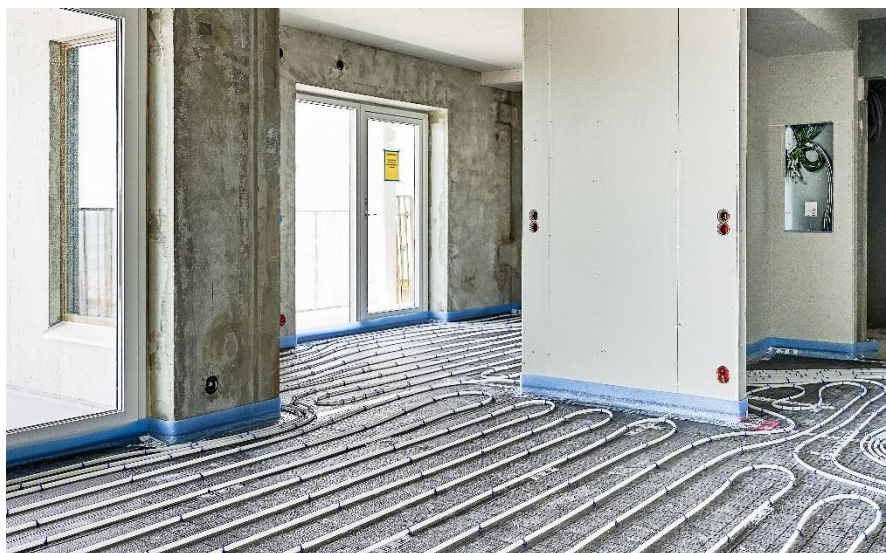
As we can rely on the knowledge and facts provided by an EPD, we now know that the climate footprint is lower for underfloor heating.

Waterborne underfloor heating is very common in single-family houses and is becoming increasingly common in apartment buildings. In combination with a heat pump, you simply get more heat for your home per kWh used with a waterborne underfloor heating system compared with radiators. With benefits such as lower operating costs, a lower climate footprint and greater comfort, waterborne underfloor heating ought to be the new contemporary standard for all properties.

A growing number of apartment buildings have been built in recent years with underfloor heating installed as standard. One such project is the New York block in Stockholm. Alexander Ekberg, CEO at KI Rör AB, has worked alongside LK on the project. He says he believes that because the supply temperature is lower for underfloor heating compared with radiators, even more apartment buildings with underfloor heating will be built in the future, as this is a better solution from a sustainability perspective.

"We chose underfloor heating for the project to get that sense of luxury. However, there is added value in the fact that the supply temperature is much lower, which results in reduced energy consumption." Alexander Ekberg, CEO KI Rör AB.

Another example is the Väduren in Skurup that was completed in 2021. LK has supplied underfloor heating for the building that contains 45 apartments.



"We chose underfloor heating because there are more energy savings to be made with a low-heat system installed throughout the building. I also think underfloor heating increases comfort levels, despite it being a low-energy solution." Håkan Wilhelmsson of Väduren i Skurup AB.

LK has a clear ambition that underfloor heating in apartment blocks should be as obvious a choice as opting for underfloor heating when building single-family houses.

Sustainable products - LK CubicMeter, which is the next generation of water meters, and LK CubicSecure, which is our innovative water fault switch.

The water meter uses patented technology and fits on to the outside of the pipe, creating positive outcomes both in terms of time and cost. The technology originates from research at KTH, the Royal Institute of Technology, and aims to create an increased awareness of the water consumption. With the smallest overall dimensions on the market, LK CubicSecure measures the water flow in real time and detects water leaks immediately. The water fault switch protects homes from everything from small drips to fractured pipes.



The background to the LK CubicMeter is the number of challenges that have been identified by the real estate industry regarding water consumption. Among other things, it was observed that a lack of awareness results in people over-consuming water by millions of litres per year. In the absence of simple installations, the water cost is based on the living space, instead of the quantity consumed. In other words, a system that penalises residents who are frugal and benefits the more wasteful.

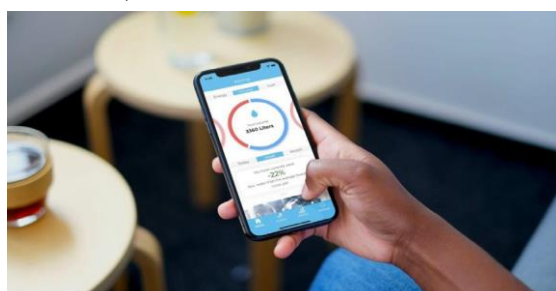
LK CubicMeter solves many of the challenges. By fitting the meter on the outside, the need to cut the pipes when installing water meters is eliminated, which saves both time and money. The system also detects water leaks, which costs insurance companies billions of kronor per year, in Sweden alone. LK CubicMeter is easy to install, and users can use an app both to monitor their consumption in real time and to receive individually adapted suggestions on how to reduce their consumption effectively without reducing the comfort. Smart, simple and sustainable.

LK CubicSecure has been developed and manufactured in Sweden using advanced water measurement technology that is based on ultrasonic sensors that continuously measure the water flow. The ultrasonic sensors measure with precision and accuracy, allowing small flows to be detected. To detect the smallest droplet

leaks, LK CubicSecure has a pressure sensor that continuously meters the pressure. Once a day, the valve turns off the water and measures the pressure to detect the absolute minimum deviations. This is usually done at night, when the water system has not been in use for a while.

The compact design means the LK CubicSecure is easy to install, and small enough to fit inside installation cabinets. LK CubicSecure can work as a stand alone device, but it is also advantageous to connect it to the network. You can then receive alarm notifications and the option to view your personal water consumption as well as control your LK CubicSecure remotely via our app.

At LK, we work with continuous development and creating smart and sustainable products and systems that simplify our customers' lives not only today but in the future. LK CubicSecure helps keep your property safe and secure from water damage. Smart, simple and sustainable.



Energy-efficient pipe production and biobased PEX pipes

Our aim when building the factory in Ulricehamn for the production of plastic pipes for the HVAC and plumbing industry was to increase capacity while simultaneously switching to more energy-efficient production. Heat from the water is used to cool the pipes and is recovered using heat exchangers.

This heat recovery means that we can heat the entire factory premises and our neighbouring logistics centre, equivalent to a total area of just over 20,000 square metres. In addition, the excess heat is used to melt snow and ice at the loading dock, which prevents slipping when goods vehicles are collecting outgoing deliveries. Any additional heat surplus is delivered to Ulricehamns Energi and their district heating network.

LK Pex has also reached a milestone in its important work to contribute to environmentally sustainable development. LK Pex now offers its customers biobased PEX pipes with a much lower carbon footprint. The improved sustainability aspect of the products is verified by third-party certification in accordance with ISCC PLUS, which is based on the mass balance approach.



Transports

We continuously review our transports and how we can make them even more efficient. In 2017, we moved our Swedish logistics centre from Malmö to Ulricehamn. The new logistics centre is adjacent to our pipe factory.

The move and the new premises result in more efficient deliveries as well as shorter transport distances, as we are now closer to several major customers. At the same time, the need for transports from the factory to the former warehouse in Malmö has disappeared. **But, at LK we do not think this enough.** In 2024, we will carbon-offset for the carbon dioxide emissions generated when goods are transported from the logistics centre to our customers 2023.

A slightly greener LK.



VI-SKOGEN

We are planting 800 trees to carbon-offset transports from our logistics centre.



SOCIAL CONDITIONS AND PERSONNEL

Employees

We want to create a sustainable organisation and to be an attractive workplace for existing and new employees. Our organisation shall be characterised by satisfied and committed employees, good leadership, a safe working environment, low levels of absence due to illness, great diversity and gender equality.

Our leadership is a key factor in ensuring that our employees thrive and develop alongside our customers. In 2023, we implemented pulse surveys in Winningtemp, with very good results. All indexes are above benchmark results. The measurements also show how we can continue to develop as leaders and as an organization, and what efforts are needed. The pulse surveys mean that we always have an up-to-date result that we can quickly act on.

Work environment

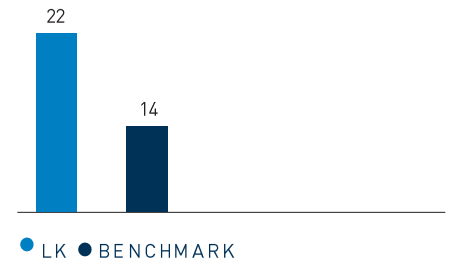
We want all of our employees to feel safe at work. As part of our work to develop the work environment, we have digitalized our accident and incident reporting. This makes it easier to follow up on accidents, spread knowledge about the risks in the work environment more quickly, and implement comprehensive measures for safer workplaces.

To ensure that our employees feel they are working in a safe environment, we provide training in occupational health and safety, including CPR and training in occupational health and safety and organizational and social work environment. The training is an important part of our ability to identify and prevent risks in the work environment.

To reduce the number of workplace accidents, our production units use different methods that make risks in the work visible and increase awareness. One example is the Green Cross, where we focus on the work environment on a daily basis and follow up on incidents and accidents. We have been audited by the Swedish Work Environment Authority at several units with a positive outcome.

To further ensure a good work environment, we have introduced random alcohol and drug testing. We also offer regular health checks to all employees.

ATTRACTIVE EMPLOYER (eNPS) 2023



Index for how many people would recommend LK as an employer.

Absence due to illness

Healthy workplaces are important for us and for our employees. We continuously monitor our employees' absence due to illness so we can act preventively and implement early intervention measures to reduce absence due to illness among our employees. To ensure a more systematic promotion of health in our workplaces, we have a company-wide occupational health care service for LK in Sweden.

In addition, we also provide staff support via Falck Healthcare for all employees in Sweden. Via Falck Healthcare, staff can obtain counselling, financial or legal advice, even regarding private matters.

Diversity and equal opportunity

LK strives to have employees with different genders, nationalities, backgrounds, ages and experiences. We believe that this is a prerequisite if we are going to continue developing as a company. Today, we have employees from many different nationalities. Personality plays an important part in our recruitments, and we have a long tradition of including employees with functional diversity in our operations.

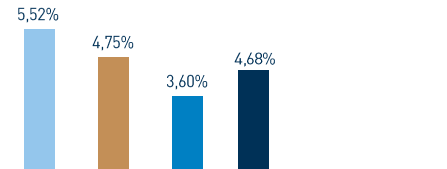
Gender equality

It is a challenge to find female employees in a traditionally male-dominated industry. Few women choose the vocational training programs that exist in our business areas. There are also few women who apply for advertised vacancies. The same applies to internships. This places high demands on us as an employer. By offering an attractive and inclusive workplace where people thrive and stay, we hope that more women will choose to work at LK.

As an example, in 2023 we conducted more lectures on menopause for both women and managers.

We already measure the distribution of the number of men and women who work for us. Today, 23% of our employees are women and our goal is to increase the number of women to 30% by 2030.

ABSENCE DUE TO ILLNESS



Hours of absence due to illness in relation to the number of hours worked (LK in Sweden)

GOALS

2.00% for white-collar workers and 5.50% for employees on collective agreements (hours of absence due to illness in relation to hours worked).

STATUS

A total of 4,68 % hours of absence due to illness in relation to the number of hours worked, of which 2.55% were for white-collar workers and 6.51% for employees on collective agreements.

One major reason for the difference in sick leave between white-collar workers and employees on collective agreements is that the latter group cannot work from home if they have mild symptoms.

ACTION

Actively follow up absence due to illness and use first-day certificates in the case of very high numbers of short-term absences and rehabilitation.

DIVERSITY AND EQUAL OPPORTUNITY

GOALS

30% women in 2030, LK in Sweden.

STATUS

23% women, LK in Sweden.

ACTION

Each company should have at least one activity related to equality in their respective company's business plan that aims to increase equality within LK.

Functional diversity is an asset at LK

LK has developed a successful model for combining social involvement with business benefits. At our facility in Helsingborg, people with various types of functional diversity are an important and appreciated part of production.

For more than 25 years, LK in Helsingborg has been offering work opportunities for people with various types of functional diversity. Today, this group consists of 12 people, plus a supervisor who manages and allocates the work. They are integrated into the production and have the same rights and obligations as the other employees. Their duties consist mainly of simple assembly, product labelling and packaging. Some individuals eventually move on to more advanced tasks. The opportunity to have a real job with a salary means a lot, and the vast majority stay with us for a long time.

In 2010, LK was named Employer of the Year (the 'Visa vägen' prize) by Samhall for our commitment to, and ability to highlight, the business benefits of having diversity in the workforce. Because we are entitled to salary contributions from the Swedish Public Employment Service for these employments, the payroll cost is lower than normal. This means that we can retain more manual steps and avoid investing large sums in automation. In addition, the flexibility in the production increases because different departments can borrow employees from each other, if necessary.

Our social commitment and diversity contribute to a good psychosocial work environment. Today, there are many different nationalities represented at the company, with different cultural, linguistic, ethnic and religious backgrounds. Everyone feels welcome, and there is great respect and understanding for each other's differences.



Personnel from our facility in Helsingborg.

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For a simpler and smarter everyday life

Simpler, smarter and more sustainable – at LK we always assume that there is a better way to do things. In everything we do, we prefer innovation to the status quo and simplicity rather than complexity. With this conviction, we develop smart products and system solutions at LK for heating, water and sanitation.

