

Sustainability Report 2020



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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 work 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 they are involved in the development of our processes. We want an open work culture, where we are 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," writes the steering group at LK.

We work continuously with reviews of our suppliers and control 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 position 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 requirement prepare their own sustainability reports.



GLOBALA MÅLEN
för hållbar utveckling

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

Over the next few years, LK will focus extensively on carbon offsetting the transport of our goods, but it will also review how the products can be further improved from a sustainability perspective. 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.

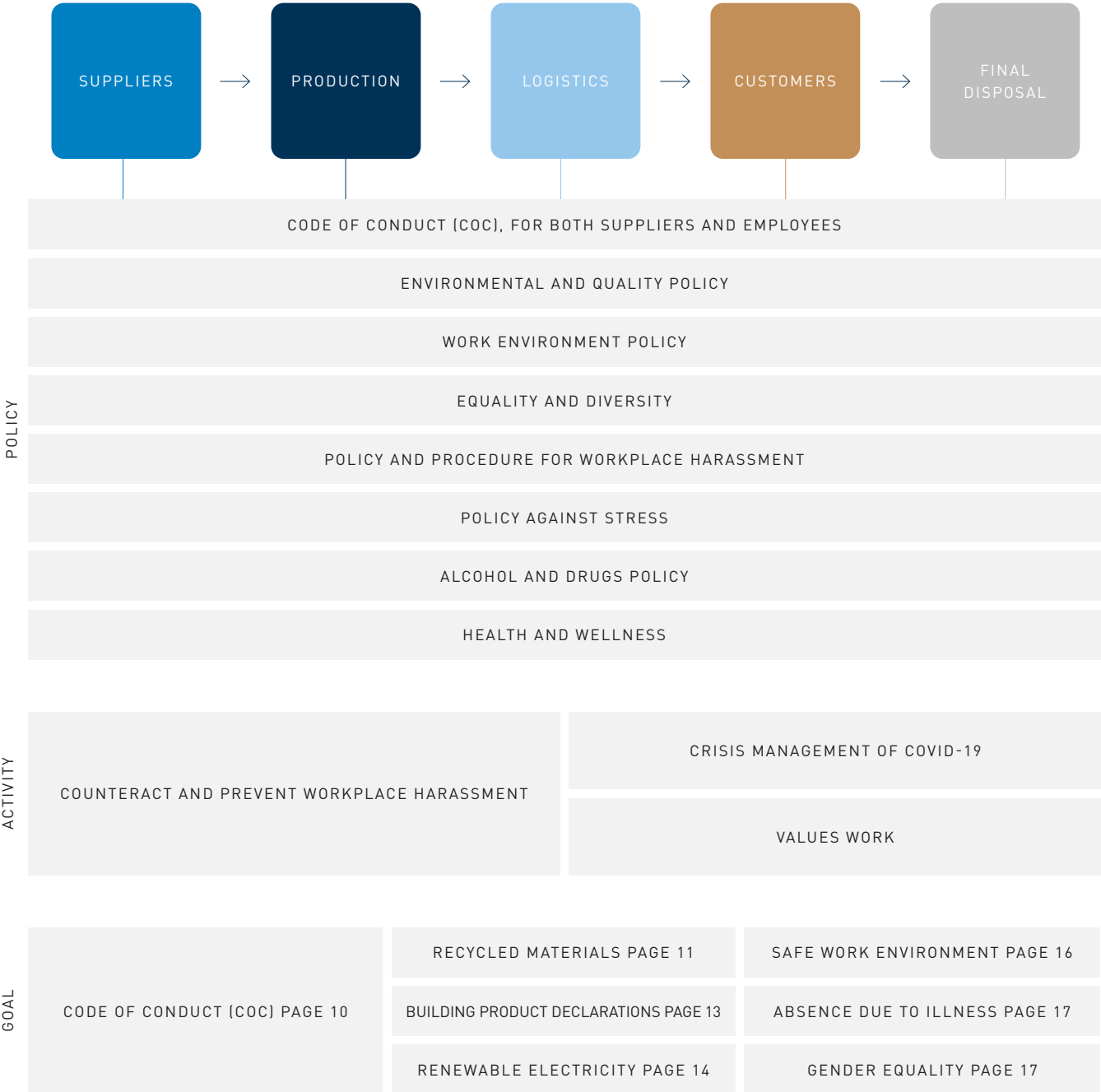
Five facts about LK



Business model

Our vision

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



Materiality analysis

Because of COVID-19, 2020 was a special year for the whole world. Despite the difficult situation, we have succeeded well, based on its effects on LK during the year, if we look at results and how we have adapted and, in terms of sales, it was a record year.

At the start of the year, crisis groups were quickly assembled, both centrally and locally, and there have been regular briefing meetings to manage and mitigate the situation that we are still experiencing. During the autumn, we distributed a questionnaire to give all employees the chance to answer how well they thought LK had handled COVID-19 and a whopping 81% gave the highest marks and only 2% think we could have handled it better. In summary, in 2020 we succeeded in becoming even more efficient despite the fact that many people worked from home during the year, which everyone did brilliantly. Most of the customer meetings and events were cancelled and rearranged, from physical to digital meetings, and that shift has also worked admirably, which is reflected in the result.

If we look at our value chain, we have identified strengths and weaknesses linked to the sustainability in our organisation. We have taken a close look

at the world around us, asked our stakeholders and ourselves what is essential to report on. We conduct continuous surveys at LK, ranging from customer surveys to stakeholders and employees. One survey was conducted in order to discover the issues that our stakeholders consider to be essential in our sustainability work. All of the issues were within the framework of the five thematic areas in the Annual Accounts Act: environment, personnel, human rights, anti-corruption and social conditions. The survey was conducted via telephone interviews. The stakeholders are our customers, employees, owners, suppliers and trade union representatives. We received a wide range of responses from stakeholders, but it can be summarised as showing that a commitment to sustainability issues is important for being an attractive employer and supplier.

The employee survey 2020, showed that all general indices have increased compared to 2019.



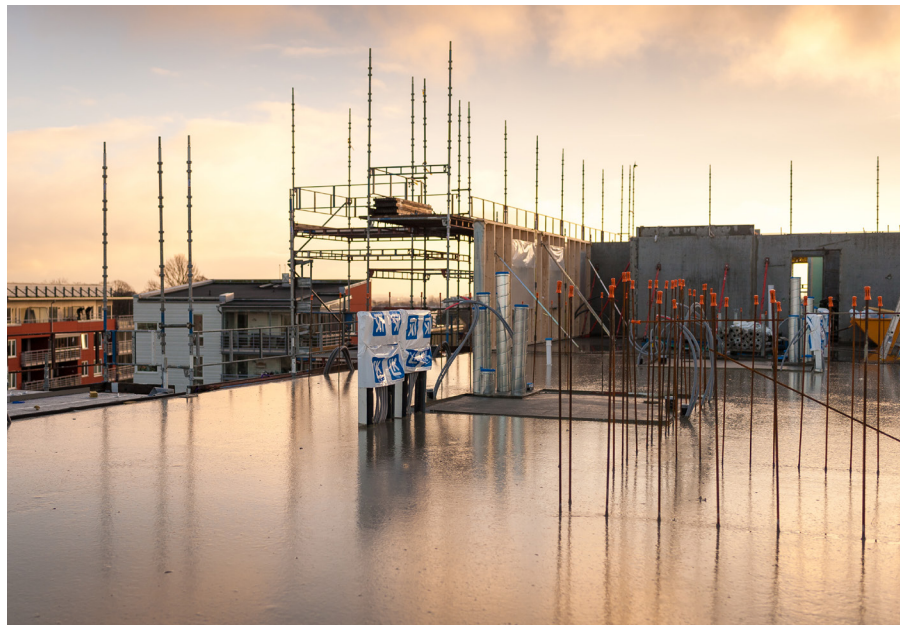
Examples of general indices are measures of leadership, team efficiency and psychosocial work environment. The activities carried out during the past year focusing on well-being and commitment to the company have turned out well. We are now taking the next step towards further improvement and, among other things, we will implement a leadership development program in 2021 for all managers with personnel responsibilities.

Our impact

We have performed our own analysis of the sustainability issues that we have the greatest impact on as a company. Our products enable and streamline the use of renewable energy sources. The goal of the sustainability work at LK is to ensure long-term sustainable development for the company. In the matrix on the previous page, we have weighed together the answers from our stakeholders as well as our own conclusions. Our focus is on the contents in the top right box, without forgetting the other questions.

Planned actions

We will develop our work continuously, regarding both the environment and the work environment. Our starting point is challenging, as we have very many employees who are very satisfied to be a part of LK. Here, it is important that we don't stop, but instead continue to manage our most valuable capital, the employees. This report provides an insight into how we intend to do this. From an environmental point of view, we will continue to develop lead-free brass alternatives. We will also continue to carbon offset some of our transports within the organisation.



Risk analysis

THEMATIC AREA	IDENTIFIED RISK AREA	DESCRIPTION OF POTENTIAL RISK	HOW WE MANAGE IDENTIFIED RISKS
ENVIRONMENT	Energy use in the organisation	Our production unit in Ulricehamn has the 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	Our materials need to be transported and, starting from the central warehouse in Ulricehamn, the intention is to offset all transports from there.	<ul style="list-style-type: none"> By planting trees, we counteract the effect of the carbon dioxide emissions.
	Lifecycle perspective	The environmental impact of our products throughout their life cycle, from material extraction to final disposal.	<ul style="list-style-type: none"> We always consider using recycled materials in our products as far as possible. LK Prefab uses smarter packaging when delivering products to facilitate sorting at source.
PERSONNEL	Sick leave and occupational illness	Balance between the economy, organisational changes and workload for personnel.	<ul style="list-style-type: none"> We follow-up all sick leave regularly. Regular employee survey with action plans. Regular appraisal interview with action plan. High utilisation of Avonova's work environment services. Regular health check-ups. Regular work environment training for managers and safety representatives. Mapping and developing action plans for people or groups with perceived high workload or stress.
	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. A group-wide system for reporting and following-up incidents and accidents has been implemented and it is followed up in the safety committees. In the employee survey, we ask questions about physical, organisational and the 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 regularly train and inform employees about our Code of Conduct (CoC) and in connection with our new HR portal, our Code of Conduct (CoC) will be a mandatory part of LK's introductory program. Suppliers who do not have their own Code of Conduct (CoC) equivalent to LK's must sign our Code of Conduct (CoC).
HUMAN RIGHTS	Diversity and discrimination	The heating, ventilation and sanitation industry is traditionally male-dominated. Presently, we have an uneven gender balance and this could entail a risk of discrimination for our female employees.	<ul style="list-style-type: none"> On our careers page, we highlight, among other things, our business areas, benefits and career opportunities in the form of employee interviews, where we interviewed a majority of women. During recruitment, if two candidates are equal, the female candidate should always be given priority, taking into account the group's distribution of women and men. We measure and follow up discrimination in our employee survey. At LK, we have zero tolerance of discrimination.

Highlights during the year

SUCCESSFUL TEST WITH
LEAD-FREE BRASS



LK AND LABTRINO START
A COLLABORATION AND
LAUNCH THE NEXT-
GENERATION WATER METER
- THE CUBICMETER

ALL INDICES FROM THE
EMPLOYEE SURVEY
INCREASED COMPARED
TO THE PREVIOUS YEAR.

Team efficiency index.....	77
Leadership index.....	79
Commitment index	81
Attractive employer.....	24
Psychosocial work environment index	77



VI-SKOGEN

WE PLANT

2800

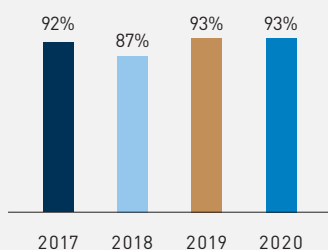
TREES TO CARBON-OFFSET
TRANSPORTS FROM OUR
LOGISTICS CENTRE.

86%

OF THE EMPLOYEES THINK
LK PRIORITISES SAFETY,
THE SAME HIGH LEVEL AS
LAST YEAR.

93%

RESPONSE RATE FROM THE
EMPLOYEE SURVEY.



LEAD-FREE BRASS RANGE
FOR TAP WATER.



MANUFACTURER SUPPLIER
OF THE YEAR
2018 AND 2019.

LK Systems has been named Manufacturer Supplier of the Year for the second year in a row

During the Comfort chain's annual trade fair for its members and suppliers, LK Systems was named Manufacturer Supplier of the Year with the citation:

"With the highest score in a questionnaire among the members of Enkätfabriken, the Manufacturer of the Year 2019 demonstrates a consistently high service level at all contact points of the company as well as high scores for product range and quality."

"We are very happy and proud to receive the award as Manufacturer Supplier of the Year. What is even more pleasing is the fact that it is the members of the Comfort Chain who have voted for us. We thank you for the award, which is a testament to our desire to improve and always continue with our continuous development," Johan Börjesson, Regional Manager at LK Systems, says, who was there to receive the award.

LK has previously been awarded Manufacturer Supplier of the Year in 2018 and 2015. LK Systems is a Nordic leader in solutions for heating and tap water systems. 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.

Comfort is Sweden's largest HVAC installation chain with a strong local base of 65 stores and a presence in 155 locations around the country. We are continuously commissioned by building companies, property owners, industries, the public sector and private individuals with assignments ranging from design-build for new construction or renovation to service and energy optimization. Our combined

experience and the fact that we are present all over the country makes us a reliable local partner, who can install everything we sell. The chain consists of 2,800 employees, of which 1,800 are certified fitters in 130 member companies with a total turnover of SEK 5.2 billion.



RESPECT FOR HUMAN RIGHTS AND COMBATING CORRUPTION

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

Code of Conduct (CoC)

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

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

Our employees are regularly trained in our Code of Conduct (CoC). In our business, we have clear information about how important it is that we and our suppliers comply with these principles and requirements.

CODE OF CONDUCT (COC)

GOALS

100% OF OUR SIGNIFICANT SUPPLIERS SHALL SIGN OUR CODE OF CONDUCT (COC) OR HAVE ONE OF THEIR OWN THAT IS EQUIVALENT TO OURS. THIS GOAL SHALL BE ACHIEVED BY 2021.

STATUS

IN 2019, 85% OF OUR SIGNIFICANT SUPPLIERS SIGNED OUR CODE OF CONDUCT (COC) OR HAD ONE OF THEIR OWN EQUIVALENT TO OURS. IN 2020, THIS FIGURE WAS 85%.

ACTION

IN CONNECTION WITH THE LAUNCH OF OUR NEW HR PORTAL, OUR CODE OF CONDUCT (COC) WILL BE A MANDATORY PART OF LK'S INTRODUCTORY PROGRAM.

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 forward.

As a leading player in the HVAC and plumbing industry, we feel a responsibility to lead by good example. We consider laws and environmental regulations to be minimum requirements and we always strive to stay one step ahead in accelerating 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 requirement on our suppliers and their environmental performance through a Code of Conduct (CoC). 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 establishing support for the environmental work throughout the organisation. At LK, improvement work is progressing every day – it is our contribution to future generations.

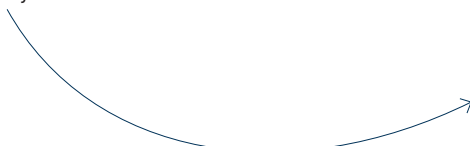
Material use

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, giving us the opportunity to influence and set stricter requirements on our suppliers.

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

Recycled materials in our products

We always try to use recycled materials in our products as far as this is possible. This is an issue that we prioritise and follow up with our suppliers. All products including recycled materials are marked in the product range with the "Made from Recycled Material" symbol.



*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 AB - WORKS ACCORDING
TO ISO 14001/ISO 9001

Successful test with lead-free brass

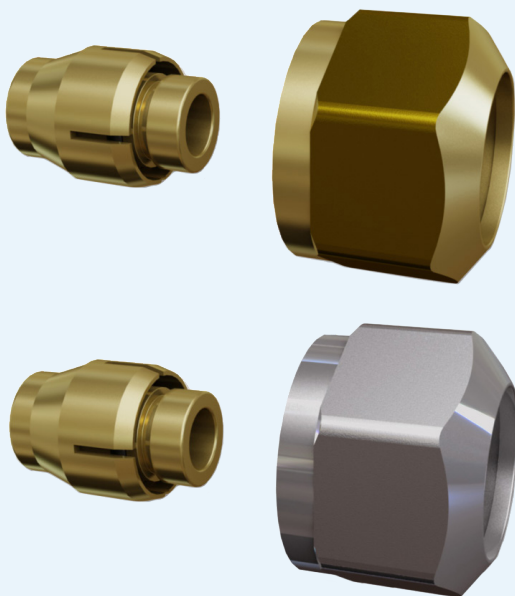
In November's issue of VVS-forum, the largest HVAC and energy magazine in the Nordic region, they write about a "Successful test with lead-free brass", which is one of the first attempts at large-scale production of lead-free brass. The trial used a variant of the LK AX16 Coupling set in lead-free brass.

The trial, which is part of the Optibrass project, was carried out jointly with Ezze and at their factory in Gnosjö. One of the challenges, which was suspected in advance, was that long chips could form during the cutting process, which is a problem because they could wrap themselves into the machine, with a risk for breakdown. This was solved, along with a couple of other challenges, methodically during the progress of the work.

"It has been a fantastic effort, where everyone, with great commitment and focus on finding solutions, has contributed with their knowledge

and experience. Generally speaking, it will be possible to produce our product with the same cycle times as are used when it's produced in the traditional leaded alloys. It's all about the market wanting to phase out lead from brass. Lead is on the candidate list (SVHC) as an element that we want to stop using in the long term," Jesper Oredsson, business developer and technical specialist at LK Systems, says.

The next step in the project will be to obtain type approval for the new LK Coupling Set, AX 16 ECO.



LK Coupling Set, AX16 - in yellow brass and chrome-plated design.

Environmental documentation

To find out which substances our products contain, we request comprehensive and relevant information from our suppliers. Today, we have 1057 items with building product declarations, a figure that is steadily increasing. We send the building product declarations (BVD) for assessment to Byggarubedömningen (Building Products Assessment) and/or Sunda Hus, when necessary. In this way, we gain increased knowledge about the environmental impact of the products.

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 to increase the productivity and reduce the waste from our production units. This contributes to reduced energy consumption per cabinet or meter of pipe produced.

In 2014, the operations moved to a newly built pipe factory 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 more about this on page 17 of the report.

ENVIRONMENTAL DOCUMENTATION

GOALS

ANNUALLY INCREASE OUR HOLDING OF BVD BY 7% (DOES NOT APPLY TO SPARE PARTS, MACHINES AND TOOLS).

STATUS

WE HAVE INCREASED FROM LAST YEAR BY 27%

ACTION

CONTINUOUS WORK TO PREPARE BVDS FOR THE REMAINING PRODUCT RANGE.

Goals, status and action apply to LK Systems AB.

LK and Labtrino start a collaboration and launch the next-generation water meter - the CubicMeter

The new unique water meter uses patented technology and fits on the outside of the pipe, creating positive effects both in terms of time and cost. The company and technology originate from research at KTH and aim to create increased awareness about water consumption. In addition to the collaboration, LK is also a shareowner in Labtrino.

Labtrino develops intelligent systems linked to metering water for real estate companies etc. By using machine learning and artificial intelligence, not only is cost-effective metering made possible but it also helps to improve the companies' environmental footprint by delivering an intelligent and affordable system for reducing water and energy consumption.

"With the collaboration and partnership with LK, we gain access to a market leader who has both knowledge, experience and who shares our vision," Ramtin Massoumzadeh, CEO and co-founder at Labtrino, says.

For LK, this collaboration and investment is totally in line with the company's vision, future and sustainability work.

"We are proud of this collaboration. At LK, we work with continuous development and creating smart and sustainable products and systems that simplify our customers' lives, today and in the future. The collaboration with Labtrino is good proof of this and it is only the first step in developing new solutions together," Michael Söderberg, CEO of LK Systems. says.

The background to CubicMeter is the fact that Labtrino identified a number of challenges in the real estate sector regarding water consumption, among other things, they saw that a lack of awareness causes people to over consume water by millions of litres per year. In the absence of simple installations, the water cost is based instead 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.

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,



From the left, Thibault Helle, Michael Söderberg, Ramtin Massoumzadeh and Olle Henning.

which saves both time and money. The system also detects water leaks, which costs insurance companies billions of kronor per year, in Sweden alone.

"CubicMeter is easy to install and, via an app, tenants can both monitor their consumption in real time and receive individually adapted suggestions on how to effectively reduce their consumption without reducing comfort. In other words, we are assisting residents to reduce both their water and energy consumption, paving the way for a more sustainable and aware public and private real estate sector," Thibault Helle, co-founder and CTO at Labtrino, says.

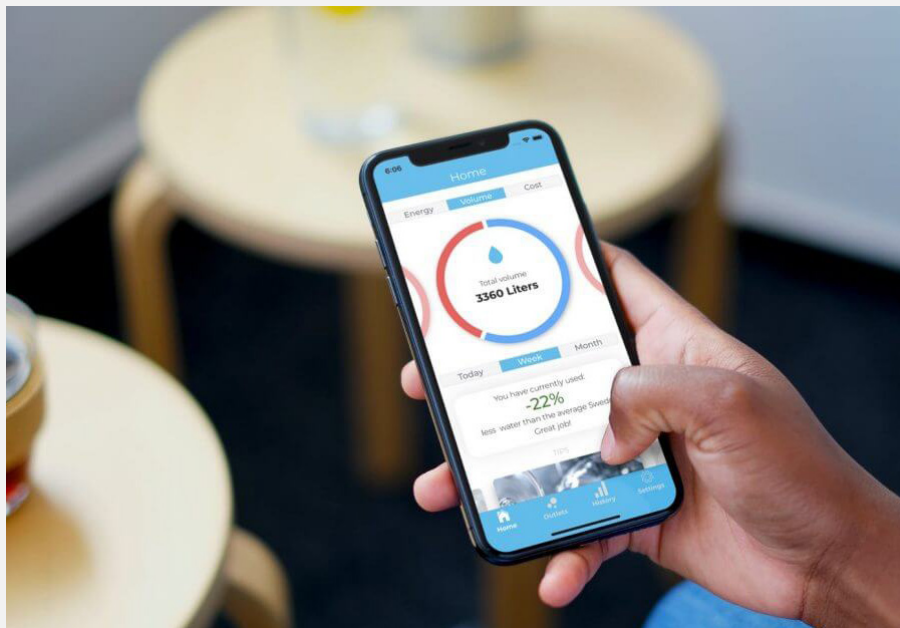
Among other things, the system has the option to collect and analyse data, which creates knowledge

and insights that result in awareness and the opportunity of optimisation. It is thanks to an increased awareness of their individual water consumption that individuals can reduce their water consumption by about 30% according to most international studies, which is in line with the UN's sustainable development goals.

In addition to the UN's fixed sustainable development goals, there are also other aspects that are important to take into account. In Europe, requirements are beginning to be set stipulating that water meters must be installed in each apartment and in Sweden, with effect from 2021, we are seeing new requirements for IMD (individual measurement and charging) for heating and hot water for certain parts of the existing apartment stock from 2021.

"The product fits perfectly into our range and our PEX and PAL pipes, but it is also in line with broadening our product portfolio and following the needs of the market. Labtrino possesses a unique technology that we find interesting and they are far ahead in IoT. It is a properly sized platform with a high technical level that suits us well as we continue to develop and broaden our connected products*," Fredrik Svensson, Business Development Manager at LK Systems, says.

* LK Room control and LK Water fault switches are currently available as connected products.



CubicMeter is easy to install and, via an app, tenants can both monitor their consumption in real time and receive individually adapted suggestions on how to effectively reduce their consumption without reducing comfort.

Energy-efficient pipe production

LK's pipe factory and logistics centre in Ulricehamn is self-sufficient in heat, thanks to heat recovery from the production. In addition, both the electricity and water consumption have been reduced.

In 2014, we built a new factory in Ulricehamn for the production of plastic pipe for the HVAC and plumbing industry. The aim was to increase capacity and, at the same time, switch to more energy efficient production. When the plastic material is melted and processed, waste heat is generated in the form of hot air, which is recycled using a heat exchanger. The heat from the water that is used to cool the pipes is recycled in a similar way.

Thanks to this heat recovery, we can heat the entire factory premises as well as our nearby logistics centre, equivalent to a total area of just over 20,000 square meters. In addition, the excess heat is used to melt snow and ice at the loading dock, to prevent slipping when goods vehicles are collecting outgoing deliveries. Any additional heat surplus is

delivered to Ulricehamns Energi and their district heating network.

Thanks to a closed cooling water system, we have reduced our water consumption on the production lines by fully 96 percent, compared to the old factory. Electricity consumption has also decreased, for example by upgrading the production with more effective and energy-saving machines, and by installing LED lighting and motion detection control that regulates the lighting as needed. We are now exploring the possibility of switching to green electricity produced from renewable energy sources and reducing our fossil dependence.

By moving pipe production to a newly built factory and working actively with efficiency, we have:

Reduced relative energy consumption from 2019 to 2020 by

5.9%

Installed heat recovery that generates in total

213 MWh

Overall, reduced water consumption by

96%

Transport

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 large 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 2021, we will carbon-offset for the carbon dioxide generated when goods are transported from the logistics centre to our customers. **A slightly greener LK.**



VI-SKOGEN

We are planting 2800 trees to carbon-offset transports from our logistics centre.

LK Systems delivers ground heating to Lund Municipality, which now gets its squares and tram stops heated

Lund Municipality wants to be a leader when it comes to energy and climate solutions. In order to create a sustainable future and achieve the goal for lower emissions, the municipality has invested in ground heating for public spaces, such as squares and tram stops.

The nine tram stops and two squares included in the project will be heated by fossil-free residual and return heat, including from the MAX IV and ESS research facilities. The new tramway comes into operation, in August 2020, but Lund's residents will be able to experience a couple of heated tram stops and squares as early as the end of the year.

"Kraftringen and Lund Municipality have signed an agreement to lay ground heating in connection with the expansion of the tramway and we chose to do so together with LK, which has a complete system for ground heating and great expertise thanks to many years of experience. This project will make it easier for public transport and Lund's residents and constitutes an important contribution to a more sustainable Lund," Peter Ottosson, project manager at Kraftringen, says.

The many advantages of ground heating

Apart from keeping snow and ice off squares and tram stops, the ground heating not only creates increased comfort and safety, with reduced risks of slipping and broken bones*, but also reduces the need for snow clearing and cleaning. Trams are also kept clean and fresh because the passengers do not drag in snow and grit, which results in less wear and maintenance.

"It should be easy to make smart and sustainable choices in life. The urban development in Lund is a shining example of creating better conditions by reducing the risk of slipping accidents, increasing accessibility and using resources in the smartest



way," Henrik Abraham, communications officer at LK, says.

* Every winter, the media and authorities warn about the danger of slipping. Statistics from the National Board of Health and Welfare show that almost 18,000 people needed specialist care for cases associated with ice or snow in 2017.

The total number of sufferers is even higher, because patients in primary care are not included in the statistics.

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 sick leave, great diversity and gender equality.

Our leadership is an important prerequisite for our employees to thrive and develop together with our customers. During 2020, we have conducted an employee survey, with very good results in all indices, where all indices show results above benchmark. The employee survey also shows how we can continue to develop as managers and an organisation, the efforts that are needed and where they are needed. In 2020, we would have implemented a leadership development program for all our managers but unfortunately this had to be cancelled due to Covid-19. As soon as possible, hopefully in 2021, we will implement the leadership development program to continue the development of a sustainable management.

Work environment

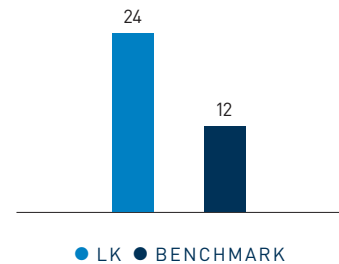
We want all employees to feel safe at work. In the employee survey conducted in 2020, 86%, the same high level as last year, said that they think LK prioritises a safe work environment.

As part of our work to develop the work environment, we have digitised 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 put in place comprehensive measures for safer workplaces.

In order for our employees to feel that they work in a safe environment, we conduct training in the work environment, including CPR, BAM, OSA and safe driving. The courses play an important role in allowing us to identify and prevent risks in the work environment.

To reduce the number of occupational accidents, our production units use various methods to highlight the risks at work and to increase knowledge. One example is the Green Cross, where we focus on the work environment on a day-to-day basis and follow up incidents and accidents. In 2019, the Swedish Work Environment Authority carried out an audit at the central warehouse in Ulricehamn. The outcome of the audit was very good.

ATTRACTIVE EMPLOYER (eNPS) 2020



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

WORK ENVIRONMENT

GOALS

> 85%. TO MAINTAINING THE HIGH LEVEL AS A SAFE WORKING ENVIRONMENT.

STATUS

IN 2020, 86% OF EMPLOYEES FEEL LK PRIORITISES A SAFE WORKING ENVIRONMENT.

ACTION

CONTINUOUSLY WORK ON THE CHALLENGES THAT EMERGE FROM THE EMPLOYEE SURVEY.

Focus areas based on the employee survey are:
Leadership, communication and sustainability.

Absence due to illness

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

Diversity and equal opportunity

LK strives to have employees with different genders, nationalities, backgrounds, age and experiences. We believe that this is a prerequisite for continuing to develop 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.

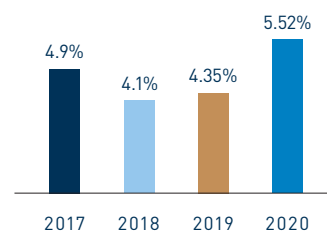
Gender equality

Attracting female employees in a traditionally male industry is a challenge. Few women choose the vocational training available in our business areas. There are also few women who apply for the vacancies that are advertised. The same is true for traineeships. 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. We want to show that there are women in different positions at LK. One example is the employee interviews we conduct, where we consciously highlight women in male-dominated positions.

In our employee survey for 2020, we ask questions about discrimination and workplace harassment. When asked if the language used is suitable for everyone, regardless of the grounds of discrimination, 88% (86% last year) say they fully agree and 6% (9% last year) are neutral. When asked if they have been free from workplace harassment in the last 12 months, 94% agree completely (93% the previous year) and 2% are neutral. This is a very good result that we want to maintain over time. However, at LK we are working systematically towards a zero vision.

We already measure the distribution of the number of men and women who work with us. Today, 22% of our employees are women and our goal is to increase the number to 24% over a three-year period.

ABSENCE DUE TO ILLNESS



Sick leave hours in relation to the number of hours worked (LK in Sweden).

GOALS

2% FOR WHITE-COLLAR WORKERS AND 5.5% FOR EMPLOYEES ON COLLECTIVE AGREEMENTS (SICK LEAVE HOURS IN RELATION TO HOURS WORKED).

STATUS

A TOTAL OF 5.52% SICK LEAVE HOURS IN RELATION TO THE NUMBER OF HOURS WORKED, OF WHICH 3.38% FOR WHITE-COLLAR WORKERS AND 8.12% FOR EMPLOYEES ON COLLECTIVE AGREEMENTS.

A MAJOR REASON FOR THE INCREASE IN SICK LEAVE IS OUR HIGH PROPORTION OF EMPLOYEES ON COLLECTIVE AGREEMENTS WHO ARE UNABLE TO WORK AT HOME IN CASE OF MILDER SYMPTOMS DUE TO COVID-19.

ACTION

WORK WITH LEADERSHIP DEVELOPMENT BECAUSE LEADERSHIP IS OF GREAT IMPORTANCE IN REDUCING SICK LEAVE AND UTILISING OUR OCCUPATIONAL HEALTH CARE IN PREVENTIVE WORK ENVIRONMENT MANAGEMENT AND REHABILITATION.

Work with results from stress mapping.

DIVERSITY AND EQUAL OPPORTUNITY

GOALS

24% WOMEN IN 2022, LK IN SWEDEN.

STATUS

22% WOMEN, LK IN SWEDEN.

ACTION

CONDUCT EMPLOYEE INTERVIEWS, WHERE THE MAJORITY SHOW WOMEN IN DIFFERENT COMPANIES, ROLES AND LOCATIONS.

Maintain the good results in the employee survey about discrimination and workplace harassment.

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 13 people plus a supervisor who leads and allocates the work. They are integrated into production and have the same rights and obligations as 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 and the ability to highlight the business benefits arising from 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 keep 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.

