Sustainability Report 2019
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INTRODUCTION

You are now reading LK’s Sustainability Report. Here, we try to provide a comprehensive picture of our sustainability work, our goals and the way to reach them. We hope that the report will increase knowledge about and inspire more sustainable initiatives, both internally and externally.

Our products are market leaders, in terms of both safety and quality and we have delivered smart products and system solutions in HVAC to the Swedish market since 1910. We are focusing strongly on sustainability including environmental certification which strengthens 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 we safeguard sustainability in all stages of our products and operations, from enquiry to order confirmation, manufacture, delivery and the after-sales market.

To make the most of our sustainability work, our work environment has to provide conditions for personal development and be characterised by job satisfaction, trust, learning and that we listen to each other. We create commitment and motivation by employees being included in decisions and involved in the development of our processes. We want an open and welcoming work culture where we comfortably raise issues and make suggestions for alternative solutions. The steering group at LK states that: together with our staff, the most important resource at LK, we shall continue to be successful for many years to come.

We continuously work to review our suppliers and the control of our own operations. The Sustainability Report helps us question matters and act. It sheds light on what we do well, as well as what can be improved. It strengthens our attitude to not rest on our laurels or run the the same rut. Every day, we work to achieve more sustainability for our customers, ourselves and our surroundings.

This report does not cover the activities conducted within LK Finans AB. Portfolio companies in LK Finans AB that are subject to the legal requirement prepare their own sustainability reports.

The world’s leaders have committed to 17 global goals to achieve four fantastic things by 2030. Doing away with extreme poverty. Reducing inequalities in the world. Solving the climate crisis. Promoting peace and justice. In the next few years, LK will focus extensively on carbon offsetting of transports of our goods, as well as reviewing 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 everyone.
FOR A SIMPLER AND SMARTER EVERYDAY LIFE

Simpler, smarter and more sustainable – at LK we always assume that there is a better way of doing things. We prefer innovation to the status quo and simplicity rather than complexity in everything we do. At LK, with this conviction in mind, we develop smart products and system solutions 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 total view of how valves, control units, components and prefabricated products work together. In everything from standard to advanced special adaptations we ensure the solution that you need at present will also equip you for the future.

**LK Pex** manufactures high quality plastic pipes for the HVAC and plumbing industry. Our in-house produced, cross-linked polyethylene PE-Xa pipes with unique flexibility and pressure strength are examples of continuous product development, always bearing in mind the goal of simplifying your everyday life and ensuring an even smarter future for you.

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

Five facts about LK

- **Founded in 1910**
- **400 employees in three business areas**
- **Offices in five countries**
- **Turnover in 2019, SEK 1,230 million**
- **Sales to more than 50 countries**
Business model

Our vision
We are the first choice for smarter, more sustainable solutions in a simpler everyday life.
Materiality analysis

Based on our value chain, we have identified strengths and weaknesses linked to our organisation. We have looked at our surroundings, and asked our stakeholders and ourselves what is essential to report on.

We undertake continuous surveys at LK, ranging from customers to stakeholders and employees.

A survey was conducted to find out what issues our stakeholders feel are essential in our sustainability work. All of the questions were within the scope of the Annual Accounts Act’s five thematic areas: environment, personnel, human rights, anti-corruption and social conditions. The survey was done as a phone interview. The stakeholders are our customers, employees, owners, suppliers and union representatives. We have received a great diversity of responses from the stakeholders, but can summarise that the commitment to sustainability issues is important for being an attractive employer and supplier.

The employee survey in 2019 shows that all the general indices have increased compared to 2018. An example of a general index is the measurement of team efficiency and management. The activities conducted in the company during the past year with a focus on job satisfaction and commitment had good results. We are now taking the next step for further improvement, and during 2020 we will implement a management development programme for all managers with responsibility for personnel.

Our impact

We conducted our own analysis of what sustainability issues we can influence the most as a company. Our products facilitate and effectivise the use of renewable energy sources. LK’s goal for sustainability work is to ensure a long-term and sustainable development for the company. The matrix below shows a summary of the responses from our stakeholders as well as our own conclusions. Our focus is on the content in the upper right box, without forgetting the other issues.

Planned measures

We will be developing our work on a continuous basis, with regard to both the environment and the work environment. Our starting point is challenging, as we have very many employees who are highly satisfied with being a part of LK. It is important not to stop, but continue to manage our most valuable capital, our employees. An insight into how we intend to do this is provided by this report. From an environmental point of view, we will continue to develop lead-free brass alternatives. We will also continue to climate-offset part of our transports within the organisation.
## Risk analysis

<table>
<thead>
<tr>
<th>THEMATIC AREA</th>
<th>IDENTIFIED RISK AREA</th>
<th>DESCRIPTION OF POTENTIAL RISK</th>
<th>HOW WE HANDLE IDENTIFIED RISKS</th>
</tr>
</thead>
</table>
| **ENVIRONMENT** | Energy use in the organisation | Our production unit in Ulricehamn uses the greatest amount of energy. | • We achieve better control of the amount of electricity that we purchase through a joint electricity agreement for all our operations.  
• We aim to reduce our electricity purchases from fossil sources every year.  
• Our company LK Pex AB recycles heat from production and provides the surplus to Ulricehamn Energi. |
| | Transport | Our material needs to be transported and starting from the central depot in Ulricehamn it is the intention to climate offset all transports from there. | • By planting trees, we counter the effect of carbon dioxide emissions. |
| | Lifecycle perspective | Our products' environmental impact throughout their entire lifecycle from material extraction to final handling. | • 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 sickness at work | Balance between economic activity, organisational changes and workload of employees. | • We continuously follow up all sick leave.  
• Regular employee survey with action plans.  
• Regular appraisal interviews with action plan.  
• High utilisation of Avonova’s services for the work environment.  
• Regular health check-ups.  
• Work on the results of stress mapping for managers.  
• Continuous work environment training for managers and health and safety officers. |
| | Accidents at work | The risk of accidents at work exists primarily in the warehouse, work involving machines and production. | • Safety inspections are carried out regularly.  
• A group-wide system for reporting and follow-up of incidents and accidents has been implemented and is followed-up in the health and safety committees.  
• In the employee survey, we ask questions about the physical, organisational and social work environment. |
| | Corruption | Risks in connection with customer and supplier contacts. | • LK does not tolerate corruption, bribery and unfair conduct that restricts free competition.  
• We train and inform our employees about our Code of Conduct (CoC) on a continuous basis and in connection with our new HR portal, the Code of Conduct (CoC) will be a mandatory part of LK’s introduction program.  
• Suppliers that do not have their own Code of Conduct (CoC) that corresponds 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. At present we have an uneven gender balance and this might lead to a risk of discrimination for our female employees. | • On our career 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.  
• When recruiting, if two candidates are equal, the female candidate should always be prioritised, 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

93%
The response rate from the employee survey set a new record.

WE CELEBRATE 110 YEARS IN 2020.

WE ARE PLANTING 2,514 TREES TO CARBON-OFFSET TRANSPORTS FROM OUR LOGISTICS CENTRE.

86%
Of the employees feel that LK prioritises safety. An increase of 4% over the previous year.

LAUNCHED A LEAD-FREE BRASS RANGE FOR TAP WATER.

MANUFACTURER SUPPLIER OF THE YEAR FOR THE SECOND YEAR IN A ROW.

REDUCED OUR FOSSIL ELECTRICITY DEPENDENCE BY 7.4%

ALL INDICES FROM THE EMPLOYEE SURVEY HAVE INCREASED COMPARED TO THE PREVIOUS YEAR.
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 members and suppliers, LK Systems was named Manufacturer Supplier of the Year with the citation:

“With the highest score in a survey 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 the Manufacturer Supplier of the Year. It is exceedingly pleasing that it is the Comfort chain’s members who have voted for us. We are grateful for the award, which is proof of our commitment to improvement and continuation of our continuous development on an ongoing basis,” says Johan Börjesson, Regional Manager at LK Systems, who was present to receive the award.

LK has previously been awarded the Manufacturer Supplier of the Year in 2018 and 2015. LK Systems is a Nordic leader in heating and water system solutions. Our systems are easy to install and in our prefabrication plant we also manufacture customised systems that further simplify the installation. From idea to a finished product, this is where you get the smartest solutions, now and in the future.

Comfort is Sweden’s largest HVAC installation chain with a strong local base of 65 shops and a presence in a total of 155 locations around the country. We are continuously commissioned by building companies, property owners, industries, the public sector and private persons for assignments ranging from design-build contracts for new builds or renovations to servicing and energy optimisation. Our accumulated experience and the fact that we are located all over the country make us a reliable local partner, which can install everything we sell. The chain consists of 2,800 employees, including 1,800 certified fitters in 130 member companies with a total turnover of SEK 5.2 billion.

LK Systems AB har utsetts till Årets Fabrikantleverantör


Rista januari 2020

Göran Swedérus, vd Comfort-kedjan AB
RESPECT FOR HUMAN RIGHTS AND COMBATING CORRUPTION

All business activities are to be conducted in accordance with current laws and ordinances in the respective country. To ensure control over our value chain, we promote long-term cooperation with both customers and suppliers.

Code of Conduct (CoC)

Our Code of Conduct (CoC) permeates our entire business. We do not tolerate corruption, bribes or other actions that limit or distort competition. It clarifies the requirements and expectations we have of our suppliers, such as their respecting fundamental human rights and treating their employees fairly and with respect. All suppliers must sign the Code of Conduct (CoC) or present their own version that corresponds to ours.

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

During 2018, we reformulated our Code of Conduct to clarify that the contents also cover our own operations. Thereafter, all managers have been trained in the Code of Conduct (CoC) while our employees have been informed of the importance that we and our suppliers always live up to its principles and requirements.

CODE OF CONDUCT (COC)

GOALS

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

STATUS

IN 2018, 77% OF OUR SIGNIFICANT SUPPLIERS HAD SIGNED OUR CODE OF CONDUCT (COC) OR HAD THEIR OWN ALTERNATIVE EQUIVALENT TO OURS. IN 2019, 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 INTRODUCTION PROGRAMME.
THE ENVIRONMENT

Our environmental efforts

At LK, we always assume that there is a better way to do things. This attitude also permeates our environmental efforts where we constantly try 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 serve as a good example. We see laws and environmental regulations as minimum requirements and always strive to be one step ahead to hasten the development towards a sustainable future.

To ensure focus on high quality and environmentally friendly production, we are ISO certified*. We also set requirements on our suppliers and their environmental performance through a Code of Conduct (CoC). Among other things, this says that the supplier must have knowledge of and control over its environmental impact and actively work to reduce negative environmental impact.

To constantly develop more environmentally sound products, solutions and systems, it is not enough to have rules and expressed environmental targets, however. It also requires a long-term commitment, attitude changes and practical tools in the daily activities. We therefore devote time and resources to establishing support for the environmental efforts in the entire organization. At LK, improvement work is under way every day – it is our contribution to future generations.

Material use

Material use in our products accounts for a significant part of LK’s environmental impact. Our knowledge of the material alternatives that can be used has grown, giving us the possibility to influence and set higher requirements for our suppliers.

We see the significance of being involved in different trade and standards organisations such as VVS-Fabrikanternas Råd, Säker Vatten, SINTEF, TEPPFA and Svensk Armaturindustri. This helps us in the work to stay abreast of developments in the industry.

Recycled materials in our products

We always strive to use recycled materials in our products to the extent possible. This is a question that we prioritise and follow up with our suppliers. All of the products with recycled materials are marked in the product range with the symbol “Made from Recycled Material”.

*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

GOALS

IN ALL PRODUCT DEVELOPMENT, BOTH PRODUCT CARE AND NEW DEVELOPMENT, RECYCLED MATERIALS SHALL BE CONSIDERED.

STATUS

19% OF OUR PRODUCTS CONTAINED RECYCLED MATERIALS FOR 2018 AND 2019.

ACTION

FOLLOW UP MATERIAL SELECTION WITH SUPPLIERS.

Targets, status and action apply to LK Systems AB.
Reducing the use of lead is a challenge

We always strive to use materials with as little an environmental impact as possible. Dialogue on the stringent lead criteria is still being conducted with our brass suppliers at the same time that we are trying to promote the development of more environmentally friendly materials.

Today, many of our products, such as connectors and valves, are made of brass. Brass has many good properties, but also contains a small amount of lead to improve scalability in production. Lead is classified as a hazardous substance, is listed on the candidate list (REACH) and in the long term should be phased out of society.

All of our brass products for drinking water systems meet the legal requirements under both the building rules of the Swedish National Board of Housing, Building and Planning and current NKB rules (Nordiska kommittén för byggbestämmelser). However, the products have a poorer assessment in various assessment systems for building materials, such as Byggvarubedömningen and Sunda Hus, since the lead content exceeds their limit of 0.1 per cent.

We have an ongoing dialogue with our brass suppliers on the lead criteria. As the leading manufacturer, we also cooperate on energy and sustainability issues with the trade organisations Svensk Armaturindustri and VVS-Fabrikanternas Råd.
Environmental documentation

To find out what substances our products contain, we request extensive and relevant information from our suppliers. We currently have approximately 830 articles with building materials declarations, a figure that is steadily growing. We send the building materials declarations to be assessed by Byggvarubedömningen (building materials assessment) and/or Sunda Hus, when necessary. This way, we get more knowledge about the products’ environmental impact.

We also make sure to register the 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) meet Svanen’s tough requirements and have their label. We are proud of this!

Energy consumption

The production units in LK account for the majority of our electricity consumption. This part is continuously being developed, partly for our strong environmental commitment, but also to improve our competitiveness. Targets are set annually to increase productivity and reduce waste from our production units. This contributes less energy use per cabinet or meter of pipe produced.

In 2014, the operations were moved to a newly built pipe factory to create better conditions for efficient world-class pipe production. The new factory has meant considerable savings of energy and water consumption; you can read more about this on page 13 of the report. In order to ensure that we use our electrical energy in the right way, a value is drawn up by comparing the quota between how much energy has been used and sales turnover. As can be seen from the table, we have a declining value, despite annually increasing our sales. We use our resources both smartly and efficiently.

ENVIRONMENTAL DOCUMENTATION

GOALS

An increase of 7% per year (excluding spare parts, machinery and tools).

STATUS

35% of our articles have BVD. This is an increase of 10% over the previous year.

ACTION

Continuously submit building materials declarations for assessment.

Targets, status and action apply to LK Systems AB.

ENERGY CONSUMPTION

RESIDUAL MIX ELECTRICITY

<table>
<thead>
<tr>
<th>%</th>
<th>Fossil</th>
<th>Renewable</th>
<th>Nuclear Power</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>35.4%</td>
<td>24.8%</td>
<td>39.8%</td>
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</table>

ENERGY PERFORMANCE

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>6.86%</td>
</tr>
<tr>
<td>2018</td>
<td>6.49%</td>
</tr>
<tr>
<td>2019</td>
<td>5.65%</td>
</tr>
</tbody>
</table>

GOALS

LK shall eliminate dependence on fossil electricity by at least 5% per annum.

STATUS

A decrease of 7.4% compared to previous year.

ACTION

Joint agreements and joint negotiations.

SUSTAINABILITY REPORT 2019 13
Energy-efficient pipe production

LK’s pipe factory and logistics center in Ulricehamn is self-sufficient on heat, thanks to heat recovery from production. Electricity and water consumption has also been reduced.

In 2014, we built a new factory in Ulricehamn for the production of plastic pipe for the heating, ventilation and sanitation industry. The aim was to increase capacity and at the same time switch to more energy-efficient production. During 2019, approximately 45 million metres of pipe was produced in the factory. When the plastic material is melted and processed, waste heat arises in the form of hot air that is recovered using a heat exchanger. The heat from the water used to cool the pipes is recovered in a similar way.

Using this heat recovery, we are able to heat the entire factory premises as well as our nearby logistics centre, corresponding to a total area of just over 20,000 square meters. The surplus heat is also used to melt snow and ice at the loading bay, to prevent slipping when the trucks pick up outgoing deliveries. Any other 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 in the production lines by a full 96 per cent compared with the old factory. The electricity consumption has also decreased, for example through upgrading the production to more efficient and energy-saving machines and through the installation of LED lighting and motion detection control that regulates the lighting as and when required. We are now investigating the possibilities of changing to green electricity that is produced from renewable energy sources and reducing our fossil dependence.

By moving pipe production to a newly built factory as well as working actively on efficiency, we have:

- Reduced relative energy consumption from 2018 to 2019 by 4.6%
- Installed heat recovery that in total generates 500,000 kWh
- Overall, reduced water consumption by 96%

Transport

We are continuously reviewing our transports and how we can make them 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 entail more efficient deliveries and shorter transport distances since we have gotten 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 we at LK do not think this is enough. In 2020, we will carbon offset for the carbon dioxide created when goods are transported from the logistics centre to our customers. A somewhat greener LK.
LK Systems delivers ground heating to the municipality of Lund, which now has heated squares and tram stops

The municipality of Lund wishes to be in the forefront of energy and climate solutions, so as to generate a sustainable future, and to attain the goal of decreasing emissions the municipality has invested in ground heating of the public environment, such as squares and tram stops.

The nine stops and two squares included in the project will be heated through fossil free residual and return heating, including from the research plants MAX IV and ESS. The new tram will be operational in August 2020, but the residents of Lund will be able to enjoy some heated stops and squares as early as the end of the year.

"Kraftringen and the municipality of Lund have signed an agreement to include ground heating in connection with the expansion of the tramway and we chose to complete this together with LK who have a complete system for ground heating as well as great knowledge from many years of experience. This project will make life easier for public transport and the residents of Lund and is an important contribution to a sustainable Lund", says Peter Ottosson the project manager at Kraftringen.

The many advantages of ground heating

In addition to keeping snow and ice away from squares and tram stops, the ground heat also creates increased comfort and safety with reduced risk of slipping and broken bones* as well as reducing need for snow removal and cleaning. Trams are also kept clean and fresh as passengers do not deposit snow and gravel inside, resulting in less wear and maintenance.

"It should be easy to make smart and sustainable choices in everyday life. 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," says Henrik Abraham, communications officer at LK.

* Every winter, the media and authorities warn against slipping. Statistics from the National Board of Health and Welfare show that almost 18,000 people received specialist care for falls on 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

Personnel

We wish to create a sustainable organisation and be an attractive workplace for new and existing employees. Our organisation shall be characterised by satisfied and committed employees, good management, a safe work environment, low sick leave, great diversity and equality.

Our leadership is an important prerequisite for our employees to thrive and develop together with our customers. During 2019 we performed an employee survey with very good results in all indices, but which indicates how we may continue to develop as managers and organisation, what efforts are required and where. Based on this, we will implement a managers’ development programme in 2020. During 2019 we have also carried out stress mapping for all our managers and in 2020 we will continue to work on the results so as to create sustainable leadership.

Work environment

We want all of the employees to feel safe at work. In the employee survey performed during 2019, 86% (compared to 82% the previous year) said that they feel LK prioritises a safe work environment.

As a part of the work to develop the work environment, we digitalised our reporting of accidents and incidents. This makes it easier to follow up accidents, more quickly spread knowledge about risks in the work environment and apply overall measures for safer workplaces.

In order for our employees to feel that they work in a safe environment, we conduct training in working environment, including CPR, BAM, OSA and safe driving.

The training is an important part, so that we will be able to identify and prevent risks in the work environment.

To reduce the number of occupational accidents, our production units use various methods that make risks in the work visible and increase knowledge. An example is the Green Cross where we daily focus on the work environment and follow up incidents and accidents.

During 2019 the Work Environment Authority performed an audit at the central depot in Ulricehamn. The outcome of the audit was very good.

ATTRACTIVE EMPLOYER (eNPS) 2019

<table>
<thead>
<tr>
<th>LK</th>
<th>BENCHMARK</th>
</tr>
</thead>
<tbody>
<tr>
<td>18</td>
<td>9</td>
</tr>
</tbody>
</table>

Index for how many would recommend LK as an employer to a friend.

GOALS

> 85% TO MAINTAIN THE HIGH LEVEL OF A SAFE WORKING ENVIRONMENT.

STATUS

IN 2019, 86% OF THE EMPLOYEES FEEL THAT LK PRIORITISES A SAFE WORK ENVIRONMENT.

(AN INCREASE OF 4% FROM 2018).

ACTION

CONTINUOUSLY WORK ON THE CHALLENGES THAT ARISE 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 follow up our sickness absences, so as to be able to act preventively and apply early intervention that reduces long-term sickness absence among our employees. To secure more systematic health-promoting efforts at our workplaces, we have a joint occupational health service for LK in Sweden.

Diversity and equal opportunity

LK strives to have employees with different genders, nationalities, backgrounds, age and experience. We believe that this is a prerequisite to be able to continue to develop as a company. Today, we have employees from several different nationalities. Personality weighs heavily in our recruitment and we have a long tradition of including employees with function variations in our operations.

Gender equality

It is a challenge to attract women employees in a traditionally male industry. Few women choose the vocational training that is in our areas of operation. There are also few women who apply for available positions advertised. The same is true of internships. This sets high demands on us as employers. 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 roles at LK. One example is the management group of LK Pex, where four out of six are women.

In the employee survey for 2019, we ask questions about discrimination and abusive treatment. To the question of whether the jargon suits everyone regardless of discrimination grounds, 86% (83% the previous year) say that they agree completely and 9% (12% the previous year) are neutral. To the question about whether they have been free from abusive treatment in the past 12 months, 93% agree completely (96% the previous year) and 3% are neutral. This is a very good result that we wish to maintain over time, but at LK we systematically work towards a zero vision.

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Absence due to Illness</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>5.4%</td>
</tr>
<tr>
<td>2017</td>
<td>4.9%</td>
</tr>
<tr>
<td>2018</td>
<td>4.1%</td>
</tr>
<tr>
<td>2019</td>
<td>4.35%</td>
</tr>
</tbody>
</table>

Sickness absence hours in relation to total number of hours worked [LK in Sweden].

GOALS

2% FOR WHITE-COLLAR EMPLOYEES AND 5.5% FOR COLLECTIVE AGREEMENT EMPLOYEES (SICKNESS ABSENCE HOURS IN RELATION TO NUMBER OF HOURS WORKED).

STATUS

IN TOTAL, 4.35% OF SICKNESS ABSENCE HOURS IN RELATION TO NUMBER OF HOURS WORKED, OF WHICH 2.94% FOR WHITE-COLLAR EMPLOYEES AND 5.64% FOR COLLECTIVE AGREEMENT EMPLOYEES.

ACTION

WORK ON LEADERSHIP DEVELOPMENT AS LEADERSHIP IS OF GREAT IMPORTANCE FOR LOWERING ABSENCE DUE TO SICKNESS AND USING OUR OCCUPATIONAL HEALTH CARE IN PREVENTIVE WORKING ENVIRONMENT ACTIVITIES AND REHABILITATION.

DIVERSITY AND EQUAL OPPORTUNITY

GOALS

24% WOMEN IN LK IN SWEDEN IN 2021.

STATUS

22% WOMEN IN LK IN SWEDEN.

ACTION

IMPLEMENT EMPLOYEE INTERVIEWS WHERE THE MAJORITY INDICATES WOMEN IN DIFFERENT COMPANIES, ROLES AND LOCATIONS.

Maintain the good results in the employee survey on discrimination and abusive treatment.
Function variation an asset at LK

LK has developed a successful model to combine social involvement with business benefit. At our unit in Helsingborg, people with various kinds of function variations are an important and appreciated part of the production.

For more than 25 years, LK in Helsingborg has offered employment opportunities to individuals with various kinds of function variations. 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 the rest of the employees. Their duties primarily consist of basic assembly, product labeling and packaging. Some people gradually move on to more advanced duties. The possibility of having a real job with a salary means a lot and the vast majority stay with us a long time.

In 2010, LK was named the employer of the year (the Show the Way prize) by Samhall for our commitment and ability to highlight the business benefit of having diversity in the workforce. Since we have a right to wage grants from the Public Employment Service for these positions the wage cost is lower than normal. This means that we can keep more manual work steps and avoid investing large amounts in automation. The flexibility in the production also increases as various departments can borrow employees from each other when necessary.

Our social commitment and diversity contribute to a good psychosocial work environment. Today, there are several 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.
For a simpler and smarter everyday life
Easier, smarter and more sustainable – At LK, we always assume that there is a better way to do things. We prefer innovation to the status quo and simplicity rather than complexity in everything we do. At LK, with this conviction in mind, we develop smart products and system solutions for heating, water and sanitation.

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