

tylko

# Sustainability report 2022





# Table of contents

## Sustainable development at Tylko

<b>Introduction</b>	<b>3</b>
Letter from the board	4
About Tylko	6
Tylko. From Beautiful Design to a Beautiful Business	9
Values	10
Mission	21
About the product	22
What sets us apart	27
Digital product	30

## Tylko Sustainability Statement

<b>General disclosures</b>	<b>35</b>
General disclosures	36
Market position, strategy, business model and value chain	43
Materiality assessment and stakeholders	49
Materiality assessment methodology	51
<b>Environment</b>	<b>52</b>
Climate change	53
Pollution	63
Water and marine resources	65
Biodiversity and ecosystems	67
Resource use and circular economy	70
<b>Social</b>	<b>77</b>
Own workforce	78
Workers in value chain	86
Consumers and end-users	87
<b>Governance</b>	<b>89</b>
Business conduct	90
Strategy planning for 2023–2025	93

# Introduction



Dear All,

We are handing over to you the first ever Tylko ESG report. This is a milestone in the history of our company. Tylko was founded in 2015 as an initiative of a group of friends. We wanted to change the world! We opposed the fast-furniture trend and, in contrast with it, began to build our model, with product longevity at its core. We came up with the idea of how to revolutionize the furniture industry using digital tools, creating personalized yet durable furniture.

We built the company because we initiated collaboration and invented connections between the fields of design and engineering. From the beginning, we believed that digital furniture with the possibility of configuring and selling only ordered pieces was a more sustainable model right from the start than what traditional furniture production offered. In the traditional model, furniture is produced in batches that are stocked, transported multiple times, and sold through middlemen. Tylko produces and sells straight to customers only what is needed – pieces of furniture that have their owners, are a thoughtful choice and will stay with them for a long time.

Even though our model was slightly more sustainable from day one, we wanted to go further. Over the years of company growth that followed, we worked on measures to reduce our environmental impact. We refined our furniture packaging systems by removing almost all plastic. In next stages of product optimization, we reduced redundant components, improving the life cycle of our furniture. As founders of the company, following our personal





values, we began to look at what we do systemically and in a data-driven way. We conducted a materiality assessment to understand in which areas Tylko has the greatest impact. The next step was to design a two-phase strategy.

The first phase of understanding our impact, setting initial goals and estimating how much we have to do closes now, with the publication of our first report. The next one, in which we will set further, more in-depth, specific and measurable goals is right ahead of us.

This report wouldn't have been possible without the collaboration of many people inside the company who, during workshops and painstaking data collection, helped to identify the most important points of Tylko's impact, as well as Materiality, our external consultant.

The next phase of our efforts – the transformation to climate neutrality and the adaptation of our model to Circular Economy – requires even more collaboration. Internally, with our consultants, as well as with other companies. We can only bring change by acting together!

**Hanna Kokczyńska**  
Co-Founder & Chief Culture Officer



# About Tylko

We're a forward-thinking, tech-based furniture company that makes it easy to create premium quality, totally customisable storage furniture for your entire home. We were founded in 2015 in Warsaw, and our offices and factories are located in Poland, with a team made up of talented people from across Europe – and even as far as the United States.



As a company specialising in high-quality personalised storage solutions, we make it simple for buyers to customise their furniture down to the very last detail. Democratising bespoke design through advanced tech tools and proprietary software, Tylko meets the needs of unique spaces through an intuitive online configurator and the Tylko Augmented Reality App.

The traditional furniture-buying process is completely reimaged with Tylko as we deliver fuss-free storage with both form and function at its core, while empowering our customers to design beautiful products that make organisation simple and bring harmony to any home. Following the “buy less, buy better” ethos, Tylko is committed to creating long-lasting furniture with the health of the planet firmly in mind.





Whether it's responsibly-sourced materials or local production with resource-efficient advanced machinery, Tylko strives to become the conscious furniture choice, with no compromise on quality or style.

## The Beginning

Tylko was born from a desire to set new standards across the furniture industry. The story begins with fascination for tech-driven design shared by four friends. The University of Warsaw graduates Hanna and Jacek formed interdisciplinary design studio Super Super in 2008, and later Bridge in 2011, along with the addition of Mikołaj and Michał, two architects with an urge to push digital boundaries.

## The Concept

Working together, the fantastic four developed an online configurator that allowed visitors to design their very own origami-inspired, personalised seating using a concept known as parametric design, and through experimentation and development, they began to understand the possibilities of user-generated design. By inviting the consumer to join the creation process, this smart software could essentially hand them back control – a privilege usually reserved only for those who could afford bespoke products. This led to the key question: how could complex technology be humanised and democratised?



## The Revolution

And so, CSTM (Custom) was born – a company focused on democratic design that pushed expectations in terms of aesthetics, quality and efficiency. They began to work on an app that would combine parametric design and augmented reality to allow users to virtually create their own product. To raise extra funding, they called upon Benjamin Kuna, a business development and investment specialist passionate about kick-starting innovative companies. With their plan set in motion, their lives were about to change.

## Meet Tylko

The team flew to San Francisco to attend the renowned startup festival, Launch, where they won the award for Best Technical Achievement and secured their first round of investment. They also got legendary Swiss designer Yves Béhar on board as an advisor. A year later, CSTM became Tylko and made its debut at London Design Festival in 2015, where they presented the Hub Table, the Totem Mill and the Ivy Shelf – all of which would become Tylko's flagship designs.

Expanding from just five people in 2015 to 200 (and counting) specialists in 2022, Team Tylko's determination to innovate continues – a passion fueled by tech-driven design merged with a people and planet-friendly ethos.





# Tylko. From Beautiful Design to a Beautiful Business

Parametric design and augmented reality technology, customised furniture sold online, and a luxury furniture brand for Western European customers – there was no way this could have succeeded. And yet it did.



What is the phenomenon of customising furniture actually about? How do you change the rules of the game in a fossilised market? How do you build a luxury furniture brand from Poland? These questions and more will be answered by Jacek Majewski, Mikołaj Molenda, Hanna Kokczyńska and Benjamin Kuna, the founders of Tylko.



Krzysztof Domaradzki: How does one come up with a company?

**Benjamin Kuna:** It depends on your personality and approach. Some people brainstorm, analysing what the problems are and how they might be solved, while others simply pursue their passions and a business comes out of it.

**Mikołaj Molenda:** This whole process can also be carefully planned. It's a rare occurrence that someone sits down and says, "Okay, now I'm going to build a company." This wasn't the case with us, either.

So how did it happen?

**Jacek Majewski:** We connected the dots. We had been dabbling in various concepts related to design, architecture and digitisation until we had a revelation: we came to the conclusion that augmented reality and parametric design technologies could be put together and then transferred to the furniture industry. We felt that there might be a once-in-a-lifetime opportunity to build something unique.

This happened during the "Transformation Festival" at the Copernicus Science Center in Warsaw in 2012?

**Jacek:** A little earlier, actually, when we first "inserted" a piece of furniture into a room using AR. At that time, there were still no applications that would allow us to do this, and augmented reality was regarded as a marketing gimmick. Suddenly we realised that we could change the design industry with its help. Then the Transformation Festival, which Hania and I attended several times through our Super Super design studio, would come into play. We both knew its organiser, Ewa Pawlak, and trusted one another. This allowed us to experiment with design during successive runs of the festival – from test runs of specific printing techniques to major interferences with the space.

And, when we stumbled upon the idea from which Tylko would ultimately be born, we got permission and money to test the idea during the event.

**Hanna Kokczyńska:** We were knee-deep in design, so we knew what trends should be driving it in the future. One of them was customisation, meaning the ability to create furniture tailored to individual needs. But this was just a theory. We had to test it, verify that people were really interested in it, and confirm that we could come up with the right solution.

**Jacek:** Together with Mikołaj and Michał Piasecki (a specialist in parametric design who left Tylko after a few years for personal reasons – ed. note) we were developing the Bridge Technology Studio, where we created the first version of the configurator – a proof of concept of this solution, of sorts. This allowed festival attendees to co-create the event's scenography. We bet on the art of origami, making it possible to build seats from milled polypropylene board that could be bent like paper. And that's when the magic happened. We made the configurator available three weeks before the festival, and after just two days we had to end the call for designs, because we received almost six





hundred of them. In the end we selected sixty designs, upon which the seats for the festival were produced. People were delighted with the designs, most of the creators later took them home.

So the festival was over and what happened then?

**Jacek:** We thought, “Damn, we did it, let’s try to do a bit more with it!” We got a huge boost of energy, a sense of empowerment and the belief that we had hit upon something fascinating.

**Hanna:** And that’s when we founded the company CSTM. Then almost after ten years, we changed its name to Tylko.

You had expertise in design, architecture and law, but you were starting a tech company while none of you were a programmer. Was it a problem?

**Mikołaj:** Not really! Although coding is an amazing skill, in the case of developing a business like ours, it is just one of the tools that we needed to achieve our goal. We should understand what programming is all about, of course, but we don’t have to personally engage in it.

**Benjamin:** We also lacked many other competencies early on, as we are truly an interdisciplinary company.

**Hanna:** Fortunately what we have in common is incessant curiosity. We like to learn about things in-depth. This helps a lot when you’re building a complex business.

**Mikołaj:** First of all, we had to understand that we were making technology for consumers– to discover what they need and what we can offer them, and to learn to read into their needs. This was the actual business backend, and coding was just a way to translate it into practical solutions. Anyway, when you start

building a company, some kind of energy pushes you toward your goal, making you eager to dive into all sorts of topics. But over time, as your organisation grows, you start to move away and hand over more areas to people.

**Jacek:** In our case, the beginning was difficult because we were attempting something completely new. We had no model on which to base anything.

**Mikołaj:** We wanted to produce custom-made furniture, and no one was doing it. As a result, we didn’t even know how to calculate the potential profitability of this business. We had a lot of business/financial/production/technology conundrums. The furniture itself was also an unknown factor to us. Before we set our sights on storage furniture, which in time became Tylko’s flagship products, we also tried making coffee tables. Oh man, was there a lot of experimenting with materials! First I became an expert in plastic, a while later I dipped into metallurgy and heavy industry, and eventually we ended up with plywood...

Did you ever get the feeling that you were operating within a niche? Customisation, augmented reality, and buying furniture online in a time when the share of e-commerce within the interior design sector was negligible...

**Mikołaj:** This is exactly what made it so fascinating for us. My cousin has a crazy passion – he dives in the world’s most inaccessible caves. He reaches places where no human has ever set foot before. And that’s why he does it – because he’s the first at something. And we had that vibe, too. We were excited by the fact that we could do something that no one had ever done before.

**Benjamin:** And the excitement of the people who experienced our designs who turned out to be fascinated by the possibility of designing furniture themselves overcame that sense of a niche.

**Hanna:** Of course, we’d been thinking for a long time about whether we were definitely betting on the right solution. When you analyse the history of design, you can see that this was the moment when customisation – especially in the area of clothing storage, where it was already present in a non-digital form, namely as a carpenter preparing customised furniture – was starting to become important. But there was a lot of doubt about how it would be popularised. The two main paths were through configurators and 3D printing, which we had also been considering.

**Jacek:** There are many blind alleys in the world of new technologies. Sometimes it only takes one wrong turn for your entire project to become forfeit. In the early days of Tylko, we traveled to Milan a few times, observing all sorts of interior innovations. I remember well the customised lamps of well-known designer Tom Dixon, who used 3D printing technology to create them. When we spoke with him later, he admitted that he had never believed this project could succeed. He never imagined that customisation using printing could become more than a design curiosity.

**Hanna:** After much observation, we came to a similar conclusion. We decided that 3D printing in the area of furniture customisation would not become a mass thing. We trusted our intuition. And it turned out that it did not fail us.

And did you do any business analysis then? Did you estimate the furniture market, and how heavily it could be penetrated by things such as customisation and e-commerce – and how much you could grab from it?

**Benjamin:** Even before Tylko, I had been looking into this sector. At the time, I was working in the corporate banking industry in Vienna, and I was in contact with a company that made cardboard stage sets. I wasn’t that deeply immersed in this world yet, but I could see that it was an incredibly interesting industry





“We didn’t think we’d build a big business any time soon, but we felt we had the opportunity to do something worthwhile”

**Jacek Majewski**  
Co-Founder & Co-CEO



with a small share of e-commerce, and one that had been operating on the same terms for years. For me, it meant an ocean of possibilities.

**Jacek:** We didn't think we'd build a big business any time soon, but we felt we had the opportunity to do something worthwhile. Especially since Poland was a huge interior design hub, the second largest furniture manufacturer in the world, but yet didn't have any globally recognised brands in the country.

Well, to make a long story short, they all produce for Ikea...

**Jacek:** Exactly. And we saw this as an opportunity as well. We knew we had great manufacturers close at hand.

Apart from choosing the right technology, you still had to do a lot of things to do to make this business work: create a product, find manufacturers, obtain financing, build a brand and figure out how to reach customers. Did you do all of this at the same time?

**Jacek:** Our first step was to create the configurator architecture. We built a system that, on the one hand, allowed customers to create furniture designs and, on the other hand, enabled the delivery of production files to furniture factories. Sławek Walczak, who was one of our first employees (and who is Tylko's Director of Technology to this day) helped considerably in this respect. We financed the first furniture prototypes ourselves, using the profits of the Bridge company, which we developed with Hania and Mikołaj. Later, we started looking for a manufacturer with whom we could produce furniture to promote our solution. We knocked on many doors until we finally found an entrepreneur who was open to technological innovations and who, on the one hand, had machinery prepared for low-volume production, and on the other, had experience in furniture and custom manufacturing, as he had produced custom-made floors for railroad and car companies. In the beginning, we didn't touch on marketing, creating

sales strategies or building a brand at all, because we knew that we wouldn't launch this company without investors.

**Benjamin:** And to find them, we went on a crazy trip.

To San Francisco?

**Benjamin:** It was 2014. We were looking for investors, travelling to conferences and sending dozens of emails to people involved in design and business. Even before podcasts became popular, I had been listening to the *This Week in Startups* program by an American investor Jason Calacanis. In one of the episodes, he gave his email address so I wrote to him. I sent him our pitch deck. And he wrote back just a few hours later that the Launch Festival in San Francisco was about to start. At that time it was probably the largest startup conference in the world, where products from companies like Uber and Dropbox debuted. He suggested that maybe we could try our luck there, so we gave it a try. We went through an express recruitment process via Skype. We heard that our presentation was terrible and that under no circumstances could we show up with something like what we had, but if we made a better version, we could fly in.

**Hanna:** Tickets cost a king's ransom, and it was a time when we were all just scraping by. Any money we managed to earn from other activities, we funnelled into prototypes.

**Benjamin:** We managed to scrape up the money for the tickets, but we couldn't afford to *stay* there. So we wrote a post on Facebook! We managed to find a very kind person who decided to take us in – in Pacific Heights, the most expensive neighborhood in the United States, too! The only downside was that we had to sleep on the floor in a wet basement... Anyway, after a couple of nights of that, and polishing up our presentation, Mikołaj and I went out in front of the 8,000-strong audience, talked about our start-up and received an award in the Best Technical Achievement category. What's more, we met Mark

Cuban, one of America's most famous billionaires, who first shook our hand, declaring that he would invest in us when we entered the U.S., and then, after some cross-questioning on the stage, added that it was our start-up that he liked best. We gained incredible momentum then. There were talks with investors, an interview for the Wall Street Journal, invitations to dinners. And, a few months after the event, we closed our first round of funding for more than \$1 million, led by the German fund Paua Ventures, with the participation of a number of international angel investors, including Yves Béhar, a Swiss design guru we also met in San Francisco. And Cuban himself ultimately did not invest in us, because we didn't enter the US.

**Mikołaj:** At one point, our presentation became incredibly effective on investors. Most start-ups were displaying some boring slides, and we were putting a piece of paper on the floor and using an iPad and our configurator to place a piece of furniture on it using the augmented reality technology.

**Benjamin:** It was something so innovative at the time, that after the conference in San Francisco, a high-ranking executive from Google called me. He talked at length about what could be done with our technology. But to him it seemed that we had built a proprietary augmented reality solution, not a configurator using existing AR to sell furniture...

Investors believed in you and continue to do so. And what about furniture manufacturers?

**Hanna:** Thanks to previous design projects, we already had some skill in doing things that are not necessarily "standard". That's why when we went to contractors and told them what we were going to do and heard that it's not how things are done and that it's not possible, we answered, "Okay, we get it, but here's how we're going to do it."

And why would they say it couldn't be done? Because of the cost, or the complexity level?



“The point is that we don’t place an order for a specific number of items. We make a certain projection, and that’s what our contract is based upon, but in order to fulfill that projection, we first need to generate sales. We had to find contractors who would accept a certain amount of uncertainty, and at the same time accept the promise of significant production increases in the future”

Benjamin Kuna  
Co-Founder & Chief Business Officer





**Hanna:** Technological capability was not a problem. A CNC machine needs to be coded, for example, to cut 10,000 parts according to a given technical drawing. It might as well be programmed to make each of those ten thousand parts slightly differently. It's all the same to the machine.

**Mikołaj:** In order to launch production, we had to find a contractor who was not "chained" to the furniture industry. One who

wouldn't have a mental barrier preventing them from getting out of the manufacturing pattern that has been in place for decades.

**Benjamin:** And one that would trust our business model. The point is that we don't place an order for a specific number of items. We make a certain projection, and that's what our contract is based upon, but in order to *fulfill* that projection, we first need to generate sales. We had to find contractors who would

accept a certain amount of uncertainty, and at the same time accept the promise of significant production increases in the future. Driving around the factories and meeting their owners was a fascinating adventure on its own.

What kind of furniture makers did you meet most often?

**Hanna:** A pretty standard pattern of the ownership structure involves a father who founded the business in the 1990s, a son trying to take over the reins from him, and a technologist. A great deal depends on the relationship between them.

**Mikołaj:** The usual story is that if a domineering father puts on a one-man show, the company will sooner or later find itself in a tough spot. But if he is open to the new generation and ready to hand over the management of the factory to specialists, the company is fine and keeps up with innovations.

**Jacek:** Customisation is just one element intended to provide value to the customer. A major concern in the furniture world was and still is the process of assembling furniture. We couldn't imagine that our customers would be handed a sachet of screws and then have to screw the shelves together for hours. We wanted them to be able to do it quickly and without tools. And on top of that, we thought about the quality of the furniture from the beginning. We wanted to create products that would serve people for years.

**Mikołaj:** We didn't know the furniture industry and didn't try to create a business model that would allow us to make as much money as possible. We simply wanted to build beautiful and durable furniture.

**Hanna:** Now, in the era of ESG, everyone is headed in the direction of product longevity, but back then our approach was something unprecedented.





And when you combined your ideas about the product with the expectations of the potential customer, what was the result?

**Hanna:** That there are a lot of people like us. We found this out at the Łódź Design Festival in 2014, a few months after returning from San Francisco. There, we showcased our company for the first time with furniture created with our configurator.

**Jacek:** And it was quite an adventure as well. We were preparing a sizable stand in which we wanted to put up our shelves. The next day, as the festival was about to begin, we heard from the team that was supposed to help us with logistics in the evening that they would not be assembling our stand. As a result, Ben and I had to carry all the elements up to the fourth floor ourselves.

**Benjamin:** And then quickly find some people on the OLX portal to help us assemble in the morning.

**Jacek:** It was worth it, though. This confrontation between the consumer and the product told us that there are people in the world of design who would very much like to use solutions such as ours. At the same time we also met Jaroslaw Czarnik who was developing the Meble.pl company together with his father, who some time later became one of our manufacturers – by the way, we still cooperate with them today. In Łódź we got another massive boost of motivation to act.

And what was your patent to make your mark on the market? After all, you were entering a non-digitised sector with a novel product. In addition, you intended to target the affluent Western European customer. It doesn't sound very easy...

**Jacek:** First of all, we knew we didn't intend to be online carpenters. We wanted to build a luxury brand. And to do that, we had to learn how to present the value we offer to customers.

Three years ago I heard Tomasz Domogała and Wojciech Fedorowicz, your investors from TDJ, say that Tylko combines Apple's product care and Netflix's freedom of choice. Were those your benchmarks?

**Jacek:** To be sure, we were fascinated by Apple, especially by the simplicity and presentation of its products. But when we started, we just wanted to create a cool brand. Except that we didn't really know how to do it. We had no marketing experience. As a result, we barely survived the first year after launching sales.

**Hanna:** We went to the London Design Festival 2015, and we did our presentation there, surrounded by very cool brands and amazing people, thankfully getting lots of positive feedback.

**Benjamin:** Our stand was visited by a professor from the Royal College of Art who designed the London cab, and he said that while many people have made attempts at customising furniture, we are the only ones who have created something that could be successful.

**Mikołaj:** Some time later we found ourselves in an office on Mińska Street in Warsaw. One of the IT guys brought a police beacon light that was supposed to flash every time we managed to sell a piece of furniture. For a long time it did this about once a week.

**Benjamin:** In my head I kept hearing the words of Christian Buchenau from Paua Ventures, who said that in the beginning we should sell three to four units of shelving *daily*...

Last year you had 41,000 customers and generated €46 million in revenue. How did this happen?

**Mikołaj:** At some point we realised that what we thought was cool about our product might not matter to customers. What matters to them is that Tylko can make their home a nicer place,

simply put. But we had to travel a long and bumpy road to understand this and learn how to communicate that.

**Jacek:** For a very long time, instead of addressing consumers in the language of benefits, we talked about technicalities that are meaningless to most people. Another thing is content marketing. For a long time we handled it ourselves. We didn't have the resources, because when you build a hardware start-up, you have a lot of things to spend on, so Mikołaj would take the camera and film our furniture, and then we came up with content using that. It took a long time before we discovered the world of collaborating with influencers and artists who significantly helped build the image of Tylko.

**Benjamin:** We also did our first Facebook ads on our own. We heard from investors that performance marketing is important, but it wasn't that easy to find someone who was actually good at it. As a result, we had to learn it ourselves.

**Mikołaj:** Initially, we targeted our message to people similar to us, and then, as the business grew, we realised that there were many more target groups interested in these products. We began to identify them, and then we created appropriate incentives for each of them.

A resident of Western Europe, representative of the upper-middle class, and a person interested in design. Would you say that's your average customer?

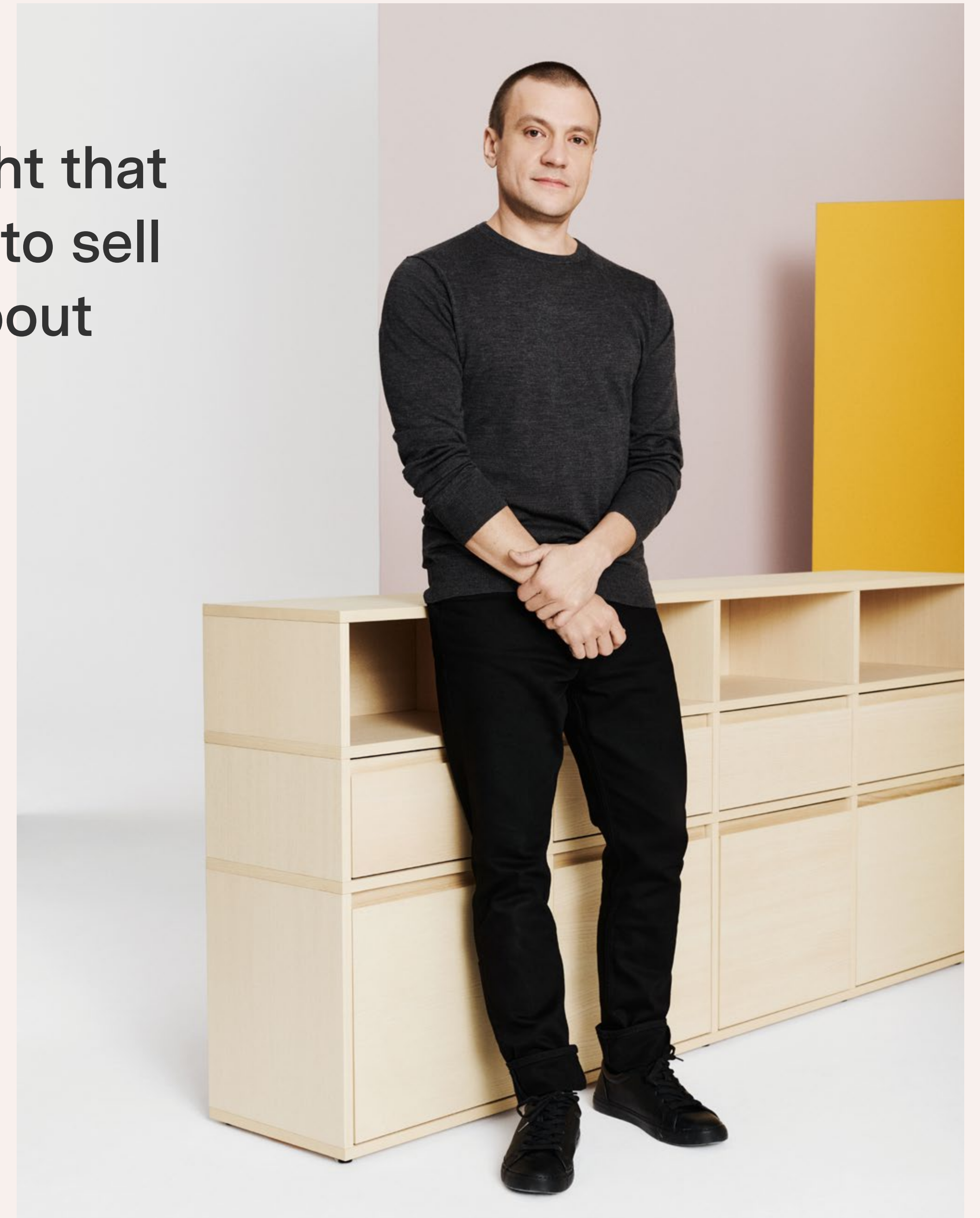
**Jacek:** We design furniture for the creative class. The problem is that this is a very broad category, and it includes virtually all people who produce some value through the power of intellect: from CEOs to doctors and lawyers to architects and artists. Our furniture is bought by both men and women, by people in their fifties as well as those in their early thirties.

**Mikołaj:** And that's why we're getting deeper and deeper into the specifics of the audience to understand them better. This is



“One of the IT guys brought a police beacon light that was supposed to flash every time we managed to sell a piece of furniture. For a long time it did this about once a week”

Mikołaj Molenda  
Co-Founder & Co-CEO





where another change is taking place. This year we are targeting sales at a level of €70 million, and in a few years we plan to scale up to €300-400 million. We are shifting from the category of early adopters and followers to the early majority. For us, this leap means a change from a product-oriented company to one that concentrates on the market. And it's a really big transformation, given that this business started with a fascination with design and technological possibilities.

I assume that there is a certain level of furniture brand customer expectation. You, for example, offer the possibility of free returns up to one hundred days after purchase, or free assembly of some of your products. What else do you have to give the customer to make them happy?

**Jacek:** In addition to the unique selling points you mentioned, consumer-centric communication is extremely important. It's how you behave when something goes wrong, and how you take care of the recipient throughout the buying process. You need to keep the promises you make, and then customers will turn into ambassadors for your company. This is something that has worked out quite well for us.

**Mikołaj:** As much as 17% of our furniture has been purchased by people referred to us by other customers. This is an amazing result.

**Hanna:** Added to that is the culture of furniture assembly we have built. We include customised instructions with all of our products. We pack furniture sequentially, meaning that in the first carton you receive, you find the first piece you need during assembly. We know that buying furniture can be stressful, so we want to make the process as effortless as possible.

And how do you know what kind of furniture the Swiss, British, Germans or French need?

**Mikołaj:** Each piece of furniture by Tylko is unique, but fortunately, each also has a digital form that we can analyse in various ways. This is how we gain knowledge of customer preferences and their ways of configuring furniture. We have noticed, for example, that the British often order two identical pieces of furniture, only mirrored, because they have fireplaces in their homes that provide a focal point for other items. We use this knowledge to construct appropriate starting points for configurations for users from different countries.

You entered a venture capital path in 2014, raising nearly \$39 million of funding in several rounds, with €22 million in the last round alone. Along the way, you've pulled in a host of investors and angel investors. How do you manage not to get lost in this thicket of people?

**Benjamin:** Years ago, we all heard how investors were trying to take the reins in companies, impose their opinions and block decisions. But nothing of the sort happened in our case. The differences of opinion between us have never included matters crucial to the fate of the company. We see only the benefits of having about twenty investors, and we can address any of them when we have a problem.

**Mikołaj:** To put it simply, we wouldn't be where we are if they didn't motivate us, take us out of our comfort zone and turn us back from dead ends.

**Jacek:** Our investors are both supportive and demanding, both of which are important for the company's growth. For years, they've been fine-tuning us. Our conversations are not always pleasant, but we are always wiser after them. Of course, it's not an easy path. When you cyclically have new funding rounds, you have to maintain a high growth rate no matter what's going on in the world. There is also that shift in responsibility. Now you are responsible for someone else's money. Someone trusted you, so you should repay the favor by building a business skillfully.

And what, besides the attempt to enter the American market, awaits you in the coming years?

**Jacek:** We certainly want to dynamically develop our product portfolio. Especially since experience and software allow us to do more and more. We will also invest in solutions that help furnish entire apartments. When we founded Tylko, most of us were only familiar with buying single pieces of furniture. Now we know what a challenge it is to arrange and design a complete interior, and how difficult it is to gather in one space the items that will fit together to create a harmonious room. And, how many emotions can accompany this process!

The pandemic has made people more aware of the functionality and attractiveness of housing.

**Jacek:** That's right. And this is why we now can define the problem that Tylko helps solve in a *different* way. We have matured enough to tackle this topic.

**Mikołaj:** For this to work, we need to constantly strengthen our brand. We strive to make as many people as possible trust that Tylko will help them furnish their home. When you're going to spend much more money than you would pay for a single piece of furniture with one company, you have to trust it 100%.

And why are you doing this? Why are you building this business? Is it still about exploring inaccessible caves?

**Mikołaj:** The motivation behind setting foot in places where no one had ever been before was quite selfish. Since then, we have undergone a transformation. We want to make people feel comfortable in their own homes and not have to keep replacing their furniture. We have come to a place where we are able to do that. And we want to take advantage of this opportunity.



**Jacek:** Just like Mikołaj, I believe that we have made a small footprint in the universe. And if that's the case, let's try to make it bigger. We have ideas that can take us so much further.

**Hanna:** I never knew what I wanted to do in life, and so I tried many different places. In fact, throughout my career I had to reinvent myself all the time. And now it's exactly the same. But building a company like Tylko, often ahead of or creating trends, guided by the right values, I have come to find this difficult art of constantly questioning my own status quo extremely rewarding.

**Benjamin:** It's great to do things that make others happy. And besides, building a business like Tylko is not only an appealing and incredibly difficult challenge – it's also great fun.

The interview originally appeared in the book *Patent an e-commerce* published by cyber\_Folks, a collection of interviews by Krzysztof Domaradzki with leading Polish technology entrepreneurs.





# Values

## Harmony

### EXTERNAL

- We understand customer needs and answer them with perfect fit solutions according to space, function and style
- We are true to the values we communicate
- We live in harmony with nature
- We grow together with our partners

### INTERNAL

- We build diversity on all levels of our organisation
- We create a rhythm of work that is predictable
- We value each voice so everyone can contribute to the direction we are heading

### BRINGING HARMONY TO YOUR HOME AND LIFE

- Perfect fit to your everyday life and lifestyle
- Aligned with your personal style and the aesthetics of your space
- Aligned with your personal values and the values represented by Tylko

## Responsibility

### EXTERNAL

- We are responsible for our impact on the environment
- We keep promises to customers
- We're responsible for healthy and fruitful relationships with our partners

### INTERNAL

- We take care of our teammates
- We're responsible for what we promise and deliver upon our promises
- We're responsible for collecting and understanding data to make decisions based upon it

### TAKING RESPONSIBILITY FOR OUR ACTIONS

- Taking care of the planet with future generations in mind
- Being ethical and transparent in our actions.
- Scientific approach to decision-making and the consequences that follow



# Mission

## We believe that

- We can restore a life in harmony with one another and the world
- The space in which you live, work and relax determines the quality of your daily life
- We are responsible for the wellbeing of future generations
- Our business operations should be based on values: responsibility and harmony
- We are responsible for future generations
- In order to create a real difference, we must provoke significant changes in our business, the industry and our everyday lives

## This is why we are committed to

- Helping people to create a space in which they can live, work and relax in harmony, and prosper for many years
- Create a movement promoting a more conscious way of living that will inspire people to make lasting positive changes within their lifestyles
- Acting responsibly as a business, as well as being an important agent of change in the industry, at large
- Creating and promoting valuable knowledge and technology that will lead and facilitate the change

## In order to

- Help people live a well-balanced life and feel good in their spaces
- Limit the impact that our business and people (at large) have on the planet
- Reduce overconsumption and help inform people how to make more meaningful buying decisions
- Help enact a global overhaul of business standards and behaviors



# About the product

Tylko is committed to developing contemporary products that positively influence people's lives while preventing negative effects on the planet.



The furniture industry contributes heavily to the climate crisis, and is responsible for over a billion trees falling every year, sending 670,000 tonnes of waste to landfills in the UK and 10 million tonnes in the US. Despite the increasing importance of climate awareness and counteractive measures, this trend continues to accelerate.

Constant product rotations and disposable furniture have become the norm across the entire industry, with badly-sourced materials compounding the issue. Tylko wants to transform this behavior with a product that is perfectly adjusted to the individual's space and needs, is easy to assemble and disassemble, and provides a hassle-free product experience. Every item is a durable, individual solution, thereby requiring less consumption and, in turn, being kinder on the planet.



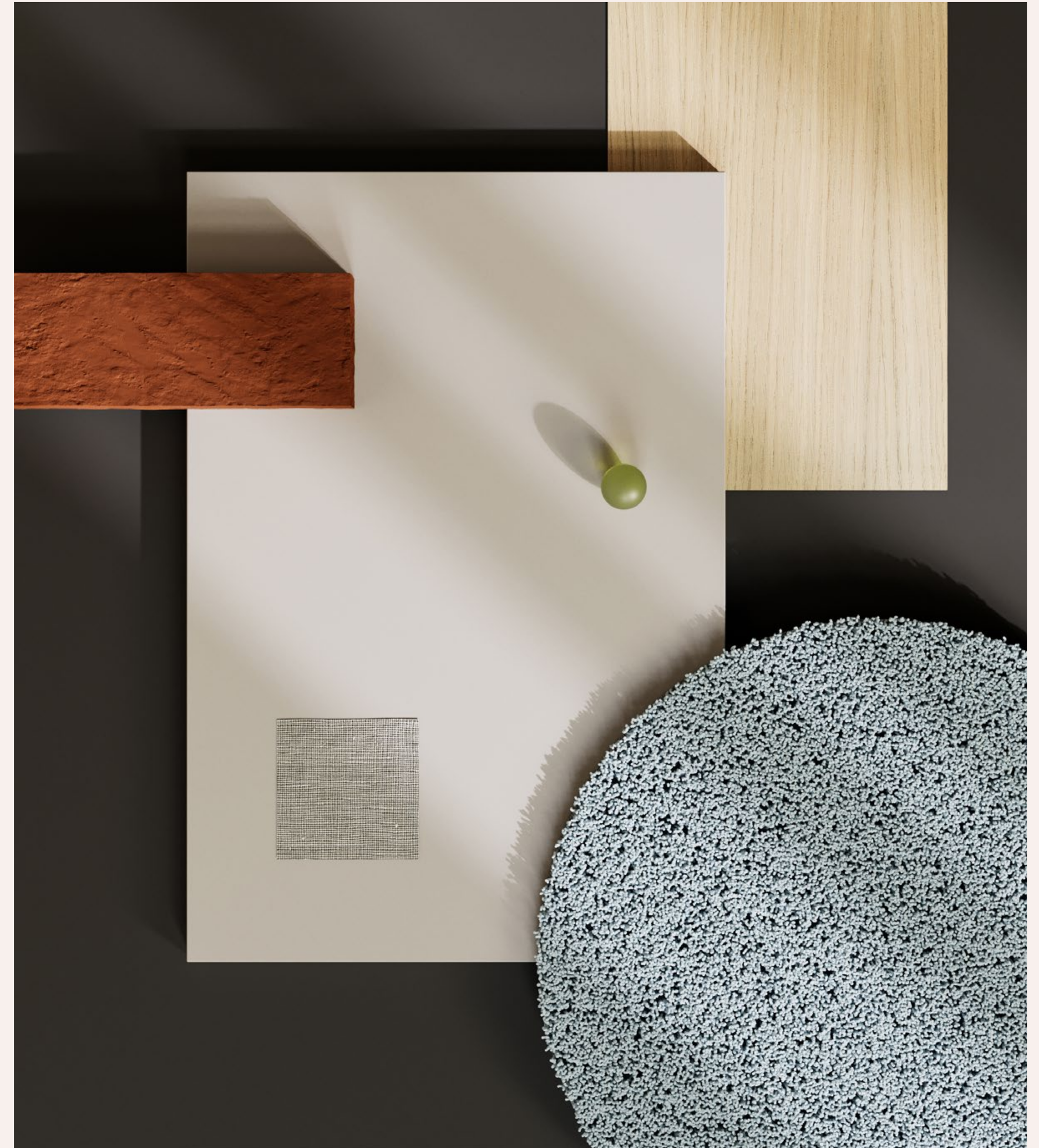
1

## THE MATERIALS

### THE ORIGINS OF OUR SHELVES

The star of the show, birch plywood, is renowned both for its strength and durability. (The Type01 Plywood is our bestseller) It is also the greener option, with our plywood manufacturing process producing minimal waste.

Our particle boards are made of partially recycled wood, and are quality-tested to be free of unfriendly contaminants and chemicals. Our wood is finished with natural oils, and all of our aluminum parts are recyclable.







## 2 PRODUCTION

HOW THEY'RE MADE

With mass production continuing to take a heavy toll on the planet, we have moved as far away from this practice as possible. We monitor each and every stage of production to ensure that our factory processes remain agile and precise.

The very essence of *smart*, Tylko's unique production system is all about limiting waste. We manufacture on-demand with high-precision machines, and make only what's necessary. Each and every shelf we create has a unique design and has a different shape and a specific owner, meaning our factories produce only what we need. That means less wastage in terms of components and parts, but also less usage of the resources needed to *produce* these components – from electricity to water, as well as the space and energy required to store unwanted and unclaimed products.

We utilise a clever tech process called *nesting*. Advanced software allows us to cut as many planks as possible from a single board, minimising the amount of waste and maximising what we can get from our raw material usage. This “making the most” approach applies to each element of production – right down to our waste. Rather than burning it and creating harmful CO2 emissions, we reuse or recycle our unwanted surplus.



3

## PACKAGING & DELIVERY

FROM THE FACTORY TO YOUR FRONT DOOR

Rethinking the way we package our products is important for any responsible online retailer. Our streamlined packaging process ensures that your Tytko furniture arrives in perfect condition – without leaving a mountain of waste behind. Just like our shelves, our cardboard is made to measure, which means less waste and less space taken up during transportation. It's composed of 100% recycled paper, and thanks to our flat-pack system, uses only a fraction of the packaging that would be needed for fully assembled furniture.

In order to keep our carbon footprint as low as possible, we work hard to reduce the number of individual journeys our delivery teams make. Once our smartly-packed shelves are ready to go, we connect with one of our approved transportation partners to effectively “rideshare” alongside other company’s goods. By optimising deliveries this way, and eliminating single item trips, we can cut down on unnecessary and harmful road and air miles.







## 4 INSTRUCTIONS AND ASSEMBLY

### HOW TO ASSEMBLE TYLKO FURNITURE

We designed our shelves to click together easily. Each element of the furniture is pre-installed with all the mounting hardware in place, so all you have to do is align the color-coded pieces, give them a firm push (or whack with the included soft tool or a rubber mallet you may have lying around) and they'll lock into place. We also number each flat pack box so you can open them in order to get the exact next piece you need for the most effortless assembly you've ever experienced, while your personalised manual will walk you through each easy step.

At the same time, we're developing assembly services that can be bundled to your order. And, equally important for customers, is the fact that a piece of furniture can be assembled and disassembled many times without loss of quality. The possibility to disassemble and transport the furniture to a new location extends its life and thus reduces the negative impact on the environment.



# What sets us apart

The product department is our most diverse team in terms of specialized knowledge. It consists of 50 leaders and specialists in digital design, industrial designers, wood technologists, production automation specialists, software developers, and programmers.



This department is responsible for two strategic areas. The first one is the portfolio of physical products, ranging from the overall development strategy through comprehensive product development to production automation. The second one is a crucial stage in the customer journey and purchasing process, which is the configurability of our products.

Thanks to the technology implementation teams, this department delivers a complete product: a digital parametric model of furniture along with configuration and visualization technology, as well as on-demand production automation technology. Below is the conversation with the Head of Product Department, Jonasz Kulej:



Plywood is an unusual material used in furniture.  
Why such a choice?

Plywood was invented to answer the issue of acquiring wood in a form that would not be prone to damage. Building anything from solid wood is a constant battle against the cylindrical shape of trees. Timber shrinks unevenly as humidity changes – it twists and bends. But someone once got an idea to peel the entire trunk using a long knife to cut a spiral line – to make a very long paper-thin ribbon. This strip can then be cut into sheets and flattened like layers of lasagne. This sandwich of wood and glue is then put in a press, firmly squeezed and heated to harden the glue which makes large, reproducible flat sheets with properties exceeding those of solid wood.

And that's what makes plywood a very good material for making furniture?

Yes! It is extremely resistant to bending, tension, compression and shearing in the plane of the board – much more resistant than other wood-based products such as MDF, particle board or even solid wood. This translates directly into the load bearing capacity of Tylko shelves – they are perfect for storing heavy objects such as books without the risk of visible sagging. Plus, plywood perfectly holds and maintains all nuts and connectors and all of our pieces of furniture can be disassembled and reassembled multiple times without risking damage.



Jonasz Kulej, Chief Product Officer







## LONGEVITY

The primary focus of the Tylko longevity study was to gain a deeper understanding of how Tylko furniture performs over time and in different situations. We also aimed to better understand the changing needs of our customers, enabling us to tailor our products and services to meet their evolving expectations. In addition, we wanted to examine any potential differences in performance based on the materials and types of Tylko furniture, as well as investigate the impact of moving, disassembling, and reassembling furniture.

In October of 2022, we conducted one-hour interviews with 31 Tylko customers, focusing on the longevity of Tylko furniture. The data collected from these interviews was carefully analysed and synthesised into a concise report that addresses the main objectives of the project.

As a result of this study, Tylko has initiated several projects aimed at increasing the longevity of our products. These initiatives include the development of a user-friendly disassembly manual and a comprehensive product maintenance guide, both of which will provide customers with the necessary tools and information to further extend the lifespan of their Tylko furniture.

Beata Pečiūnaitė / Senior Researcher

Parametric design plays the most important role in everything you do at Tylko. But what exactly does this term mean?

Parametrics is about combining design with programming. From the first sketches of physical product in the design department, to digital solutions, to production and even business analysis, we have to build and implement solutions using parametric models. Our most important task, however, is to transform the designers' work into parametric models that customers see in the configurator on Tylko's website.

We also analyse and interpret customer behaviour, the configuration process and even purchasing trends. We take care of the less visible aspects of the Tylko experience, including the assembly process. We automatically generate personalised assembly instructions for each piece of furniture ordered by the customer and ensure that all packages are appropriately labelled and presented to customers in a simple and understandable way.

Is it really possible for everyone to assemble a piece of Tylko furniture on their own?

We've designed our shelves to fit together easily. Each piece of furniture is pre-fitted with the necessary fixings, so all you have to do is align the coloured parts, give them a firm push and they will lock into place by themselves. Our customers appreciate the ease of assembly. They often say it is a unique experience for them, even an opportunity to have fun together with family or friends.



# Digital product

Tylko's mission is to improve the quality of the environment in which we live.

Revolutionising bespoke design through advanced tech tools and proprietary software, we have reimagined the furniture buying process to deliver made-to-order furniture that fulfills the individual needs of every customer.



Tylko offers a unique and personalised furniture buying experience. The process begins by using the Tylko app, where you can use augmented reality to visualise the furniture in your desired space.

By pointing your smartphone camera towards the area where you want to place the furniture, you can position it virtually.

Once the furniture is positioned, you can use the app's online configurator and intuitive interface to allow you to make these adjustments easily. You have the option to choose from different categories of furniture, and choose from a wide variety of approved design options — including size, color and layout



— to create a unique, perfect-fit Tylko that's both stylish and totally ergonomic. After finalising your design and placing an order, Tylko manufactures the furniture within two weeks. Once ready, it is delivered directly to your doorstep. Tylko takes pride in offering high-quality furniture that is tailored to fit your unique space and needs.

## Customisation

Customising furniture with Tylko is not just about adapting the appearance and functionality to the individual needs of the customer, but also involving them in the design process. The customer becomes the creator, designer, and ultimate decision-maker, having full control over creating a unique piece of furniture that's perfectly tailored to their needs and taste.

With our proprietary technological solutions, we fulfill our mission of enhancing spaces with modern and fully customisable furniture. We have introduced an intuitive configurator and AR application that allows customers to explore various options, experiment with designs, and create furniture that is unique and perfectly suited to their space. Our intuitive online configurator allows for easy creation of furniture that adapts to the customer's needs – right down to the centimeter.

There are thousands of options (and combinations of options) to create unique furniture with the configurator. Size, style and color are the three obvious choices when it comes to customisation, but you can also add doors, drawers, extended overhead or lower storage, and even add clothes rods and clever features like cable management or section dividers, too.





Our configurator holds most of the answers, so we suggest giving it a try to see what you come up with!



As we already offer a custom product, we wanted to create custom packaging, too. For this purpose, we developed a system that produces die-cuts for every size of Tylko furniture. In addition, we introduced the sequential packaging of elements. This allows the customer to open the very first box and take out the precise element he needs. Then open the second, third and so on, all in logical order.

We have created a system that creates picture-based, personalised instructions for each individual order, informing your assembly step by step, just like with Lego. We also have a system of stickers on each element to show exactly which part goes where and which side to attach to the other. Everything is carefully planned to make assembly easy-peasy.



## Digital twin

We are a technology company. Our furniture is coded in the form of an algorithm. We have written a lot of rules using parametric code, which relates to the function of the object, its ergonomics and its aesthetics. When a customer places an order after designing their perfect piece of furniture, the design is immediately turned into production files and sent directly to the factory for production. Once finished at the factory, the furniture is sent by courier straight to the customer. The entire process takes 2-3 weeks, from start to finish.

Production files of all the furniture we have sold are our unique resource. As a result, even though they are all personalised, we are able to easily duplicate any and every piece. This comes in handy, for example, when a package is damaged in transit, or to reproduce any items that break down during use. 10 years after your purchase, it will still be possible to write to us and say that a door has broken, and we will locate the order file and produce a replacement. This is how we make long-term, reliable service for our products possible.









# General disclosures



# General disclosures



The Tylko Management Board, from left: Jacek Majewski, Hanna Kokczyńska, Benjamin Kuna and Mikołaj Molenda

## BP-1 BP-2

We are proud to present our first Sustainability Report for 2022. It was prepared on individual basis, as Tylko S.A. is not a parent company of a capital group and it covers Tylko own operations as well as upstream and downstream value chain, where it is material. We have not disclosed information corresponding to intellectual property, know-how or the results of innovation. The information about value chain estimation and sources of estimation and outcome uncertainty are disclosed along topical ESRS. As it is our first report, we are not reporting any changes in preparation or presentation of sustainability statement and no errors in prior periods.

This report complies with Final Drafts of European Sustainability Reporting Standards as they were submitted by EFRAG to the European Commission in November 2022. Further alignment of the report with ESRS published as a Delegated Act by the European Commission on 31 July 2023 was also achieved to the greatest extent possible. The report covers period 01.01.2022–31.12.2022 which is inconsistent with fiscal year 2022 of Tylko S.A. The report was not subject to external assurance and is disclosed on a voluntary basis.

## GOV-1

Our administrative, management and supervisory functions are divided between three bodies:

- the Shareholders Meeting,
- the Supervisory Board,
- the Management Board.





### The members of the Supervisory Board are:

- Rami Kalish (Chairman),
- Kinga Izabela Stanisławska,
- Christian Buchenau,
- Brian Walker,
- Wojciech Fedorowicz,
- Luis Manuel Conceicao Pais do Amaral,
- Mikko Kuitunen.

### The Management Board is composed of the founders of the company as follows:

#### **Jacek Majewski**

Vice President of the Management Board,  
Co-Chief Executive Officer

#### **Mikołaj Molenda**

Member of the Management Board,  
Co-Chief Executive Officer

#### **Hanna Kokczyńska**

Member of the Management Board,  
Chief Culture Officer

#### **Benjamin Kuna**

Vice President of the Management Board,  
Chief Business Officer



Our Management Team is a body that consist of C-level managers, responsible for the particular thematic areas of Tylko activities.

#### The members of the Management team are:

**Jacek Majewski**, co-founder / co-Chief Executive Officer  
Responsibility: Business strategy, Brand, Mission & Vision, and Product portfolio strategy,

**Mikołaj Molenda**, co-founder / co-Chief Executive Officer  
Responsibility: Business strategy, Mission & Vision, and People & Operations (Customer Service, Production & Supply Chain including geographic expansion, and Logistics).

**Benjamin Kuna**, co-founder / Chief Business Officer  
Responsibility: Business development, Communication between Supervisory Board, Shareholders & Management, Management Recruitment, and Fundraising.

**Hanna Kokczyńska**, co-founder / Chief Culture Officer  
Responsibility: Culture & Admin, Workplace, and ESG.

**Jose Villamil Lopez**, Chief Growth Officer.

Responsibility: Sales forecasting & execution, Company growth through product development, performance marketing and acquisition, loyalty of customer base and LTV, new streams of revenue, geographic expansion.

**Blake Booyesen**, Chief Financial Officer

Responsibility: Financial operations incl: accounting, Financial Reporting, Tax, Business Control and Treasury, Data & Insights, Fundraising & Debt facilities; Cash Management, and Legal and Compliance.

**Sławomir Walczak**, Chief Technology Officer

Responsibility: Developing, implementing, managing and evaluating the company's technology resources.

**Jakub Eichelberger-Dybowski**, Head of Brand

Responsibility: Brand Marketing strategy and Increasing Brand Awareness.

**Olga Komornicka**, Head of People

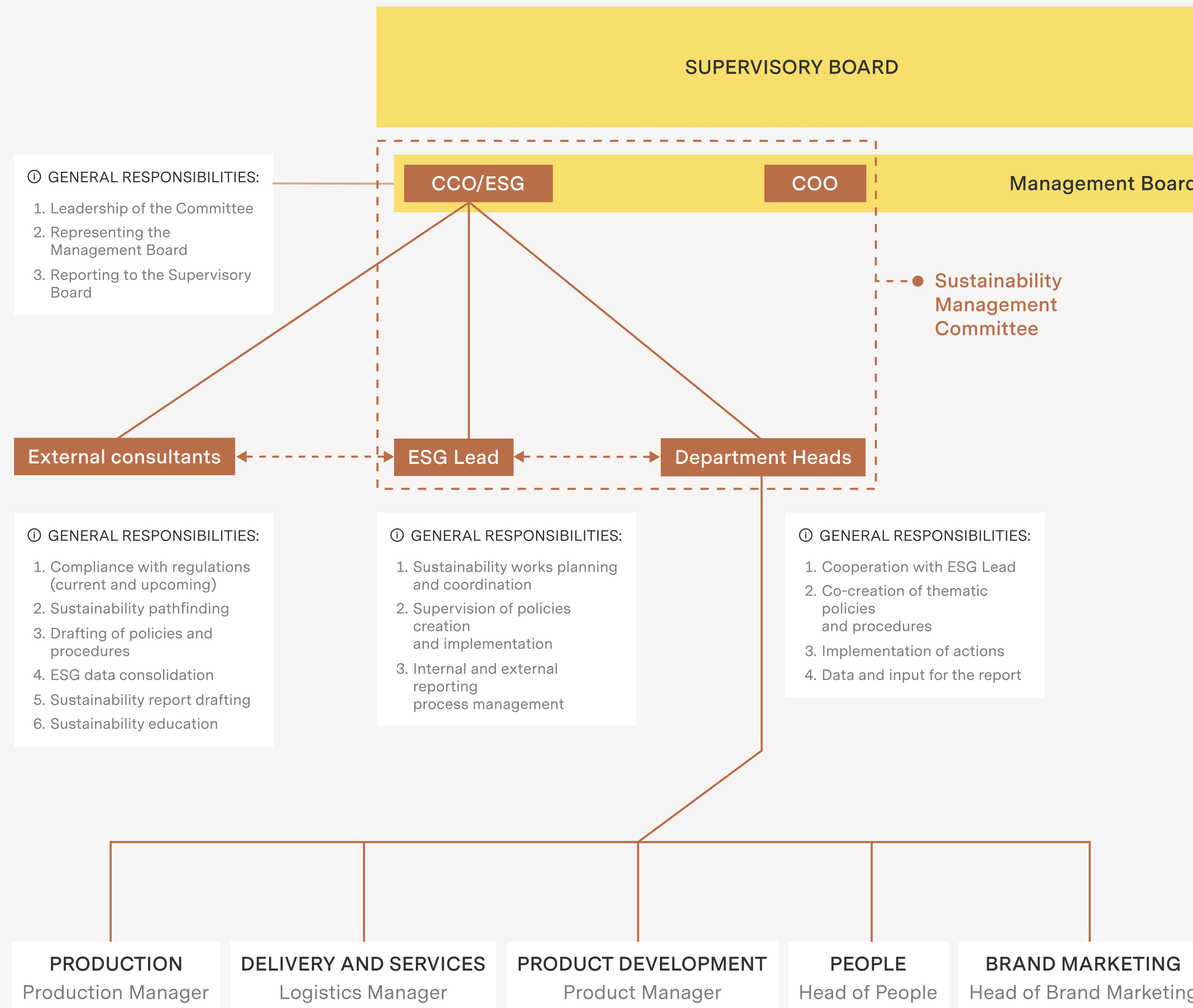
Responsibility: Overseeing HR systems, handling employee relations, ensuring compliance with regulations, managing budgets, assessing staffing needs, hiring employees, designing training programs, and developing compensation plans.

**Jonasz Kulej**, Chief Product Officer

Responsibility: Product portfolio development & management, Product development technology, and Product configuration technology.



## Sustainability Management Committee



Sustainability-related impacts, risks and opportunities are managed by the whole management board with the lead of Chief Cultural Officer, responsible for sustainability management in our company. The oversight of the issues is conducted by the investors, who were also supporting us with the development of our sustainability strategy through the engagement of the Head of Sustainability.

As the topic of ESG and sustainability gained importance we decided to implement ESG function into our organization structure. We have created Sustainability Management Committee – the body consisting of the representatives of the management board and management team. The Committee is responsible for the approval of our general directions, policies and targets, ESG impacts, risks and opportunities management at strategic level, strategic decisions and overall communication and education strategy. We have also decided to create specific operational position – ESG Lead.

### ESG Lead responsibilities:

- planning and coordination of sustainability-related work,
- supervision of policy making,
- internal and external reporting process management.


ESG Lead works closely with the departments that are responsible for sustainability issues implementation and ESG reporting.



## We have identified 6 Sustainable Development Goals that will guide our activities in the sustainability area.


SDGs are a universal call to action to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity. The 17 SDGs are integrated – they take into account the fact that action in one area will affect outcomes in others, and that development must balance social, economic and environmental sustainability. This is the approach that we are integrating into our business and sustainability strategy and activities.

### Our actions will support implementation of SDGs:



**5 GENDER EQUALITY**

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




**12 RESPONSIBLE CONSUMPTION AND PRODUCTION**

We will ensure sustainable consumption and production patterns.



**8 DECENT WORK AND ECONOMIC GROWTH**

We will promote stable, sustainable and inclusive economic growth, full and productive employment and decent work for all.



**13 CLIMATE ACTION**

We will undertake actions for climate change mitigation.



**9 INDUSTRY, INNOVATION AND INFRASTRUCTURE**

We commit to build stable infrastructure, promote sustainable industry and support innovations.



**15 LIFE ON LAND**

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



#### GOV-2

Following the creation of Sustainability Management Committee we started regular work on sustainability matters, with the supervision of the management board. In the reporting period the management board was informed about sustainability matters during thematic meetings.

In 2022 we have conducted four meetings during which the management board was actively involved in two important topics:

- creating Tylko's sustainability strategy,
- creating Tylko's circular economy roadmap.



Every meeting was concluded with approval of the works done and setting the directions for further actions. It was crucial for efficient work and creation of valuable strategic documents that will guide us in our sustainability journey.

In addition to the board meetings, our Chief Culture Officer, responsible for ESG in our structure, has also conducted weekly working meetings on sustainability matters. Those meetings were conducted with participation of external consultants and with internal topical teams when needed. They were operation meetings that allowed for day-to-day work on ESG data collection and implementation of sustainability matters in our company.

#### GOV-3

Creating a Sustainability Management Committee and assigning responsibility for implementation of sustainability measures was the first step to systematize ESG work in our company. We have not yet included sustainability-related performance in incentive schemes. Nevertheless, first steps to integration have been made, while working on our Sustainability Strategy. We have achieved integration between Sustainability Strategy and our business strategy using ESG Balanced Scorecard approach. It allowed to match our goals and specific activities in those documents and create understandable and comprehensive strategies that are in line with each other. It will allow for creation of measurable targets that will be implemented into the incentive schemes.





#### GOV-4

Sustainability-related performance in incentive schemes will be developed in relation to the sustainability due diligence in our company. Currently in our business activities we comply with Polish law requirements. We are developing our sustainability due diligence process. The first step was to conduct materiality assessment, which allowed us to identify sustainability-related material impacts, risks and opportunities. We will work on due diligence process and procedures in the following reporting period. It will manifest in creation of thematic policies and implementation of procedures.

#### GOV-5

This topic is interconnected with risk management and internal control procedures that will allow us to implement and then report on sustainability matters. Risk management and internal controls over sustainability reporting will be a vital part of our risk monitoring and management system that will be implemented after adoption of our sustainability strategy. The responsibility for overview of the sustainability reporting risks will be carried out by the Sustainability Management Committee, under the oversight of the Supervisory Board.



# Market position, strategy, business model and value chain

SBM-1

Founded in 2015 in Warsaw, Poland, Tylko is a next-generation furniture company, improving homes through premium, customized storage furniture. Specializing in high-quality personalized shelving, it allows buyers to customize their furniture down to the last detail. Democratizing bespoke design through advanced tech tools and proprietary software, we meet the needs of unique spaces through an intuitive online configurator and the Tylko Augmented Reality App. The traditional furniture-buying process reimaged, we deliver fuss-free storage with both form and function at its core: beautiful products that make organization simple and bring harmony to any home. Following a buy less, but better ethos, we are committed to creating long-lasting furniture with the health of the planet firmly in mind: Whether it is about responsibly sourced materials or local production with resource-efficient advanced machinery, we strive to become the conscious furniture choice, no compromise on quality, style or sustainability necessary. To date, we have served almost 120,000 satisfied customers, selling over 170,000 perfect-fit shelves across the world.

## WE OFFER

- SIDEBOARDS
- BOOKCASES
- WALL STORAGE
- WARDROBES
- DESKS
- TV STANDS
- SHOE RACKS
- BEDSIDE TABLES
- CHESTS OF DRAWERS





## Our most significant markets are:

Germany, France, the Netherlands, the United Kingdom, Switzerland, Belgium, Austria, Norway, Spain and Denmark.

● Head Office

% Numbers on the map illustrating the % of Tylko furniture sales in a given country in 2022



**170 000**  
perfect-fit  
furniture

**120 000**  
satisfied  
customers



Our value chain model was created during materiality assessment to better understand and manage our impact of our business on environment and people – our employees, value chain workers and customers.



Our own operations area has two pillars:

### Operation functions

This is the core of our company. We design products, components, materials, and packaging and then select production technology. Then we choose and contract production sites for our furniture and select specific materials and components for our furniture production. Our customer service, where we coordinate sales, product delivery and reuse of certain products, also operates in this area.

### Corporate functions

Where we are responsible for HR, legal, marketing, advertising and quality control.

Our upstream activities are connected to furniture manufacturing. We select external factories for production. Specific materials and components come from our suppliers. The most important ones are furniture panels, plywood, wooden, metal and plastic fittings, laminate and MDF. Packaging materials we use are mainly paper and cardboard.

We are aware that the most important raw material for our production in the value chain is wood. Therefore, we make every effort to assure that wood for our furniture is sourced responsibly, in a way that does not contribute to deforestation.





**Our customers are in the heart of downstream in our value chain. We serve them by enabling easy furniture customization. Next we deliver them our products, assemble them, and then collect packaging materials.**

We strive for efficient use of materials, therefore, we have created a second-hand market for our furniture and design them in a way that allows for recycling of selected items – e.g., aluminum parts and packaging.

While analyzing our value chain we took a closer look at the logistics – transportation of materials and products. In the upstream we have identified three main transport modes: ferry/ship, lorry, train, while in the downstream, in the delivery process, we use cars – lorries or vans. Deliveries are carried out by world-wide delivery companies or single traders, which are local companies. During the preparation of scope 3 calculation, we took a closer look into our transportation patterns, and we are constantly striving to increase efficiency of logistics through optimisation.



# Materiality assessment and stakeholders

SBM-2 SBM-3

During the materiality assessment, described in the Disclosure Requirement IRO-1, we have identified material stakeholders, taking into account impact of the stakeholders on Tylko, our impact on stakeholders and materiality of stakeholders for peer group companies.

We have identified 4 material groups of stakeholders:

1. Consumers
2. Employees and co-workers
3. Suppliers and subcontractors
4. Investors

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

- conducting questionnaire among our employees,
- conducting questionnaire and interviews among our key stakeholders – suppliers, subcontractors and investors.

The outcomes of the materiality assessment in terms of views and interests of stakeholders are described in topical disclosures.





We have identified material impacts connected with 17 sustainability-related matters that are being managed in Tylko with different priorities:

TOP PRIORITY	MEDIUM PRIORITY	NORMAL PRIORITY
<p style="text-align: right;">6 ESG MATTERS</p> <p>Climate change</p> <p>Diversity management</p> <p>IT &amp; Digitalization</p> <p>Circular economy</p> <p>Relations with suppliers and subcontractors</p> <p>Sustainability management</p>	<p style="text-align: right;">5 ESG MATTERS</p> <p>Biodiversity</p> <p>Product quality &amp; safety</p> <p>Emissions of other substances than GHG to atmosphere</p> <p>Ethics</p> <p>Education and development of employees</p>	<p style="text-align: right;">6 ESG MATTERS</p> <p>Water &amp; effluents</p> <p>Occupational health &amp; safety</p> <p>Anit-corruption and anti-bribery</p> <p>Level of employment and remuneration</p> <p>Human rights and labour rights</p> <p>Use of public aid</p>
<p>Top priority issues are the issues that should be managed with the highest priority and appropriate resources should be allocated to manage them. The category includes issues that:</p> <ul style="list-style-type: none"> <li>• have not been managed so far, but are of key importance,</li> <li>• are already managed but are priority from our point of view and the point of view of our stakeholders, policies and trends.</li> </ul> <p>Top priority issues are included in the report.</p>	<p>Medium priority issues should be managed and the resources related to them should be increased, but they are of lower priority than top priority issues. This category includes issues that are relevant, but not of the highest priority for our company, stakeholders, also taking into accounts policies and trends. Medium priority issues are to be reported.</p>	<p>Normal priority issues should be managed with the same intensity and resources as currently. This category includes issues that are:</p> <ul style="list-style-type: none"> <li>• not critical,</li> <li>• already being managed with the appropriate intensity.</li> </ul> <p>Normal priority issues are to be reported.</p>





## 7 material ESG risks:

- 
1. Risk of higher GHG emission reduction requirements

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  2. Risk of increase in regulations regarding circular economy

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  3. Risk of supply, quality and prices of resources and raw materials

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  4. Risk of long-term economic effects of COVID-19 pandemics

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  5. Risk of water shortages

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  6. Risk of changes in consumption patterns, consumer choices

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  7. Risk of regulations regarding value chain of furniture industry

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Final part of the materiality assessment was a set of recommendations based on the materiality assessment and general directions that we will be implementing in relations with our stakeholders, regarding ESG material matters. The implementation of recommendations will strengthen our competitive advantage thanks to implementation of sustainable products.

### The most important recommendations were established in:

#### Natural capital:

- complete knowledge about our value chain,
- true-zero GHG emissions,
- sustainable raw materials and materials,
- implementation of circular business models.

#### Relationship capital:

- strengthening of relations with producers and suppliers build on partnership relations,
- open communication that strengthens employees engagement,
- transparent communication enabling clients making sustainable consumption choices.

We have translated those recommendations into specific actions that are described in the topical ESRS in this report and will be a part of our sustainability strategy.





# Materiality assessment methodology

## IRO-1

The process of identification and assessment of material impacts, risks and opportunities was conducted in 2022 according to the MAX (MATERIALITY ASSESSMENT MATRIX) methodology, v. 3.0 by MATERIALITY consulting company. This methodology is compliant with Corporate Sustainability Reporting Directive requirements, taking into account double materiality perspective – impact and financial materiality. During the preparation of the report in 2023, the results of the materiality assessment were verified in the context of the draft ESRS standards, and the compliance of the methodology with the requirements set out in the ESRS 1 and 2 standards was confirmed.

### During the process we have used broad range of research tools:

- analysis of the source data,
- peer review of 8 companies from the furniture and e-commerce industry and 11 of our direct or indirect competitors in the area of online sales that address sustainability issues in their sales channels,
- questionnaire study of 25 representatives of the management board and heads of key operations in Tylko and 6 MATERIALITY experts. The key areas assessed in the company were:
  - purchase of materials and components,

- cooperation with subcontractors/producers,
- design, programming, automation,
- product quality,
- logistics,
- HR,
- health and safety,
- energy, water, waste,
- marketing and sales,
- after-sales service, complaints,
- IT,
- finance, controlling, accountancy,
- compliance and internal audit,
- risk,
- strategy and development,
- sustainability,
- questionnaire and on-line interviews with 12 representatives of our key stakeholders, including representatives of:
  - suppliers,
  - subcontractors
  - employees,
  - associates,
  - investors,
  - financial institutions.
- matrix analysis of the results of the previous stages of the study,
- description of results and preparation of recommendations.

### During the analysis the following materiality parameters were assessed:

- stakeholders, with the identification of:
  - the impact of the stakeholder on our company,
  - our impact on the stakeholders,
- ESG matters:
  - 5 parameters: four parameters of impact materiality (scale, scope, irremediable character of an impact and its likelihood), one parameter of financial materiality – impact of the matter on Tylko,
  - additional assessment of the impact of ESG matters from the perspective of stakeholders,
- ESG risks:
  - magnitude of risk,
  - likelihood of risk.

## IRO-2

The table presenting the ESRS disclosure requirements covered by the company's sustainability statements can be found on pages 95-97.



**Environment**



# Climate change

E1-1 E1-2

Climate change is one of the biggest challenges that the world is facing. It is also one of the most important issues for our stakeholders and the key driver for the setting of the directions for the development of the companies to achieve limiting global warming to 1.5 °C in line with the Paris Agreement and set the pathway to climate neutrality.

We are aware of the importance of those issues, therefore we have started our road to prepare comprehensive transition plan for climate change mitigation. The first step is to assess our current impact on climate change. In this report we present our first GHG emissions calculation in scope 1, 2 and 3. The results of this analysis are presented in Disclosure Requirement E1-6 – Gross Scopes 1, 2, 3 and Total GHG emissions.







The next steps that we will take entails the development of measurable GHG emissions reduction targets within scope 1 and 2 with detailed action plan and outlining detailed action plan to reduce GHG emissions in our value chain (Scope 3 emissions).

Those targets will be transferred into calculation of carbon footprint of our products for the purpose of creation of criteria of Tylko sustainable product and result with creation of the transition plan for climate change mitigation.

Transition plan for climate change mitigation will take into account the horizon goal of 2050 for the climate neutrality aligned with Paris Agreement, however, in order to set the pathway for achieving this goal in longer perspective we will set intermediate short- and mid-term goals as well as action plan with specific, measurable actions to achieve those goals.



ESRS 2 SBM-3

Our strategy and business model has not been yet a subject of climate resilience and climate scenario analysis, but our goal is to actively manage risks related to climate change. To do so, we need to identify and assess climate risks impacting our business in the whole value chain. The next step will be to incorporate climate risks into our management system and develop climate adaptation plan. In order to prepare our business for climate change and be able to adapt to it, we will conduct a climate scenario analysis and examine the resilience of our business model in the context of different climate change scenarios. We will use the findings of this analysis to make adjustments to our business strategy.

ESRS 2 IRO-1

The process of identification and assessment of material climate-related impacts, risks and opportunities was conducted during materiality assessment. This process is reported in detail in:

- Disclosure Requirement IRO-1 – Description of the processes to identify and assess material impacts, risks and opportunities
- Disclosure Requirement IRO-2 – Disclosure Requirements in ESRS covered by the undertaking’s sustainability statements

During materiality assessment we have considered the topics of climate change and greenhouse gases [GHG] emissions.

## Climate change

IMPACT MATERIALITY	FINANCIAL MATERIALITY	DOUBLE MATERIALITY	PRIORITY MANAGEMENT
Significant	Important negative	Yes	Top priority

Climate change issues are of significant interest for the peer group companies and investors, who expect measurable strategic actions in the area of sustainable development. Climate change is also important for our employees. They would like to work in the company that has positive impact on the environment and the surroundings. Employees expect clear communication and specific actions, that will reduce our negative impact resulting from sourcing wood for furniture production. For the majority of subcontractors and suppliers, the impact of their business activities on climate change is unrecognized.

## Greenhouse gases emissions

IMPACT MATERIALITY	FINANCIAL MATERIALITY	DOUBLE MATERIALITY	PRIORITY MANAGEMENT
Significant	Important negative	Yes	Within climate change

The topic of GHG emissions is important for the peer group companies, investors (as a part of the company’s strategic activities and employees who expect clear and ethical activities from their employer. Subcontractors and suppliers have little knowledge about the impact of their activities on GHG emissions. It is a common belief among them that meeting current legal requirements, e.g., regarding vehicle emissions, is sufficient.



# Actions and targets

E1-3

We believe that our actions in relation to climate change mitigation and adaptation have to be evidence- and data-based to be efficient and target the most important areas of our business model and value chain. Therefore, we are now at the stage of the assessment of our impact on climate.

In 2022 we have calculated our scope 1, 2 and 3 emissions for the first time, we have assessed which activities are impacting the climate the most and, on this basis, we will create detailed action plan with realistic targets and actions that will be focused on specific areas.

We also believe that education is the key for the change. Our goal is to create sustainability knowledge hub and comprehensive education program for our employees, value chain workers, clients, and other relevant stakeholders.

E1-4

Basing on the assessment of our impact on climate we will set measurable targets related to climate change mitigation and adaptation basing on assessment of our current situation. Therefore, we have assessed our impact on the climate by calculating GHG emissions in scope 1, 2 and 3. Setting the targets related to climate change in the areas of mitigation and adaptation is the next step that we will undertake in the next reporting period.





# Energy consumption and GHG emissions

E1-5

For the purpose of this report, we analyzed data on the energy consumption in our own operations. It comes from three sources:

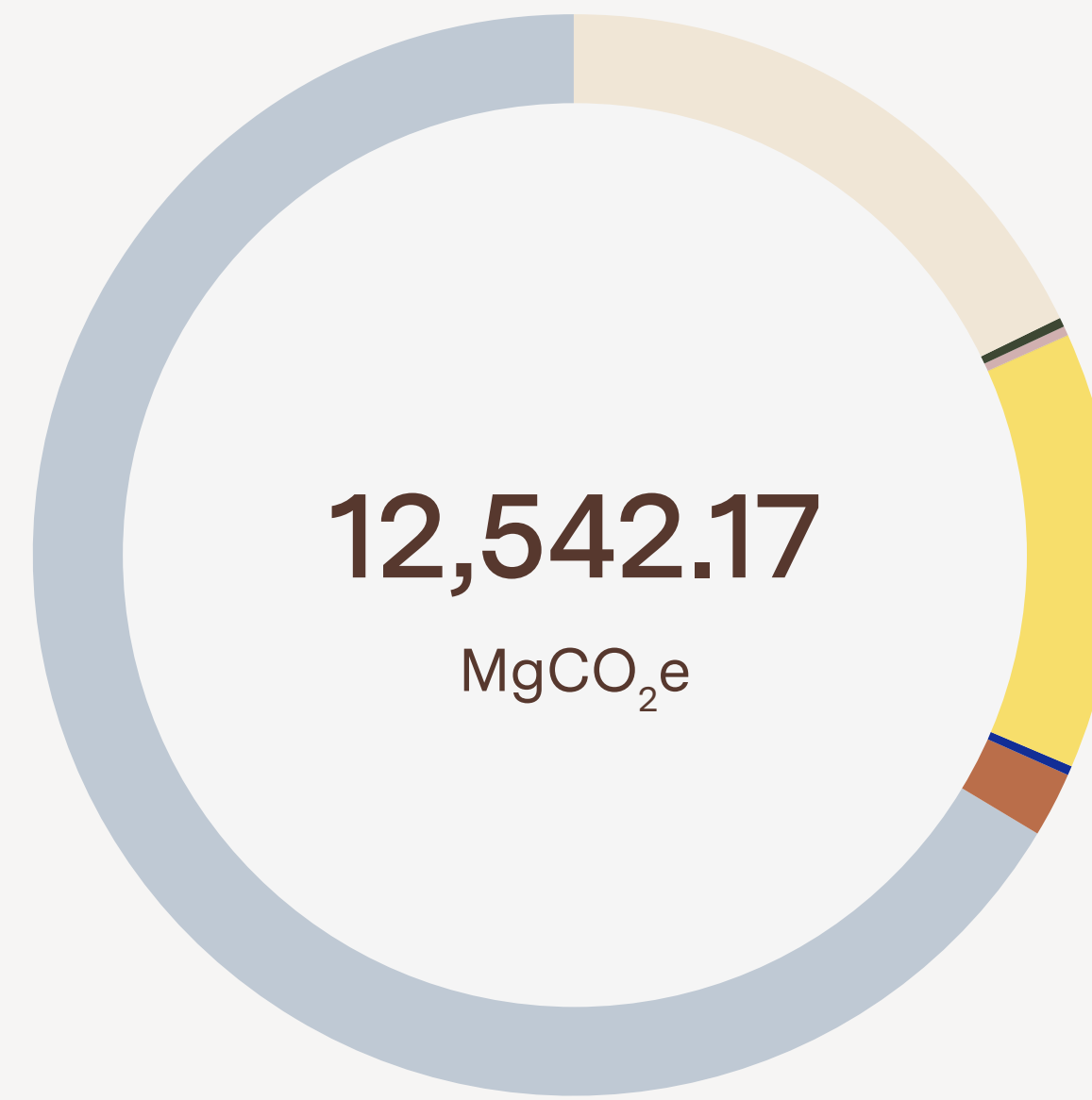
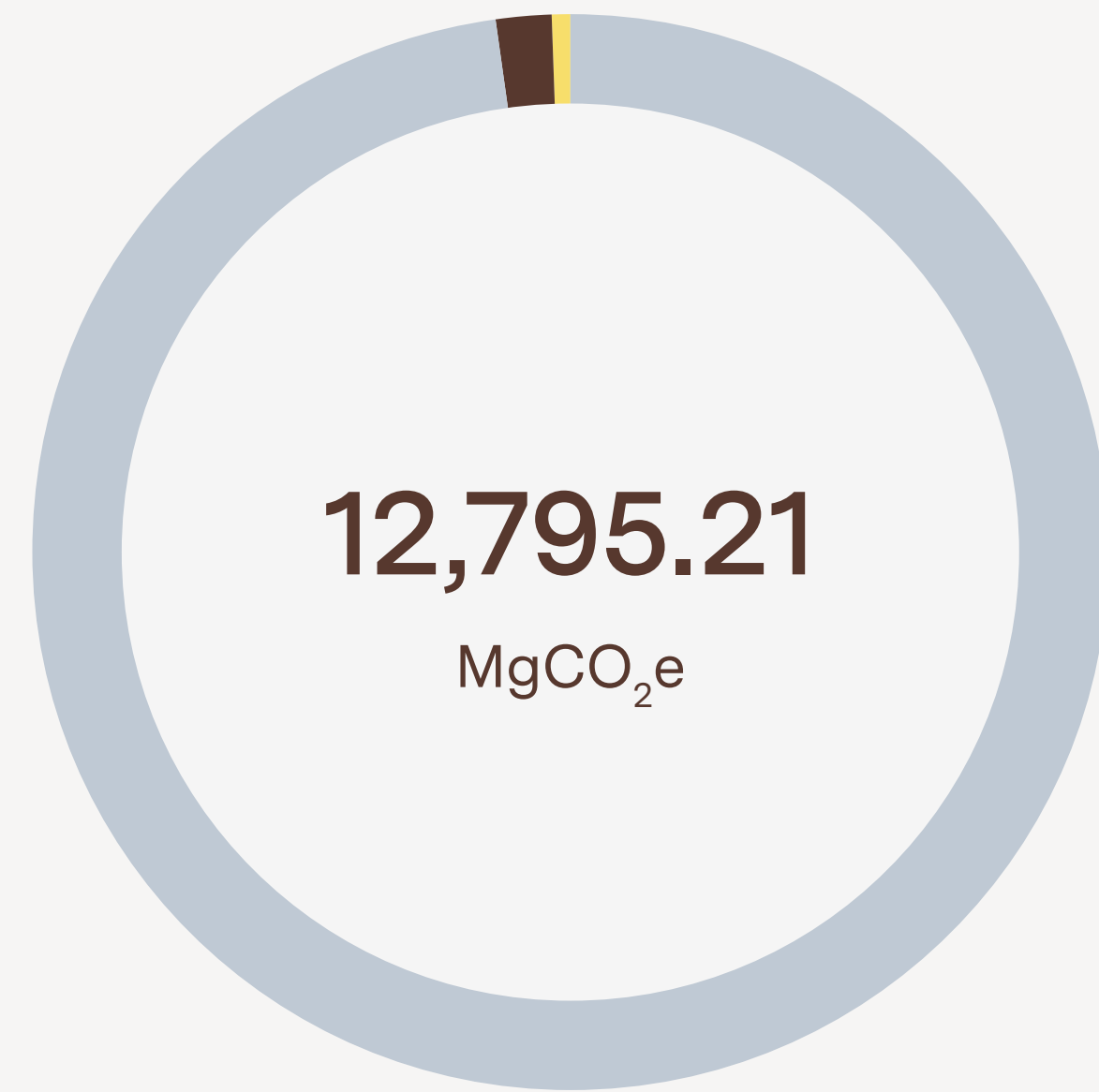
- electricity purchased from the electricity operator,
- heat purchased from the local district heat supplier,
- fuel used in our own vehicles:
  - petrol
  - diesel oil.

This energy is mainly used in our offices (electricity and heat) and for our fleet.

The energy intensity on net revenue was calculated dividing total energy consumption by our net revenue. The energy intensity in 2022 is 57,66 MWh per 1 mln Euro.

ENERGY CONSUMPTION AND MIX	2022
Fuel consumption from coal and coal products (MWh)	0.00
Fuel consumption from crude oil and petroleum products (MWh)	151.62
Fuel consumption from natural gas (MWh)	0.00
Fuel consumption from other non-renewable sources (MWh)	0.00
Consumption from nuclear products (MWh)	0.00
Consumption of purchased or acquired electricity, heat, steam, and cooling from non-renewable sources (MWh)	410.77
<b>Total non-renewable energy consumption (MWh)</b>	<b>516.53</b>
<b>Share of non-renewable sources in total energy consumption (%)</b>	<b>91.85%</b>
Fuel consumption for renewable sources (including biomass, biogas, non-fossil fuel waste, renewable hydrogen, etc.) (MWh)	0.00
Consumption of purchased or acquired electricity, heat, steam, and cooling from renewable sources (MWh)	45.86
The consumption of self-generated non-fuel renewable energy (MWh)	0,00
<b>Total renewable energy consumption (MWh)</b>	<b>45.86</b>
<b>Share of renewable sources in total energy consumption (%)</b>	<b>8.15%</b>
<b>Total energy consumption (MWh)</b>	<b>562.39</b>





#### SHARE OF SCOPE 1, 2 AND 3 GHG EMISSIONS, %

● Scope 1	0.32%
● Scope 2	1.66%
● Scope 3	98.02%

#### SCOPE 3 EMISSIONS BY CATEGORY

● Purchased goods and services	66.19%
● Capital goods	2.05%
● Fuel- and energy-related activities not included in scope 1 and scope 2	0.18%
● Upstream transportation and distribution	13.18%
● Waste generated in operations	0.02%
● Business travel	0.22%
● Employee Commuting	0.35%
● Downstream transportation and distribution	17.82%

#### SCOPE 1 GHG EMISSIONS

Gross Scope 1 GHG emissions (tCO <sub>2</sub> eq)	40.76
Percentage of Scope 1 GHG emissions from regulated emission trading schemes (%)	0.00%

#### SCOPE 2 GHG EMISSIONS

Gross location-based Scope 2 GHG emissions (tCO <sub>2</sub> eq)	234.96
Gross market-based Scope 2 GHG emissions (tCO <sub>2</sub> eq)	212.28

#### SIGNIFICANT SCOPE 3 GHG EMISSIONS

Total Gross indirect (Scope 3) GHG emissions (tCO <sub>2</sub> eq)	12542.17
Purchased goods and services	8301.96
Upstream transportation and distribution	1652.48
Downstream transportation and distribution	2234.92

E1-6

We have calculated our scope 1, 2 and 3 emissions for the first time in 2022. The emissions were calculated according to guidance provided by GHG Protocol Corporate Accounting and Reporting Standard, taking into account emissions of CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PFCs, SF<sub>6</sub>, and NF<sub>3</sub>.

Our GHG emission intensity is 216.50 Mg CO<sub>2</sub> per 1 mln Euro. We have calculated it by dividing our gross Scope 1, 2 market-based) and 3 emissions.



## Scope 1

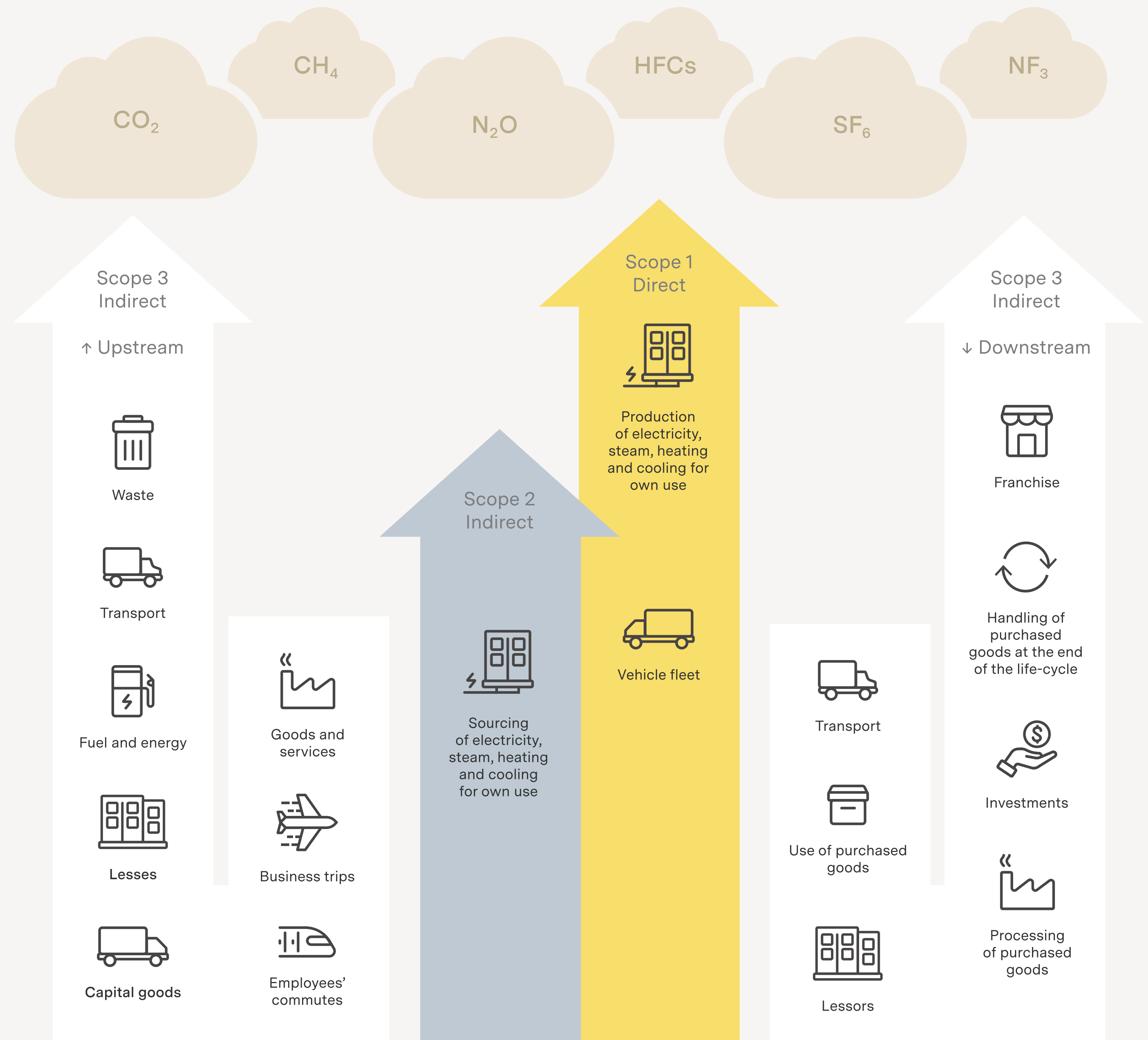
Scope 1 GHG emissions are direct emissions from sources owned or controlled by the company. In our case these are only the emissions coming from the use of fuels in our own fleet.

## Scope 2

Scope 2 emissions are indirect emissions from the generation of purchased or acquired electricity, steam, heat, or cooling consumed by the undertaking. The emissions in scope 2 were calculated according to GHG Protocol Scope 2 Guidance applying two methods:

- Location-based method quantifies Scope 2 GHG emissions based on average energy generation emission factors for defined locations, including local, subnational, or national boundaries. In our case to calculate Scope 2 location-based emissions we used emission factors for electricity from The National Centre for Emissions Management and heat from Energy Regulatory Office.
- Market-based method quantifies Scope 2 GHG emissions based on GHG emissions emitted by the generators from which the reporting entity contractually purchases electricity bundled with instruments, or unbundled instruments on their own. To calculate Scope 2 market-based emissions we've used emission intensity factors derived from local electricity and heat operators.

## Carbon Footprint Emissions





## Scope 3

Scope 3 emissions are all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions. They are a consequence of the operations of the undertaking but occur at sources owned or controlled by another company. They are calculated in 15 categories.

We have calculated the emissions in Scope 3 basing on GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard, following the steps bellow:

### 1. Creation of the team of internal experts for the collection of Scope 3 activity data.

**2. Scope 3 emission workshop** – scope 3 calculation methodology overview, analysis of the scope 3 categories in terms of our business and possible data sources. The outcome of the workshop was determination of scope 3 categories not occurring in our activities and categories to be omitted in the first year of reporting due to lack of data. Those are categories:

- Category 8. Upstream leased assets – not significant
- Category 10. Processing of sold goods – not existing
- Category 11. Use of sold goods – not existing
- Category 12. End-of-Life treatment of sold products – lack of data for 2022, the category to be analyzed for 2023
- Category 13. Downstream leased assets – not existing
- Category 14. Franchises – not existing
- Category 15. Investments – not existing

**3. Thematic workshops** – we have established that basing on our business there are three scope 3 categories that will be the most significant for our emission calculation and need most comprehensive data collection. Therefore, we performed two additional workshops, regarding:

- Category 1. Purchased goods and services – detailed analysis of the materials purchased for the production of our furniture.
- Category 4. Upstream Transportation and Distribution and
- Category 9. Downstream Transportation and Distribution – detailed analysis and data collection for our transports of materials and furniture to our clients.

**4. Data collection and scope 3 emission calculation.** The scope 3 data we have taken into account the following categories:

- Category 1. Purchased goods and services
- Category 2. Capital goods
- Category 3. Fuel- and energy-related activities not included in scope 1 and scope 2
- Category 4. Upstream transportation and distribution
- Category 5. Waste generated in operations
- Category 6. Business travel
- Category 7. Employee Commuting
- Category 9. Downstream transportation and distribution

## TOTAL GHG EMISSIONS

Total GHG emissions (location-based) (tCO <sub>2</sub> eq)	12,817.89
Total GHG emissions (market-based) (tCO <sub>2</sub> eq)	12,795.21

**5. Determination of Scope 3 significant categories.** We have collected the data and calculated the emissions for each category occurring in our business activity. Then, basing on the outcomes of calculation, financial and business materiality we have determined significant Scope 3 categories:

- Category 1. Purchased goods and services
- Category 4. Upstream transportation and distribution
- Category 9. Downstream transportation and distribution.



# The methodology of calculation of significant categories



## Category 1. Purchased goods and services

We analyzed the list of used materials and parts used for our furniture creation, determined primary materials they are made of and calculated the emission using weight of used materials and LCA (life-cycle assessment) indicators from ecoinvent version 3.9.1. database.

## Category 4. Upstream transportation and distribution

We have established group of transports:

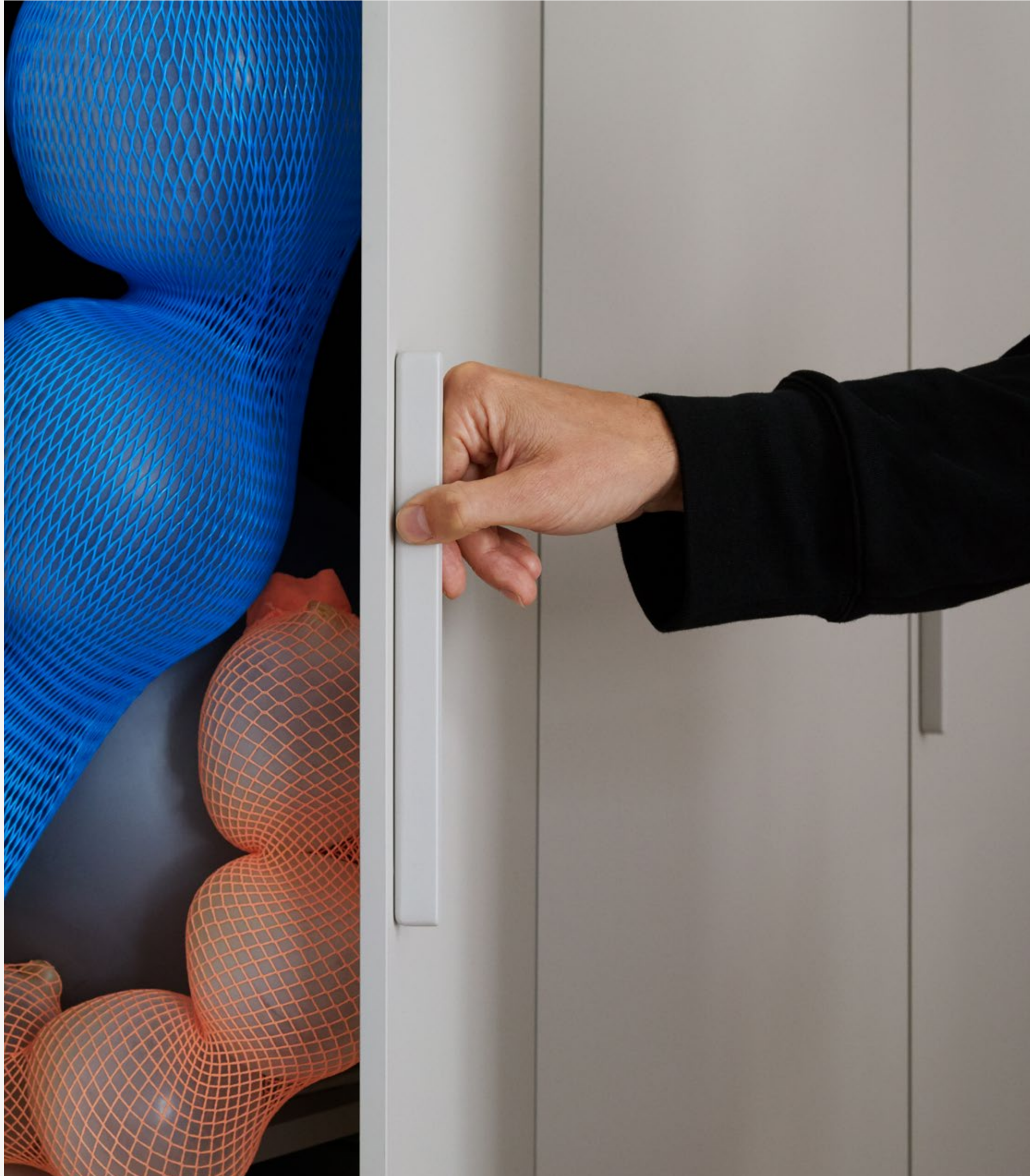
- Transports carried out by large delivery companies – we have obtained direct emission data from those companies.
- Transport carried out by smaller delivery companies – we have used distance-based method and calculated the distances of those transports and converted them to emissions using emission factors for specific transport modes from DEFRA data base. We have chosen the factor for 3.5-7.5 tones rigid vehicles with average laden.

## Category 9. Downstream transportation and distribution

We have used distance-based method to calculate the emission data. We have calculated the distances for each transport carried out to our clients and multiplied them by weight of the transport and emission factor for specific transport mode from DEFRA database. The transportation is carried out in two ways:

- Direct transport from production sites to clients – carried out with 3.5-7.5 tones rigid vehicles with average laden.
- Cross-dock transportation – first stage of the transport is carried out with TIR – emission factor for articulated vehicles over 33 t with average laden.





E1-7 E1-8

We did not perform GHG removals and GHG mitigation projects financed through carbon credits and we are not applying internal carbon pricing schemes.

E1-9

We have not yet assessed the potential financial effects from material physical and transition risks and potential climate-related opportunities. This will be a part of the identification and assessment of climate risks that impact our company and incorporation of those risks into our management system.

ESRS 2 GOV-3

The performance of members of the administrative, management and supervisory bodies has not yet been assessed against GHG.



# Pollution

## ESRS 2 IRO-1

The process of identification and assessment of material pollution-related impacts, risks and opportunities was conducted during materiality assessment. This process is reported in detail in:

- Disclosure Requirement IRO-1 – Description of the processes to identify and assess material impacts, risks and opportunities,
- Disclosure Requirement IRO-2 – Disclosure Requirements in ESRS covered by the undertaking's sustainability statements.

## E2-1

Currently we do not have specific policy regarding pollution. The topic of pollution will be a part of our environmental policy, that we will work on in the following year. We have assessed substances of high concern and very high concern in our products. We have identified that the only substance qualified as of high concern in our furniture is formaldehyde. The contents of formaldehyde are at the safe level, but we aim to lower it to assure that our furniture are safe and have no negative impact on environment.





The issue of pollution (emission of substances other than greenhouse gases) was assessed as follows:

IMPACT MATERIALITY	FINANCIAL MATERIALITY	DOUBLE MATERIALITY	PRIORITY MANAGEMENT
Important	Informative negative	Yes	Medium priority

The issues related to the pollution were assessed as of low interest for our peer group companies and moderately material for investors and other stakeholders. Transparency of information regarding pollution to environment resulting from our activities and those of our subcontractors is an important issue for our employees.

E2-2

As we will create our environmental policy, where we will include pollution as the material matter, we will then set the targets and implement comprehensive actions regarding pollution of air, water and soil across our value chain.

E2-3

Our goal is to reduce our impact on environment and ensure that our furniture is safe for Tylko customers. We also consider our impact after the end of life of our products. Therefore, we will be working on establishing targets in relation to pollution of air, water and soil in the whole value chain of our activities and life cycle of our products. Those will be a vital part of the Tylko sustainable product definition.

E2-4

The disclosure requirement about pollution of air water and soil relates to own operations of the company. We have assessed that our own operations consist of activities in the offices and not cover production processes, as those are subcontracted. Therefore, we do not emit directly to air, water and soil. Our ambition for the future is to assess the impact of the activities occurring in our value chain in terms of pollution and act to reduce it.

E2-5

In Tylko we use plywood, particleboard, MDF for the production of our furniture. To produce those materials formaldehyde is used. It is a substance that is registered under REACH (Registration, Evaluation, Authorization and Restriction of Chemicals). REACH addresses the production and use of chemical substances, and their potential impacts on both human health and the environment.

Our board is purchased from reputable European suppliers and the furniture are produced in Polish factories. Majority of the boards we use for our furniture production is commercially referred to as E0,5, which means reduced formaldehyde emission. We also use boards that fall within E1 standard and plywood that was randomly verified. Our goal is to create high material requirements, which will clearly define formaldehyde emissions and the measurement method. Our suppliers will be obliged to present us certificates that confirm formaldehyde emission level.



# Water and marine resources

## ESRS 2 IRO-1

Process of identification and assessment of material water and marine resources-related impacts, risks and opportunities was conducted during materiality assessment. This process is reported in detail in:

- Disclosure Requirement IRO-1 – Description of the processes to identify and assess material impacts, risks and opportunities,
- Disclosure Requirement IRO-2 – Disclosure Requirements in ESRS covered by the undertaking's sustainability statements.





The issue of water and marine resources was assessed as follows:

IMPACT MATERIALITY	FINANCIAL MATERIALITY	DOUBLE MATERIALITY	PRIORITY MANAGEMENT
Important	Informative negative	Yes	Normal priority

Issues related to water and effluents are of little importance to peer group companies, and moderately material for investors and other stakeholders. During the process risk associated with the potential negative impact of the deficit of water resources on forest crops was identified.

E3-1

The findings of the materiality assessment are of importance in regard to our approach to water usage. Currently we don't have a specific policy regarding water and marine resources. We are aware that due to climate change, water deficits might impact our business. Therefore, we will address this topic in our environmental policy, that we will work on in the following year.

E3-2

We will include specific actions regarding water and marine resources across our value chain in our environmental policy.

E3-3

Our ambition is to calculate Tylko water footprint to assess our impact on water and marine resources. This will transfer into targets that will materialize in Tylko sustainable product definition.

E3-5

Assessment of potential financial effects from water and marine resources will be a part of calculation of our water footprint and will be prepared during works on Tylko sustainable product definition.

E3-4

For now we have assessed our water consumption and effluents discharge in own operations. They come from the activities in our office. The data are presented in table below:

Total water consumption (m <sup>3</sup> )	221.98
Effluents discharged to the municipal network (m <sup>3</sup> )	221.97



# Biodiversity and ecosystems

E4-1 E4-2

We are aware that our business model might generate high impact on biodiversity. Wood products are one of priority sectors assessed by the Taskforce on Nature-related Financial Disclosures (TNFD). We also have in mind that thanks to the adoption of “Kunming-Montreal Global Biodiversity Framework” during 15th Conference of the Parties to the UN Convention on Biological Diversity, the topic of biodiversity and restoration of natural ecosystems gained momentum and the framework of global targets for 2030 has been set.

The most important goals are:

- To ensure that by 2030 at least 30% of areas of degraded terrestrial, inland water, and coastal and marine ecosystems are under effective restoration, in order to enhance biodiversity and ecosystem functions and services, ecological integrity and connectivity.





- Ensure that all areas are under participatory integrated biodiversity inclusive spatial planning and/or effective management processes addressing land and sea use change, to bring the loss of areas of high biodiversity importance, including ecosystems of high ecological integrity, close to zero by 2030, while respecting the rights of indigenous peoples and local communities.
- Ensure that areas under agriculture, aquaculture, fisheries and forestry are managed sustainably, in particular through the sustainable use of biodiversity, including through a substantial increase of the application of biodiversity friendly practices, such as sustainable intensification, agroecological and other innovative approaches contributing to the resilience and long-term efficiency and productivity of these production systems and to food security, conserving and restoring biodiversity and maintaining nature’s contributions to people, including ecosystem functions and services.

With this in mind, as well as other global and EU documents outlining the importance of respect of planetary boundaries and nature restoration, we will work on the transition plan on biodiversity and ecosystems for Tylko. We will map our impact on biodiversity, set targets to reduce potential negative impacts and plan regenerative actions.

**ESRS 2 IRO-1**

We have started this process from the identification and assessment of material biodiversity and ecosystems-related impacts, risks and opportunities was conducted during materiality assessment. This process is reported in detail in:

- Disclosure Requirement IRO-1 – Description of the processes to identify and assess material impacts, risks and opportunities,
- Disclosure Requirement IRO-2 – Disclosure Requirements in ESRS covered by the undertaking’s sustainability statements.

**E4-3**

We will continue this work by outlining the Transition Plan on biodiversity and ecosystems. It will contain set of actions for prevention of biodiversity loss and deforestation and sustainable wood sourcing as well as regenerative actions. We need to act across the whole value chain, therefore we will closely cooperate with our suppliers to monitor and assure that proposed actions are implemented. This will be preceded educating our suppliers and subcontractors.

The issue of biodiversity and ecosystems was assessed as follows:

IMPACT MATERIALITY	FINANCIAL MATERIALITY	DOUBLE MATERIALITY	PRIORITY MANAGEMENT
Significant	Important negative	Yes	Medium priority

The issues related to biodiversity were assessed as of low interest for our peer group companies, of moderate materiality for investors and low materiality for other stakeholders. Our employees underlined the need for a greater transparency in terms of wood sourcing for Tylko furniture production. Subcontractors pointed out that the wood they are using for production is sourced from certified forests.



E4-4

We are aware of the impact of our business model on biodiversity, especially regarding wood sourcing and potential deforestation. To set the targets for reduction of negative impacts on biodiversity and regenerative actions, we will first map our impact on biodiversity across the whole value chain. We will then integrate the biodiversity targets into the sustainable product definition, where we will focus on sustainable wood sourcing and prevention of deforestation. We will include regenerative actions as important part of decreasing our impact on biodiversity.

E4-5 E4-6

A vital part of the Transition plan for biodiversity and ecosystems will be to identify specific impact metrics related to biodiversity and ecosystem change and assessment of potential financial effects related to actions involving biodiversity and ecosystems.





# Resource use and circular economy

## ESRS 2 IRO-1

Process of identification and assessment of material resource use and circular economy-related impacts, risks and opportunities was conducted during materiality assessment. This process is reported in detail in:

- Disclosure Requirement IRO-1 – Description of the processes to identify and assess material impacts, risks and opportunities,
- Disclosure Requirement IRO-2 – Disclosure Requirements in ESRS covered by the undertaking's sustainability statements.





The issue of resource use and circular economy was assessed during materiality assessment considering the following topics:

- circular economy,
- materials and raw materials,
- waste.

## Circular economy

IMPACT MATERIALITY	FINANCIAL MATERIALITY	DOUBLE MATERIALITY	PRIORITY MANAGEMENT
Important	Important positive	Yes	Top priority

The issues related to circular economy are material for peer group companies, investors (in terms of strategic directions) and employees that would like to work in transparent and ethical company. Circular economy is also important for customers who postulate implementation of longevity and possibility of re-using of our furniture. For the suppliers the topic is important in the connection to reduction of plastics and waste in packaging.

## Materials and raw materials

IMPACT MATERIALITY	FINANCIAL MATERIALITY	DOUBLE MATERIALITY	PRIORITY MANAGEMENT
Significant	Minimal	Yes	Top priority

Issues related to materials and raw materials are important for peer group companies, investors (in terms of strategic directions) and employees who pay attention to the origins of materials used for furniture production. They would like to have transparent information about the impact of our products on environment and need to identify Tylko as a company that cares for the environment.

## Waste

IMPACT MATERIALITY	FINANCIAL MATERIALITY	DOUBLE MATERIALITY	PRIORITY MANAGEMENT
Important	Minimal	Yes	Top priority

Issues related to waste are material for peer group companies, investors and employees who would like to know that our products are used in efficient way. The topic of reduction of packaging waste is also important in terms of customization of products in relation to efficiency of packaging materials usage.



E5-1

Production of our furniture is interconnected with use of resources. We are aware of the need to reduce resource consumption and implement circular models into our business. To create comprehensive policy for the circular economy we have conducted three workshops. The goal of those workshops was to create circular roadmap – a set of projects that we will implement to enhance the circularity of our products. Almost 20 representatives of Tylko, from the management board through managers to operational level, took part in those workshops. We gained knowledge about circular economy principles, EU law and initiatives concerning furniture sector. We have identified circular business models that could be implemented in our company, identified value loss points and then created a vision of circular Tylko with the actions planned to be adopted in circular economy roadmap.

### We have defined our ambitions:

- Extending product life – longevity,
- Increasing the share of revenues from new circular products,
- Definition of Tylko circular product.

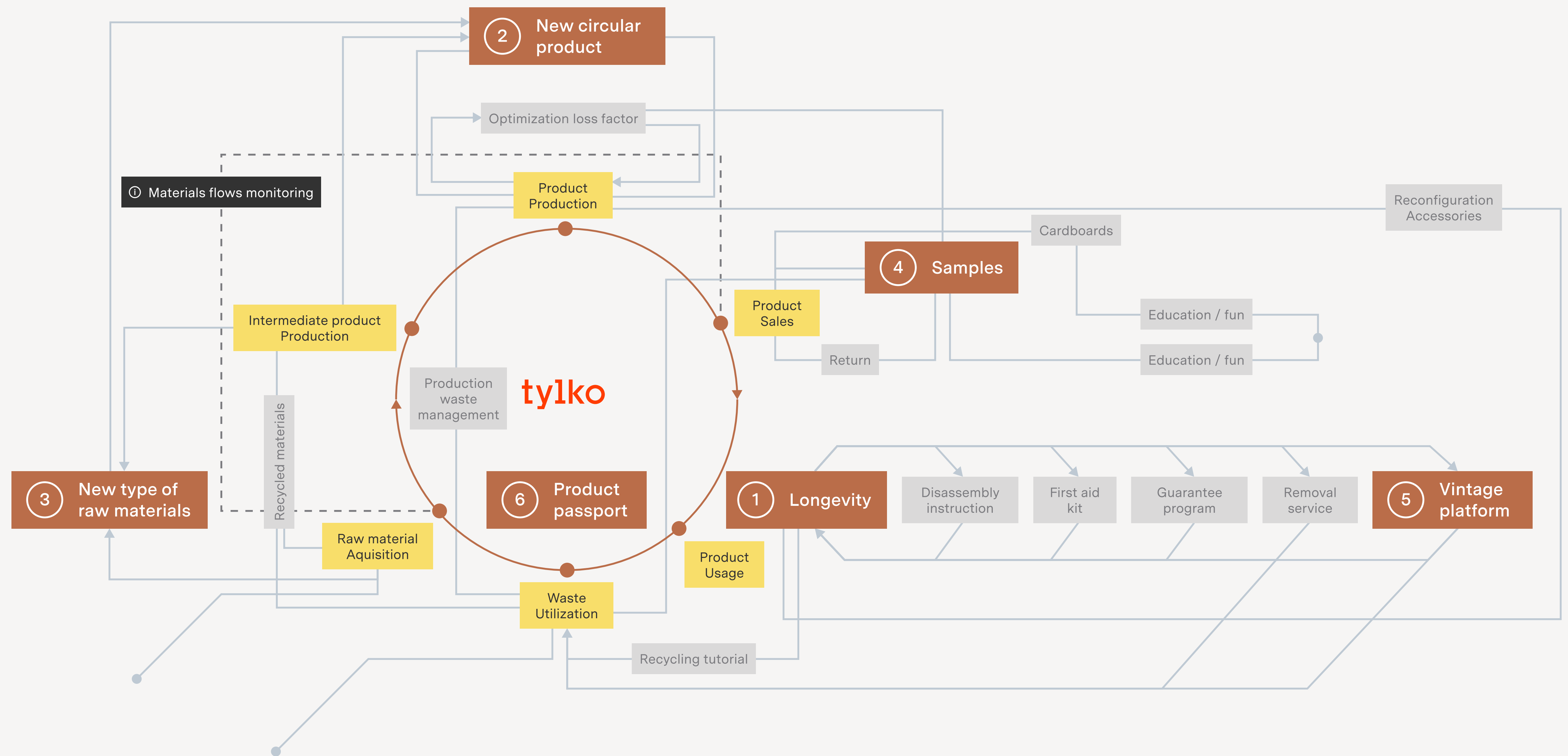




Defining our circular ambitions led us to creation of Tylko Circular Roadmap, which describes our approach to implementation circularity into our business model.

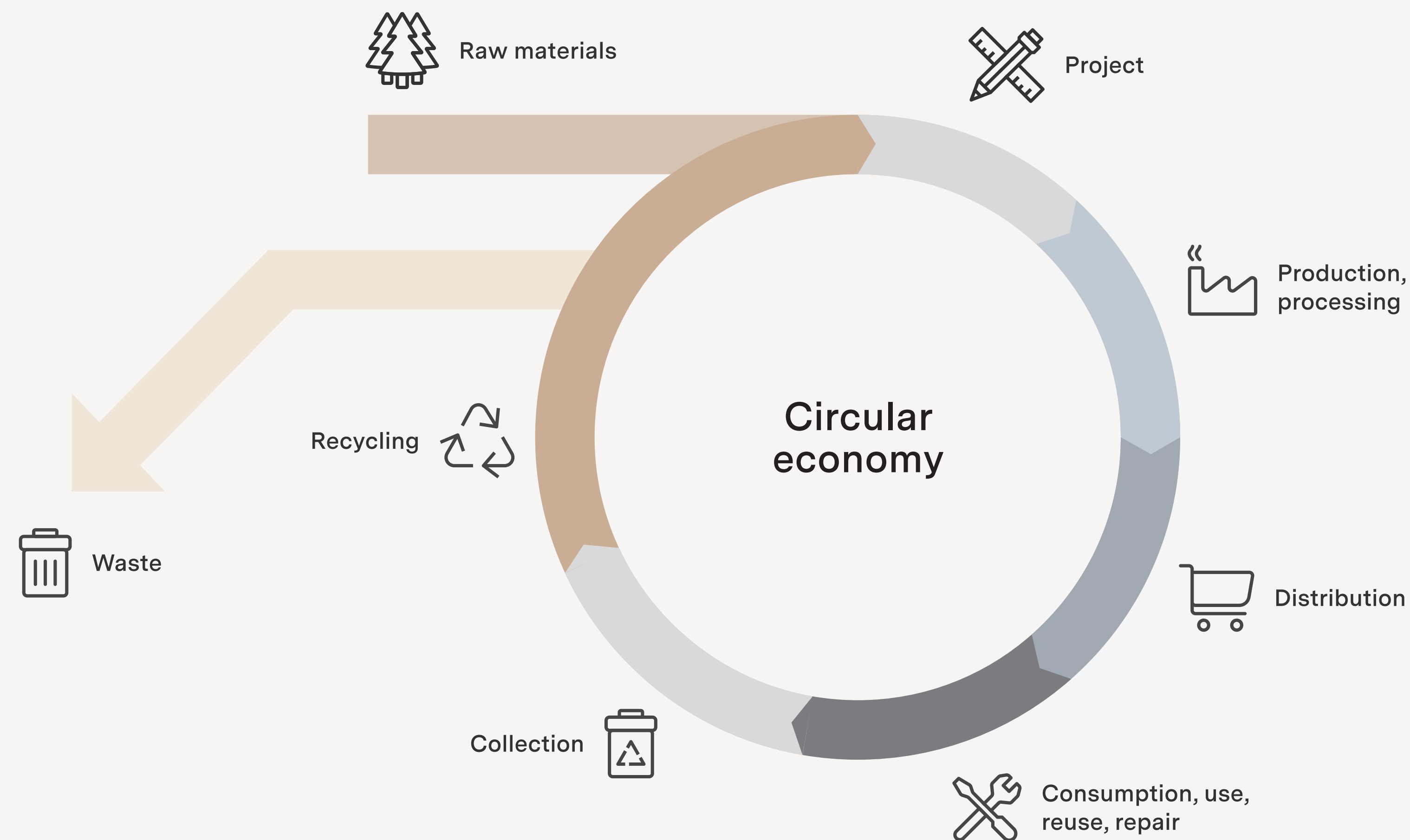
Tylko Circular Economy Roadmap scheme

- Tylko product life cycle stages
- Circular projects outlined in the Tylko Circular Economy Roadmap
- Activities within circular projects





Circular projects to be implemented as a part of Circular Economy Roadmap are grouped in 6 thematic areas, each with several intermediate projects.



## 1. LONGEVITY

### Disassembly kit

Instruction to disassemble the furniture without the risk of damage - in two variations - Variant Small - providing the customer with a universal instruction showing techniques for disassembling the basic elements of the racks, or Variant Big - creating a tool for generating parametric disassembly instructions (guiding the customer step by step through the disassembly process).

### First aid kit

Provide customers with information on how to extend the usage of furniture (including how to safely transport/move the furniture, how to repair minor damages with home-friendly methods, how to maintain, how to adjust hinges).

### Guarantee program

Warranty program that allows furniture owners to have their furniture repaired or undergo a quality check (cleaning, tightening, leveling, adjusting).

### Removal service

"Moving" service for customers who own a piece of furniture, including disassembly and reassembly of the furniture in a new place (or its transport in entirety), securing the furniture for transport in an optimal way using second-hand materials, transporting the "already owned" items along with the new furniture from the factory when buying with "moving into a new place" option.

### Reconfiguration

Enabling the customers to make changes to their existing furniture through the dedicated accessories and reconfiguration items.



## 2. NEW CIRCULAR PRODUCT

### Disassembly product line

A new design line of furniture that may be disassemble easily by the customer, preferably without any advanced tools, with the ability to disassemble each piece of furniture into its base parts and separate them for recycling.

### Circular raw materials product line

A new line produced from a circular (e.g., biodegradable) materials (linking the idea of a new material within the Tylko's Circular Economy Roadmap).

### Loss-factor optimization program

Adjustments to the final product to optimize the cutouts of the pieces from a single slab – reducing production waste.

### Product waste management

Close collaboration with manufacturers to increase disposal of non-recyclable waste, disposal of furniture waste with heat recovery.

## 3. NEW MATERIAL

### Circular material

The use of a circular resources or circular components, such as biodegradable, compostable, from primary materials, simple.

### Recycled material

The use of a recycled materials or components.

## 4. SALES AND FURNITURE WASTE USE

- Recycling materials labels:  
Information regarding ways of recycling added to product labels and individual components of the furniture.
- New functionalities for samples and cardboards:  
Re-construction of the samples to give them additional functionality, educational or playful form – providing instructions to create e.g., a rocket, a children's house, or a car.
- Furniture recycling instruction:  
New (universal/parametric) instructions for dismantling furniture items for recycling along with discard instructions.
- Re-use of cardboards:  
Transfer of cardboard boxes for second circulation – posting advert on OLX, in kindergartens, schools, moving companies, preparing a designated place for storing the boxes in the office, notifying employees that the boxes are there to use.
- Samples circularity:  
Samples with a deposit – the customers can recover the deposit or get a discount on the purchase if they return the samples. Preparation of the return labels for the customers, with an easy and free return process.

## 5. VINTAGE PLATFORM CREATION

- Pre-secondhand refurbishing:  
Development of furniture stock with fixed parameters and refurbishing process.
- Secondhand shopping path design:  
Providing sales of the prototypes and returned items (after refurbishing), purchasing process for items with specific parameters (categorization), Tylko's second-hand sale platform.

## 6. PRODUCT PASSPORT

A new tool to identify every product with correct data: instructions, product information, life-cycle history, the Passport is attached to the product throughout the entire life cycle, including after the ownership change.

## IMPLEMENTATION OF CIRCULAR PROJECTS

We have already implemented some of the projects into our business model. We are reusing some of the elements and fittings from free returns to be a part of new furniture production process. We are also reusing some of the packaging materials used for securing our products during logistic process for new furniture packaging.

Two additional projects are already in the ideation phase:

- Preparation of the commercial samples for customers from free return furniture.
- Reuse of some of the elements from free returns to be a part of new production process of chipboard material from one of the suppliers.

We will develop those projects and gradually implement them to increase the circularity of Tylko furnitures. We strive for closing of our value chain in the future to reduce our pressure on environment.

### E5-3

Basing on the outcomes of our workshops and Tylko circular economy roadmap we will establish set of measurable targets that will allow for gradual transformation and implementation of circular models into our business. They will be reflected in sustainable product definition.

### E5-4

Our furniture is primarily made from particle board, birch plywood, and MDF. In 2022, we used approximately 3,300 tons of particle board, 1,450 tons of birch plywood, and 205 tons of MDF for their production. We also utilized 689 tons of cardboard, mainly for packaging and securing our furniture during transportation. For more information about our approach to material and resource utilization, as well as efforts to reduce consumption, please refer to the 'About the Product' section on page 22 of this publication.



In terms of waste, for now we have analyzed our own operations only. It means the waste that are created in our office. These are 100% non-hazardous waste that are landfilled.

HAZARDOUS WASTES (Mg)	
Incineration (with energy recovery)	0.00
Incineration (without energy recovery)	0.00
Landfilling	0.00
Other disposal operations	0.00
NON HAZARDOUS WASTES (Mg)	
Incineration (with energy recovery)	0.00
Incineration (without energy recovery)	0.00
Landfilling	4.91
Other disposal operations	0.00
<b>TOTAL</b>	<b>4.91</b>

As we are preparing our product passport and sustainable product definition, we are aware that efficient resource use, reduction of waste and recycling are the methods to reduce our impact on environment. Therefore, we plan to analyze our whole value chain in terms of products, materials and waste. We will analyze our currently used materials and products in term of circular principles: durability, reusability, repairability, disassembly, remanufacturing or refurbishment, recycling, recirculation by the biological cycle and other potential optimization of product and material use.

Implementation of circular economy roadmap projects will enhance the design and production of our furniture in line with circular principles.

As mentioned before, the implementation of the circular economy roadmap projects has just started. The analysis of potential financial effects from resource use and circular economy is crucial, because the transformation into circularity will affect our business model. Therefore, while setting the targets in terms of resource use and circular economy, we will also define what are financial effects of those impacts, risks and opportunities.



**Social**



# Own workforce

S1-1

Our employees and non-employee workers are the crucial part of our business. We treat them with respect, and we comply with all legal requirements while cooperating with them. Nevertheless, we are aware of the fact that we should adopt formally policies in relation to our own workers that will follow the UN Global Compact Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. We have already established policies on anti-mobbing and diversity as well as provided information on equal treatment in employment.

S1-2

In the process of creation of our social policies, compliant with UNGC and OECD guidelines, we will engage with our own workers, as we find their opinion valuable. We are already engaging them about important matters and impacts. It is conducted directly with all employees or those involved in specific matters.







In 2022 we run our first engagement survey that was followed by the analysis and focus groups involving employees. The goal was to address all of the issues per function and across the whole organization. Our plan is to run the survey every year to monitor the changes. We are also discussing all important changes or topics on Tylko bi-weekly meetings. It is also a place to answer any questions that appear anonymously via Google forms.

S1-3

We are open to every comment by our own workers. We try to create safe space for them to raise concerns and ask questions. The process of raising concerns is described in our anti-discrimination and anti-mobbing policy. It regulates the process of raising any issues regarding inappropriate behaviors in workplace. The concerns might be raised orally or in writing – by letter or by dedicated email – [confidential@tylko.com](mailto:confidential@tylko.com). The notice might be anonymous. It is also possible to report directly to employee's supervisor, company's board of directors or the Head of People.

S1-4

Every concern raised by our employees is treated with care and respect and considered internally. We are taking the steps to clarify the circumstances immediately. We investigate and, if needed, apply sanctions to the violators.

S1-17

We have not recorded any incidents, complaints and severe human rights impacts and incidents in 2022.



# Our workers

## Percentage of women and men among Tylko employees



S1-6

As of 31 December 2022 we had the total number of employees [people employed under employment contract] of 119, of which 71 were women and 48 were men. The breakdown of our employees by gender is stated in the table on the right.

The rate of the turnover of our own employees in the reporting period is 8.40 %. We assess it to be low and feel that it is a result of good cooperation with our employees and the atmosphere that we try to create on the daily basis. We are going to strive for lowering the turnover rate even further.

S1-7

The data about non-employee workers are provided in headcount. There are four types of contracts for non-employee workers under which persons in our company provide work. The most common is B2B contract. Persons cooperating under B2B contract are working mainly in the IT area. They are programmers and software developers.

### NUMBER OF EMPLOYEES IN FULL-TIME EQUIVALENT: Total employees hired for a definite and indefinite period of time

Employees on employment contract for a definite and indefinite period of time As at 31 December 2022	Women	Men	Total
Managers and supervisors	10	12	22
Other employees	61	35	96
<b>Total employees</b>	<b>71</b>	<b>48</b>	<b>119</b>

It is important to underline that majority of senior management works under civil contracts and appointment contract. Therefore, the breakdown by gender of the senior management is illustrated in a separate table in ESRS S1-9. We have assessed the total number of own employee turnover in the reporting period in head count. It takes into account employees that were hired and employees who left work in 2022.



**NUMBER OF NEWLY EMPLOYED:**  
Total employees hired for a definite and indefinite period of time

Employees on employment contract in 2022 year	Women	Men	Total
Managers and supervisors, including:	6	3	9
aged 51 and over	1	0	1
aged of 31-50	5	2	7
aged 30 and below	0	1	1
Other employees, including:	23	13	36
aged 51 and over	0	0	0
aged of 31-50	11	5	16
aged 30 and below	12	8	20
Total employees, including:	29	16	45
aged 51 and over	1	0	1
aged of 31-50	16	7	23
aged 30 and below	12	9	21
Total employees	29	16	45

**NUMBER OF EMPLOYEES WHO LEFT WORK:**  
Total of employees who left work and was on employment contract for indefinite or definite period of time

Employees on employment contract in 2022 year	Women	Men	Total
Managers and supervisors, including:	3	0	3
aged 51 and over	1	0	1
aged of 31-50	1	0	1
aged 30 and below	1	0	1
Other employees, including:	23	9	32
aged 51 and over	1	0	1
aged of 31-50	13	4	17
aged 30 and below	9	5	14
Total employees, including:	26	9	35
aged 51 and over	2	0	2
aged of 31-50	14	4	18
aged 30 and below	10	5	15
Total employees	26	9	35



S1-8

There are no collective bargaining agreements functioning in our company.

S1-9

Diversity is a topic of high importance for us. Therefore, we have issued an information about equal treatment in employment.

We do not allow any forms of discrimination in employment, especially in term of employment conditions, promotions and access to training. We do not allow any forms of discrimination of our own workers: age, sex, disability, race, religion, nationality, ethnicity, political views and sexual orientation.

This year we have assessed the most important diversity indicators. According to the provisions of disclosure requirement S1-9 we are providing the data on the senior management gender distribution. The senior management level is composed of management board and representatives of C-level, e.g. Chief Growth Officer, Chief Financial Officer etc.

#### ADDITIONAL DATA ON PERSONS PROVIDING WORK

As at December 2022	Women	Men	Total
Number of persons under civil-law contracts (order contracts and specific-task contracts)	8	9	17
Number of persons under cooperation (B2B contracts)	8	43	51
Number of persons cooperating under appointment contracts	1	3	4
Number of outsourced workers	0	4	4

#### SENIOR MANAGEMENT

As at 31 December 2022	Women	Men	Total
<b>In headcount</b>	<b>2</b>	<b>8</b>	<b>10</b>
aged 51 and over	0	0	0
aged of 31-50	2	8	10
aged 30 and below	0	0	0
<b>In percentage</b>	<b>20 %</b>	<b>80 %</b>	<b>100 %</b>
aged 51 and over	0 %	0 %	0 %
aged of 31-50	20 %	80 %	100 %
aged 30 and below	0 %	0 %	0 %



The distribution of employees by age group is provided for the levels of:

- managers and supervisors,
- other employees,
- total.

**EMPLOYEES ON EMPLOYMENT CONTRACT FOR A DEFINITE AND INDEFINITE PERIOD OF TIME**

As at 31 December 2022	Women	Men	Total
<b>Managers and supervisors, including:</b>	<b>10</b>	<b>12</b>	<b>22</b>
aged 51 and over	0	0	0
aged of 31-50	7	8	15
aged 30 and below	3	4	7
<b>Other employees, including:</b>	<b>61</b>	<b>35</b>	<b>96</b>
aged 51 and over	0	0	0
aged of 31-50	30	17	47
aged 30 and below	31	18	49
<b>Total employees, including:</b>	<b>71</b>	<b>48</b>	<b>119</b>
aged 51 and over	0	0	0
aged of 31-50	37	26	63
aged 30 and below	34	22	56
<b>Total employees</b>	<b>71</b>	<b>48</b>	<b>119</b>

S1-16

We have also calculated the male-female pay gap (Gender Pay Gap). It is defined as the difference between average gross hourly earnings of male paid employees and of female paid employees expressed as a percentage of average gross hourly earnings of male paid employees.

We have calculated Gender Pay Gap for the levels of:

- managers and supervisors
- other employees
- all employees

We are not disclosing the data about Senior Management (C-Level) as they are employed under different contracts than majority of our own employees. We will develop methodology to include their earnings in the next report.

The Gender Pay Gap among managers and supervisors is low. For other employees it is significantly higher, than for the managers and supervisors.

**GENDER PAY GAP**

Managers and supervisors	4.39 %
Other employees	15.78 %
All employees	15.93 %



S1-10

Adequate wage is a socially acceptable level of income that provides adequate coverage for basic necessities such as food, shelter, child services, and healthcare. We have calculated adequate wage for Polish conditions taking into account data from Living Wage Indicator and calculated as an average of the upper values from family living wages estimates for a set of most common family household compositions and under different assumptions about working hours. The last data available are for 2020 so to reflect the situation of 2022 we have adjusted the living wage by inflation rate in Poland in 2021 and 2022. After those calculation the adequate wage indicator for Poland in 2022 is PLN 4311.91. We have 2 workers that are paid below adequate wage, 2 women.



Rami Niemi for Tylko, campaign illustration

S1-11

All of our employees are entitled to social protection that is required by law. The sickness leave is paid in the amount of 80% of their salary. All parents have the right to parental leave according to the scope provided by the Labor Code. Any injuries that happen in workplace or on the way to/from workplace are investigated in order to qualify it properly and for a potential insurance. Additionally, all employees are entitled to medical package if required.

S1-12

The percentage of persons with disabilities among our employees is 0.85%.

S1-13

We find the development of our employees as of high importance. Therefore, we devote significant resources for the training and skills development. In 2022 it was PLN 452,753.03 which translates into over PLN 2300 per person, regardless of the employment form.

We have not been collecting data about the employees that participated in the trainings and the number of training hours, but we will disclose that information in our next report.





In 2022 we have not recorded any work-related fatalities, injuries, and accidents in our own workforce.

number of fatalities as a result of work-related injuries and work-related ill health	0
number and rate of recordable work-related accidents	0
number of cases of recordable work-related ill health	0
number of days lost to work-related injuries and fatalities from work-related accidents, work-related ill health and fatalities from ill health	0

	Male	Female	Total
No.	9	9	18
%	18.8%	12.7%	15%

S1-14

Our employees are covered with health and safety management system in 100%. This is the health and safety management system required by law. Own workers providing work under different forms of cooperation are not covered with health and safety management system.

S1-15

In general, Polish law regulates entitlement to the family-related leaves. Therefore, we assume that 100% of employees are entitled to take family-related leaves through the social policy and we are basing our calculations below on this data. We do not collect information on who was entitled to take family-related leave and did not take it, because of concern of violating our employees' right to privacy.

We are disclosing the information about the employees that took family-related leave below. We have calculated the percentage basing on the assumption that 100% of the employees are entitled to family-related leaves.



# Workers in the value chain

Assessment of our value chain was the first step to develop and strengthen cooperation with our suppliers and producers. It allowed us to better understand how they work, what are their strengths and needs in terms of our cooperation with regard to sustainability. We feel that they will be the crucial part of our sustainable product definition and circular roadmap implementation. Therefore, we will develop a framework for cooperation with suppliers and subcontractors that will take into account social matters in regard to workers in the value chain. We want to ensure that they are treated equally as our own workers in terms of human rights, diversity and equality, health and safety. This will be preceded by audits in terms of the ESG issues and the result will be manifested in Subcontractors Code of Conduct. To help them in sustainability transformation we will create information and education programs that will cover all of ESG issues.





# Consumers and end-users



ESRS 2 SBM-3

Our customers are based all over Europe, primarily in Germany, France, the Netherlands, the UK, and Switzerland. They represent all age groups, from 18 to 65+, genders and ethnic groups. Around 40% of customers live in cities and 60% are located in towns, suburban and rural areas. In cities, our customers live mostly in rented apartments. As our furniture is in the premium price range, many customers are middle or upper-middle-class. They share values such as sustainable consumption and interest in design and modern technologies.

While investigating potential negative impacts of our products on consumers and end-users we established that one of the biggest issues for our end customers can be the weight of our furniture. Customers do not expect this weight, and it can be a struggle to lift the furniture into an upright position. We try to reduce this difficulty by communicating the final weight of the furniture and the number of competent adults needed to lift a particular piece of furniture.

The positive impacts of our products and design are manifested in customization. Our line of desks gives the left-handed users the ability to customize the furniture to suit their needs. They can decide on which side the components with drawers, doors, and open space will be located. In addition, our customers have the option to adjust the position of the cable opening to suit

needs. For people with reduced mobility, our desks have proven to be easy to assemble. Solutions have been confirmed through UX Usability Tests. We always try to adapt our furniture delivery forms to the special needs of our customers, e.g. disability, pregnancy, illness, age, or other. The customers, at various stages, informs us of the floor they live on and any restrictions that may exist, e.g. absence of a lift. In the case of deliveries by Direct Transport and by our Assembly Teams, our couriers bring the packages directly to the designated location. In addition, the customer can choose a delivery time that suits their individual needs.





#### S4-1

Our cooperation with consumers and end-users is close, but not yet described in the form of policy. We respect human rights of our clients and value their right to privacy and information. While developing our social policies, we will take these topics into account.

#### S4-2

As of now, our customer engagement process begins when customers enter the tylko.com website and start designing their own customized storage furniture with the help of the online configurator. The Tylko configurator helps customers to select furniture parameters such as style, width, depth, height, color, etc., so they can buy a piece of storage furniture that is adapted to their needs. Customers can also choose a pre-configured piece of furniture from the website. Customers can contact the Customer Service team at any moment of this process by phone, e-mail, contact form, WhatsApp, video call and chat. Those are the channels to raise concerns and ask questions.



# Governance



# Business conduct

## ESRS 2 IRO-1

Process of identification and assessment of material impacts, risks and opportunities was conducted during materiality assessment. This process is reported in detail in:

- Disclosure Requirement IRO-1 – Description of the processes to identify and assess material impacts, risks and opportunities,
- Disclosure Requirement IRO-2 – Disclosure Requirements in ESRS covered by the undertaking's sustainability statements.





Business conduct issues assessed during materiality assessment considered the following topics:

TOPIC	IMPACT MATERIALITY	FINANCIAL MATERIALITY	DOUBLE MATERIALITY	PRIORITY MANAGEMENT
Relations with suppliers	Important	Important positive	Yes	Top priority
Ethics	Significant	Significant positive	Yes	Medium priority
Corruption and bribery	Informative	Informative negative	Yes	Normal priority
Lobbying and relations with regulators	Minimal	Minimal	No	—
Anti-competitive behavior	Informative	Minimal	No	—

The assessment of material matters has shown that the topics of lobbying and relations with regulators as well as anti-competitive behavior are not material for our employees, per group companies and other stakeholders.

The topic of relations with suppliers and ethics are important for us internally as well as from the perspective of external stakeholders. Especially our suppliers and subcontractors feel that those topics play significant role for the good cooperation with us. Corruption and bribery are material matters for peer group, as well as internal and external stakeholders. They agreed that they've never encountered violations in this area, while cooperating with us.

G1-1

Taking into account results of materiality assessment we know that corporate culture and business conduct are of importance for us as a growing company. We have manifested our purpose and values in our Strategic Direction for 2023-2025.





Rami Niemi for Tylko, campaign illustration

We believe that by creating a harmonious living space and being responsible for the future, we give people joy.

### We commit to:

- create a space that will allow to achieve harmony and live well for many years,
- create a movement / model of life / lifestyle that inspires people to positive, permanent changes,
- act responsibly,
- create and disseminate valuable knowledge and technology.

### This will allow the following:

- to live well and feel good in your space,
- to reduce the impact of civilization on the planet,
- to reduce overconsumption and teach how to use meaningful solutions,
- to influence the global change in business standards and behavior.



# Strategy planning for 2023–2025

These are our general rules that we follow in our everyday business activities. We would like them to be an inspiration for our employees, associates and stakeholders. In 2023 we will develop the set of policies that touch the most important governance issues, e.g. anti-corruption and anti-bribery policies as well as policy regarding protection of whistleblowers.

## Harmony



### External

- We understand customer needs and meet them with perfect fit to: space, function and style
- We are true to values we communicate
- We live in harmony with nature
- We grow together with our partners

### Internal

- We build diversity on all levels of our organization
- We create a rhythm of work that is predictable
- We value each voice so everyone can contribute to the direction we are going

## Responsibility



### External

- We are responsible for our impact on the environment
- We keep promises given to customers
- We're responsible for relations with our partners

### Internal

- We take care of our teammates
- We're responsible for what we promise and deliver on that
- We're responsible for collecting and understanding data to make decisions based on it





G1-2

Our suppliers and subcontractors are a vital part of our business. Therefore, we feel that it is important to maintain good, close relations with a group of key producers and suppliers. We also strive to gradually build relations with other suppliers, also with entities at further stages of our value chain. Our goal is to build long-lasting relationships that are based on trust and knowledge sharing.

We are aware that our suppliers and subcontractors are key actors in achieving environmental and social goals. They are vital part of our future sustainability policies and we believe that together we can achieve our targets. We will cooperate with them closer to assure that they understand our approach to sustainable development, know our sustainability strategy and targets and will be active part of sustainability-related actions.

We feel that the education is the key to achieving ESG goals, therefore we will prepare comprehensive education program for our suppliers and subcontractors. We will also cooperate with them in the process of sustainability transformation.

G1-3

Prevention and detection of corruption and bribery is an important issue within the relations with our external stakeholders. We will prepare a policy that will organize the process of prevention and detection of corruption and bribery. For now the issues related to corruption and bribery might be reported to senior management via e-mail: [confidential@tylko.com](mailto:confidential@tylko.com)

G1-4

We have not detected any incidents of corruption and bribery in 2022.



# ESRS 2 IRO-2 Disclosure Requirements in ESRS covered by the undertaking's sustainability statements

APART OF THE REPORT	ESRS NUMBER AND TITLE	DISCLOSURE REQUIREMENT NUMBER AND NAME	PAGE		
General information	ESRS 2	General disclosures	ESRS 2 BP-1	General basis for preparation of the sustainability statements	36
			ESRS 2 BP-2	Disclosures in relation to specific circumstances	36
			ESRS 2 GOV-1	The role of the administrative, management and supervisory bodies	36
			ESRS 2 GOV-2	Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies	41
			ESRS 2 GOV-3	Integration of sustainability-related performance in incentive schemes	41
			ESRS 2 GOV-4	Statement on sustainability due diligence	42
			ESRS 2 GOV-5	Risk management and internal controls over sustainability reporting	42
			ESRS 2 SBM-1	Market position, strategy, business model(s) and value chain	43
			ESRS 2 SBM-2	Interests and views of stakeholders	47
			ESRS 2 SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model(s)	47
			ESRS 2 IRO 1	Description of the processes to identify and assess material impacts, risks and opportunities	51
			ESRS 2 IRO-1	Disclosure Requirements in ESRS covered by the undertaking's sustainability statements	51
			Environmental information	ESRS E1	Climate change
ESRS 2 SBM 3	Material impacts, risks and opportunities and their interaction with strategy and business model(s)	55			
ESRS 2 IRO 1	Description of the processes to identify and assess material climate-related impacts, risks and opportunities	55			
ESRS E1-2	Policies related to climate change mitigation and adaptation	53			
ESRS E1-3	Actions and resources in relation to climate change policies	56			
ESRS E1-4	Targets related to climate change mitigation and adaptation	56			
ESRS E1-5	Energy consumption and mix	57			
ESRS E1-6	Gross Scopes 1, 2, 3 and Total GHG emissions	58			
ESRS E1-7	GHG removals and GHG mitigation projects financed through carbon credits	62			
ESRS E1-8	Internal carbon pricing	62			
ESRS E1-9	Potential financial effects from material physical and transition risks and potential climate-related opportunities	62			
ESRS 2 GOV-3	Integration of sustainability-related performance in incentive schemes	62			
ESRS E2	Pollution	ESRS 2 IRO 1			
		ESRS E2-1		Policies related to pollution	63
		ESRS E2-2		Actions and resources related to pollution	64



PART OF THE REPORT	ESRS NUMBER AND TITLE	DISCLOSURE REQUIREMENT NUMBER AND NAME	PAGE
		ESRS E2-3 Targets related to pollution	64
		ESRS E2-4 Pollution of air, water and soil	64
		ESRS E2-5 Substances of concern and substances of very high concern	65
	ESRS E3 Water and marine resources	ESRS 2 IRO 1 Description of the processes to identify and assess material water and marine resources-related impacts, risks and opportunities	66
		ESRS E3-1 Policies related to water and marine resources	66
		ESRS E3-2 Actions and resources related to water and marine resources	66
		ESRS E3-3 Targets related to water and marine resources	66
		ESRS E3-4 Water consumption	66
		ESRS E3-5 Potential financial effects from water and marine resources-related impacts, risks and opportunities	67
	ESRS E4 Biodiversity and ecosystems	ESRS E4-1 Transition plan on biodiversity and ecosystems	68
		ESRS 2 IRO 1 Description of processes to identify and assess material biodiversity and ecosystem-related impacts, risks and opportunities	67
		ESRS E4-2 Policies related to biodiversity and ecosystems	68
		ESRS E4-3 Actions and resources related to biodiversity and ecosystems	69
		ESRS E4-4 Targets related to biodiversity and ecosystems	69
		ESRS E4-5 Impact metrics related to biodiversity and ecosystems change	69
		ESRS E4-6 Potential financial effects from biodiversity and ecosystem-related impacts, risks and opportunities	70
	ESRS E5 Resource use and circular economy	ESRS 2 IRO 1 Description of the processes to identify and assess material resource use and circular economy-related impacts, risks and opportunities	72
		ESRS E5-1 Policies related to resource use and circular economy	74
		ESRS E5-2 Actions and resources related to resource use and circular economy	75
		ESRS E5-3 Targets related to resource use and circular economy	75
		ESRS E5-4 Resources enforced to the organization	76
		ESRS E5-5 Resource outflows	76
		ESRS E5-6 Potential financial effects from resource use and circular economy-related impacts, risks and opportunities	76
Social Information	ESRS S1 Own workforce	ESRS S1-1 Policies related to own workforce	78
		ESRS S1-2 Processes for engaging with own workers and workers' representatives about impacts	78
		ESRS S1-3 Processes to remediate negative impacts and channels for own workers to raise concerns	79
		ESRS S1-4 Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions	79
		ESRS S1-6 Characteristics of the undertaking's employees	80
		ESRS S1-7 Characteristics of non-employee workers in the undertaking's own workforce	80
		ESRS S1-8 Collective bargaining coverage and social dialogue	82
		ESRS S1-9 Diversity indicators	82
		ESRS S1-10 Adequate wages	84
		ESRS S1-11 Social protection	84
		ESRS S1-12 Persons with disabilities	84



PART OF THE REPORT	ESRS NUMBER AND TITLE	DISCLOSURE REQUIREMENT NUMBER AND NAME	PAGE
		ESRS S1-13 Training and skills development indicators	84
		ESRS S1-14 Health and safety indicators	85
		ESRS S1-15 Work-life balance indicators	85
		ESRS S1-16 Pay gap between women and men	79
		ESRS S1-17 Incidents, complaints and severe human rights impacts	83
	ESRS S2 Workers in a value chain	ESRS S2 Workers in a value chain	86
	ESRS S4 Consumers and end-users	ESRS 2 SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model(s)	87
		ESRS S4-1 Policies related to consumers and end-users	88
		ESRS S4-2 Processes for engaging with consumers and end-users about impacts	79
Governance information	ESRS G1 Business conduct	ESRS 2 IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities	90
		ESRS G1-1 Corporate culture and business conduct policies	91
		ESRS G1-2 Management of relationships with suppliers	94
		ESRS G1-3 Prevention and detection of corruption and bribery	94
		ESRS G1-4 Confirmed incidents of corruption or bribery	94



# Awards and recognition



**Launch Festival 2014 · Best Technical Achievement**  
Awarded to CSTM (Tylko's previous brand name) for the initial concept of our AR-enhanced app for furniture customisation. The award has been the cradle of projects such as Dropbox, Hipmunk, Mint or Spacemonkey.



**Design Alive 2015 · Strategist of the Year**  
One of the three main categories, awarded for the concept and strategical business development.



**Łódź Design Festival · Must Have 2019**  
Awarded for the best implementations from Polish designers and producers in a given year.



**Tech5 Startup Competition (by TNW & ADYEN)**  
· 1st Place for Poland 2020  
Ranking created by a team of investors and influential experts based on significant investments, community initiatives, team development and media coverage.



**EY Entrepreneur of the year 2023**  
Tylko received special acknowledgement for international expansion – from an independent jury awarding entrepreneurs who stand out with their vision, innovation and business successes.





We are open to your questions and feedback.  
Please direct them to ESG Lead:  
Agata Krzastek at [agata.krzastek@tylko.com](mailto:agata.krzastek@tylko.com)

Assignments and division of responsibilities The Board of Directors are responsible for the sustainability report for the financial year of 1 January 2022 to 31 December 2022 and for ensuring that it is drawn up in conformity with the annual report.

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Warsaw, 30 July 2023

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