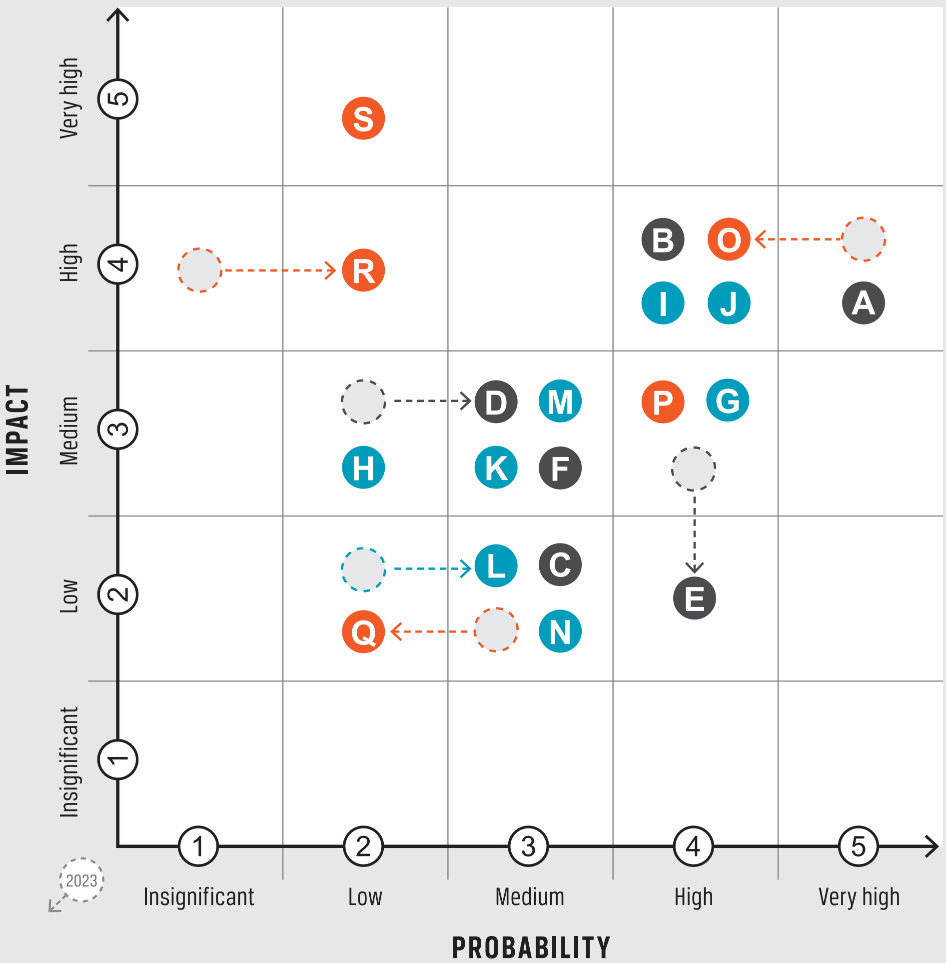
# Risks and risk management

Alligo's operations give rise to strategic, operational and financial risks as well as opportunities. The purpose of risk management is to prevent and mitigate these risks in a way that creates value.

The identification and assessment of the most significant risks is integrated into Alligo's strategic and operational planning at all business levels within the organisation. Process owners and risk owners within the different parts of our operations identify and assess existing and potential new risks together with the Group management, which performs the general analysis of risks and opportunities for the entire business. The risk management process is continuously developed and measures are implemented in order to prevent and minimise risks within all the main risk areas.

Alligo describes its main risks from three perspectives: strategic risks associated with the industries and geographic markets in which the Group operates, operational risks related to how the Group conducts its business, and financial risks linked to the types of financial transactions in which the Group is involved. Each risk is assessed on the basis of probability and impact.

## Risk matrix




**STRATEGIC RISKS**
- A Market development/ Economic situation
- B Competitive situation
- C Sustainability
- D Increased digitisation
- E Climate-related risks
- F Wage inflation in manufacturing countries

**OPERATIONAL RISKS**
- G Risks relating to sales and gross margin
- H Product risks
- I IT risks
- J Risks in the flow of goods
- K Risks in the organisation
- L Credit and counterparty risks
- M Acquisition and integration risks
- N Business ethics risks and responsibility in the supply chain

**FINANCIAL RISKS**
- O Raw material prices
- P Exchange rate fluctuations
- Q Interest rate fluctuations
- R Financing risk
- S Impairment of intangible assets

## STRATEGIC RISKS

### A Market development/Economic situation

PROBABILITY: **5** IMPACT: **4**

Macroeconomic factors such as GDP development, inflation and interest rates affect Alligo's conditions for profitable growth. Alligo's customers mainly comprise industrial, construction and service companies in Sweden, Norway and Finland, as well as the public sector in Sweden and Norway. Accordingly, the industrial and construction economy in the Nordic region impacts on the Group's development, mainly with respect to changes in the number of employees, productivity and the level of investment willingness.

A mix of corporate customers of varying sizes within eight industry segments has a balancing effect and contributes to diversification and risk spread. The geographical spread also has a diversifying effect. Demand in each individual country is impacted by investments in infrastructure programmes, such as expansion and maintenance of roads and railways, and by various initiatives in publicly financed operations, such as the Swedish Armed Forces.

Inflation decreased in 2024, but the economy remained weak. Demand slowed and stabilised at a weak level. Geopolitical tensions in the world have increased, uncertainty remains about the war in Ukraine and there are risks of increased protectionism and a trade war. The future impact on the freight market, raw material prices, inflation and the economy is hard to predict.

The past few years have shown that careful planning and good organisational preparation are needed in order to handle any future changes in the world around us and the economic situation.

### B Competitive situation

PROBABILITY: **4** IMPACT: **4**

As the structural transformation and consolidation of the industry progresses, the competitive situation is also changing for Alligo. Many customers are looking to limit the number of suppliers in order to increase control in the value chain, focus on a value creating offering and achieve cost advantages.

Competition among resellers has increased due to the entry of new, often web-based, resellers and certain international players into the Swedish market in recent years, especially in the building material and private markets. Alligo is constantly working to develop and enhance its competitiveness, for example in terms of its offering, purchasing terms, quality and pricing. Alligo is also actively involved in the ongoing consolidation of the industry by acquiring companies that complement its existing operations in Sweden, Norway and Finland.

A weak economy brings opportunities for Alligo to increase its market shares if competitors are weakened, but also poses a risk of intensified competition within certain industry segments or customer groups if more competitors target these at the same time.

### C Sustainability

PROBABILITY: **3** IMPACT: **2**

Customers, investors, suppliers, employees and society at large are making greater demands for sustainability, driven by increased awareness and more stringent legislation. Alligo is directly affected by regulations relating, for example, to product information, chemicals and sustainability reporting, and also indirectly as customers, who in turn are covered by these regulations, setting increased requirements for their suppliers.

If Alligo is unable to meet these requirements at least as well as its competitors, this can lead to business risks such as lost customers and regulatory penalties.

In order to manage these risks, sustainability is an integral part of Alligo's strategy, business planning and risk management. Alligo's greatest environmental and climate impact occurs in the value chain. Alligo works to reduce its impact by specifying requirements and following up using the Sustainability Due Diligence process. Through the ReCare service, Alligo supports efficient resource management throughout the entire life cycle of workwear.

### D Increased digitisation

PROBABILITY: **3** IMPACT: **3**

Digitisation is becoming increasingly important for meeting customer expectations and being able to run the company's own operations effectively. If Alligo does not take advantage of the new technologies and working methods available and is unable to meet the needs of customers and business partners, both now and in the future, there is a risk of reduced competitiveness. The rapid development of artificial intelligence presents potential new risks, but also opportunities for those companies that keep up with development.

This requires continuous investments in efficient transaction and integration platforms, systems for managing large quantities of product information and attractive e-commerce solutions.

Alligo has implemented several important projects to strengthen its digital sales channels and enable customers to interact with a modern e-commerce platform. The company is also continuously developing its own operations using digital solutions to enhance internal efficiency.

### E Climate-related risks

PROBABILITY: **4** IMPACT: **2**

Alligo works to reduce the climate impact of its own operations and throughout the value chain and to deal with the consequences that may result from climate change. The Group's business model and strategy have a high level of resilience to climate change.

Alligo's broad range of own and external brands, along with a diversified supplier base in the Nordic region, Europe and Asia, help to minimise the impact of disruptions to production and supply caused by climate change. Having a logistics centre in each country and a store network spread across Sweden, Norway and Finland also contributes to increased resilience to local physical climate change, such as flooding.Alligo has updated the climate risk assessment based on the results of the double materiality assessment that provides the foundation for the Sustainability Report.

### F Wage inflation in manufacturing countries

PROBABILITY: **3** IMPACT: **3**

Alligo is affected by changes in the wage level in those countries where the Group's products are manufactured. The impact varies between different products depending on the proportion of the manufacturing process that is labour-intensive. Relocating production and establishing in new countries of manufacture requires careful analysis and planning. This represents a strategic risk in the business model that needs to be prevented and planned for from a medium-term perspective.

## OPERATIONAL RISKS

### G Risks relating to sales and gross margin

PROBABILITY: 4 IMPACT: 3

There is a risk that the products in the range will not match demand or that the sales and assortment management will not achieve full impact in the organisation, resulting in reduced sales and lower margins.

Alligo sells to corporate customers, who often have discounts and customer-specific price lists, which can be regulated for a contract period with limited opportunity to increase them. Alligo works with clear frameworks that govern the sales team's pricing for customers, but failure to adhere to this may result in poorer margins. There is also a risk that changes in purchase prices or other costs cannot be passed on fully and immediately to customers, which may affect margins in either the short term or the long term.

In recent years, purchase prices have increased and market demand has slowed, which has increased the risk of impact on gross margin. At the same time, demand for low-cost alternatives has increased, which risks putting further pressure on gross margin.

Sales risks are partly diversified through a broad customer base consisting of companies of different sizes, industry segments and geographic markets. A broad product portfolio and a significant share of own brands also enhances the range and enables good margins. The economy has been unusually weak in recent years, however, which has affected most customer groups and industry segments on the various geographic markets.

### H Product risks

PROBABILITY: **2** IMPACT: **3**

The ability to meet stakeholders' expectations for quality and transparency, as well as compliance with laws and requirements relating to the range, is vital for customers' trust. Alligo works with both its own and external brands. The Group's products must meet customers' expectations with regard to function, quality, safety, price and environmental and climate impact.

Alligo is continuously working to optimise the customer offering with respect to quality, price, and the environment and climate. The Group applies the precautionary principle when designing products and carries out product testing to ensure that stringent requirements with regard to function, quality, safety and chemical content are met. This means that relevant standards are followed and that products and substances are gradually phased out as necessary. Large-scale product development and ongoing product range work ensure that the Group has a range with high levels of product quality, product safety and customer satisfaction.

### I IT risks

PROBABILITY: **4** IMPACT: **4**

Alligo's operations are dependent on having continuous access to IT-based tools and systems, which may be vulnerable to damage and disruptions caused by, for example, computer viruses, power cuts, fires, operational disruptions and similar events. With increased digitisation and rapid developments in technology, within artificial intelligence for example, cyber risks and IT attacks are increasingly becoming an issue. Disruptions to critical IT systems could cause problems with delivering products and services to customers within the agreed time frame. Alligo works pro-actively to identify and address potential threats and risks.

The migration to Alligo's Group-wide IT and business systems in Norway was implemented during the first quarter of 2025 without major disruption. The change of business system was less complicated than the migration previously implemented in Tools in Sweden, where logistics were coordinated at the same time.

Overall, Alligo is currently less vulnerable to disruptions to critical IT systems than before. Large-scale change work has been implemented, involving not only a change of system but also the construction of a more robust IT structure with stronger backup and redundancy systems.

### J Risks in the flow of goods

PROBABILITY: **4** IMPACT: **4**

Alligo is dependent on the flow of goods functioning in a reliable and cost-effective manner. The goods flow process begins as early as the purchase planning stage and deficiencies in the purchasing function can create disruption to the flow of goods even before the logistics function is able to distribute them. A large proportion of goods coming from Asia places stringent requirements on having a structured purchasing process and a well-balanced supplier base. Purchasing work is carefully planned and systematically monitored to minimise the risk of any disruption.

The Group has three larger logistics centres, one of which is in Sweden, one in Norway and one in Finland. A fire, problems with IT systems or other technology used by the logistics centres, or any other form of major disruption at these facilities could create problems in delivering products to customers, although the business would still be able to deliver to stores as the products are delivered directly from the suppliers. In order to meet increased demands on the flow of goods and storage capacity, the logistics function is continuously streamlined, among other things by increasing automation, with the highest level of this currently at the logistics centre in Örebro.

The coordination of logistics at fewer but larger units increases fire safety requirements. In 2025, the sprinkler system at Autostore will be expanded and Alligo is also investing in further measures to increase fire safety.

The coordination of logistics in Norway was completed during the third quarter of 2024. The relocation and combination of three previous logistics operations at one brand new centre resulted in some disruption and longer lead times in Norway in 2024. The biggest problems have been resolved and the focus in 2025 is on increasing the level of efficiency of the new organisation. In the short term, there are still risks that the logistics operations in Norway will not achieve the desired level of efficiency quickly enough. In the longer term, the coordination will secure capacity and efficient logistics in Norway.

### K Risks in the organisation

PROBABILITY: **3** IMPACT: **3**

Competent and dedicated employees and qualified key personnel are important for Alligo's ability to realise strategies and achieve goals. If Alligo fails to provide an attractive work environment and continuous development, this would have a direct negative impact on the ability to attract, engage and retain qualified employees.

If Alligo fails to sufficiently motivate employees or if there are other major shortcomings in the organisation, there is a risk that it may be difficult to implement decisions taken or that other inefficiencies may arise.

Alligo works continuously to create a safe, fair and diversified workplace with a high level of well-being and pride among employees. Alligo has well-developed

## OPERATIONAL RISKS (cont.)

processes for internal communication via an intranet and other internal channels, which make the necessary information readily available to employees. Significant processes are also documented in a common management system in order to further develop working methods and reduce reliance on individuals. Extensive integration work has been carried out between Tools and Swedol and the organisation is less vulnerable and reliant on individuals than before.

### L Credit and counterparty risks

PROBABILITY: **3** IMPACT: **2**

Alligo is exposed to normal credit and counterparty risks in its customer relationships. A diversified customer base is helping to keep the Group's customer losses comparatively low, but the risks may increase in the event of a more sustained recession. None of Alligo's customers individually accounts for a significant portion of total revenue.

### M Acquisition and integration risks

PROBABILITY: **3** IMPACT: **3**

Acquisitions and integration represent a key element of Alligo's growth strategy. The risks here are that the Group may be unable to realise the expected benefits of an acquisition and that integration processes may take longer or become more costly than estimated. Acquisitions may also result in other unforeseen shortcomings and risks. Alligo has a proven, well-functioning acquisition process which, combined with the relative size of most acquisitions, limits the potential impact.

### N Business ethics risks and responsibility in the supply chain

PROBABILITY: **3** IMPACT: **2**

In its capacity as a major player and a listed company, Alligo has a responsibility to act in a professional and highly ethical manner in all business dealings and relationships. Unethical behaviour could result in legal consequences and damage the company's reputation and trust.

Preventive measures include regular training designed to strengthen awareness of corporate social responsibility, business ethics and anti-corruption. Training on the Code of Conduct and the Anti-Corruption Policy is mandatory for all employees and businesses owned by Alligo. This includes fixed-term employees (such as independent contractors and consultants), intermediaries, agents and others who act on behalf of the Group.

Parts of Alligo's range are manufactured in countries where there is an increased risk of corruption, for example. The requirements that Alligo places on its suppliers in relation to human rights, working conditions, the environment and anti-corruption are communicated through the Group's Supplier Code of Conduct and restricted chemicals list. These requirements are subject to systematic follow-up through self-assessments, factory visits and audits.

## FINANCIAL RISKS

### O Raw material prices

PROBABILITY: **4** IMPACT: **4**

One of the factors affecting purchase prices for the Group's products is the global market prices for individual raw materials. This applies in particular to electrical materials (copper), batteries (zinc), lighting (aluminium), steel, plastic products (oil) and clothing (cotton). In 2024, inflation decreased and raw material prices stabilised. The Group does not hedge the price risk of underlying raw materials but attempts to neutralise the negative cost impact of the commodities market by adjusting prices in line with changes in raw material prices.

### P Exchange rate fluctuations

PROBABILITY: **4** IMPACT: **3**

Alligo makes a significant proportion of its purchases in both Asia and Europe and therefore has exposure to USD and EUR. Sales usually take place in local currency in the countries where the Group operates. For a description of the Group's exposure to various currencies and the financial instruments used to minimise the risks, refer to the section Foreign exchange rates in note 23 Financial risks and risk management.

### Q Interest rate fluctuations

PROBABILITY: **2** IMPACT: **2**

For a description of the manner in which Alligo is exposed to interest rate fluctuations in relation to external borrowing and lending and the way this is managed to minimise risks, refer to the section Interest rate risks in note 23 Financial risks and risk management.

### R Financing risk

PROBABILITY: **2** IMPACT: **4**

Financing risk refers to the risk that meeting Alligo's requirements for external capital could become more difficult or more expensive. For a description of the Group's financing and the manner in which the financing risk is managed, refer to the section Liquidity and refinancing risks in note 23 Financial risks and risk management.

### S Impairment of intangible assets

PROBABILITY: **2** IMPACT: **5**

Goodwill relating to acquisitions is a significant item on the consolidated balance sheet. Impairment costs relating to goodwill and other intangible assets may have a negative impact on the Group's financial position and earnings.

Alligo continuously monitors relevant circumstances relating to its business, the general economic situation and the potential impact of such circumstances on the valuation of the Group's goodwill and other intangible assets.

## WE MAKE BUSINESSES WORK

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