



SUSTAINABILITY REPORT FOR 2016

Sustainability is well-integrated in the companies' business processes. Policies and Codes of Conduct are approved by the Board and give clear guidelines and set requirements. The steering documents are founded on the guidelines of the UN Global Compact's 10 principles on human rights, labour, the environment and anti-corruption, plus international conventions.

LAMMHULTS DESIGN GROUP'S OVERALL SUSTAINABILITY GOALS

Lammhults Design Group works towards four comprehensive sustainability goals to achieve sustainable business and social development, and ongoing improvement.

1. Ensure that Lammhults Design Group's core values and social and environmental principles are recognised and integrated in the operations of each company

During the year, all the companies worked on their strategic goals, most important initiatives and action plans for long-term sustainable and profitable growth. Strategic plans were adopted by the Board. Sustainability in all its aspects is fundamental. Other fundamental issues are entrepreneurship, customer insight and innovation.

2. Ensure that we have a socially and environmentally sound and responsible supply chain

External audits of procedures and approaches for selecting and monitoring suppliers were carried out during the year in line with current requirements for continuing to hold Möbelfakta approval in some of the companies. The more stringent Möbelfakta criteria on even more systematic working methods boosts work on social responsibility. In total only 2 percent of total purchasing comes from risk countries.

3. Increase the proportion of sustainable wood raw materials in our products and support sustainable forestry

Ensuring that wood is purchased from sustainable forestry (FSC, PEFC certified or equivalent) is a criterion for Möbelfakta and the Nordic Swan Ecolabel. During the year an additional 18 products were labelled and there are now a total of 72 products/ranges with Möbelfakta approval.

4. Reduce the environmental impact of our products and services

Designing for long product lifetime, reducing energy consumption, increasing the proportion of renewable raw materials, increasing the proportion of recycled materials and designing products for greater recycling and replaceability are key elements in the companies' development work. The Campus chair now celebrating its 25th anniversary is a good example of sustainability. Fora Form reports the climate footprint of all volume products from 2016 onwards. In the past three years CO₂ emissions from heating and electricity use have been cut by 35 percent. We are continuing to reduce the use of chemicals by complying with Möbelfakta's and the Nordic Swan Ecolabel's criteria.

STAKEHOLDER DIALOGUE AND MATERIALITY ANALYSIS

Our most important stakeholder groups are found in and around our value chains. These are shareholders, customers, employees, suppliers and partners, plus society in the form of government agencies, the education sector, the media and the local communities in which we run our operations.

The new Sustainable Development Goals and the 2030 Agenda constitute a global, national and local driving force for sustainable development. As part of its materiality analysis, the Group has identified that three of the seventeen Sustainable Development Goals (SDGs) of the 2030 Agenda are of the utmost importance for the Group and are where we can exert the greatest influence. These are:

- DG 8 (Decent work and economic growth),
- SDG 12 (Responsible consumption and production) and
- SDG 15 (Ecosystems and biodiversity).

For the environmental aspects, the National Environmental Goals adopted by the Swedish Riksdag have been viewed as a stakeholder in conjunction with the materiality analysis. The results of our materiality analysis point out four concrete environmental areas that will be focused on in the coming strategy period.

Concrete areas to be prioritised are:

- Design to reduce climate impact throughout the lifecycle
- Design for good resource management when the product is at the end of its life, e.g. through separability, repairability and reuse to support a circular economy.

- Continued relevant product certifications such as Möbelfakta and the Nordic Swan Ecolabel.
- Transport and electricity agreements and energy efficiency savings to reduce environmental impact.

OUR SOCIAL RESPONSIBILITY

Employees

Customer and employee surveys have been carried out in several of the companies during the year. The remaining companies will run surveys in 2017. These surveys provide good data on and insights into improvement measures that are followed up at company and Group level. Lammhults Design Group values ethics, diversity and equality. We want the make-up of our human resources to reflect the world around us and our customers. The Group's employees in 2016 numbered 391 people, 60 percent men and 40 percent women for the whole Group. Staff turnover at own request has fallen and is equivalent to 5 percent. Total sick leave has fallen slightly during the year, amounting to 4.5 percent.

Suppliers

The Group has operational units in Sweden, Norway, Denmark and Germany. We largely use local suppliers in the respective country. The suppliers supply material, components, semi-manufactured or finished articles. For the Group as a whole, local suppliers accounted for 59 percent of purchasing in terms of value in 2016. Of the Group's external purchasing of materials and components, suppliers in the Nordic countries accounted for 54 percent, the rest of Western Europe for 27 percent, Eastern Europe for 17 percent, while purchasing in Asia (China) amounted to 2 percent. In total 121 suppliers account for 80 percent of direct materials. Factory inspections were carried out at five suppliers in China during the year. Four of these were approved while in one case procedures were deficient. Skills, quality, delivery time and cost, and ethical, social and environmental aspects are the foremost criteria when selecting suppliers. Möbelfakta's criteria for social responsibility in the supply chain have been tightened up and even more systematic work on surveys, risk analysis and follow-up has been established. During the year these procedures have been scrutinised by an external audit at the companies Lammhults Möbel and Abstracta.

Anti-corruption and human rights

Risk analyses of breach of the company's Code of Conduct regarding bribery and offences against legislation and regulations have previously been conducted for all

the companies in the Group. This risk analysis also covers risk of inappropriate gifts or other favours provided for personal gain or to benefit another party and not in the best interests of the company. A risk analysis of offences against human rights, freedom of association, child labour and forced labour is part of the systematic analysis of risks. For the Group's companies whose own production is in the Nordic countries, and with 98 percent of the supplier base located in Europe, where rights and freedom of association are protected by law, no major risk is considered to exist. Some of the companies have suppliers in China. Here, there is judged to be a risk and therefore monitoring has been carried out on site in 2016.

Our social engagement

Several of the companies in the Group have established partnerships with schools and educational institutions for study visits, work experience and dissertations. These partnerships are of great value and have an impact on our business and future development. There are several good examples of the importance of these networks for recruitment and for developing products and services.

OUR ENVIRONMENTAL RESPONSIBILITY

The production units in Sweden and Norway are heated using bio-based district heating, and electricity consumption in Sweden, Denmark and Germany is mainly based on electricity from renewable resources (wind and hydro power). The Group's total energy consumption (electricity and heating) increased by 4 percent compared with the previous year. Energy for heating is not corrected in relation to a normal year. Electricity use is not normalised

PROPORTION OF PURCHASING FROM LOCAL SUPPLIERS

| | |
|---|------------|
| Abstracta AB (Sweden) | 64% |
| Fora Form AS (Norway) | 45% |
| Ire Möbel AB (Sweden) | 91% |
| Lammhults Möbel AB (Sweden) | 74% |
| Lammhults Biblioteksdesign AB (Sweden) | 46% |
| Lammhults Biblioteksdesign A/S (Denmark) | 37% |
| Schulz Speyer Bibliothekstechnik AG (Germany) | 78% |
| TOTAL | 59% |

for increases in volume. The Group's organic growth was 5 percent, which contributed towards increased energy use. In total, renewable sources account for 83 percent of the Group's total energy needs in terms of all electricity and heating. The Group's companies increased CO₂ emissions from heating and electricity by 10 percent compared with the previous year due to a cold winter and higher sales. Seen over a longer period, however, CO₂ emissions have fallen by 35 percent over the past three years for comparable units. Packaging materials mainly comprise renewable raw materials such as corrugated board and wood. Plastic is also used. The proportion of renewable packaging material was 95 percent in 2016.

Material recycling is the dominant method of waste management, which is important for a sustainable society. Material recycling amounted to 71 percent of total waste during the year.

In order to Möbelfakta-label or Nordic Swan Ecolabel furniture, wood and wood-based materials must be traceable and come from legal forestry (FSC or PEFC certified or equivalent). The majority of volume products have been Nordic Swan Ecolabelled or approved by Möbelfakta. The number of Möbelfakta-approved products increased during the year by an additional 18 products and now amounts to a total of 72 products/ranges. Work will continue to obtain additional ecolabels such as the Nordic Swan Ecolabel and Möbelfakta in 2017. This applies to new products as well as the existing range. Fora Form reports complete environmental declarations based on lifecycle analyses for all volume products which were completed during the year (there is now a total of 19 reports under ISO14025) available via epd-norge.no. This includes an account of the climate footprint of the respective product throughout its lifetime.

MATERIAL USE & ENERGY CONSUMPTION

CO₂ reporting is based on information from the suppliers of electricity and district heating and emissions from heating using natural gas and oil. CO₂ emissions from transport are not reported, as only a limited number of suppliers are currently able to submit an emissions report. When it comes to transport, we monitor the progress of our carriers in their transition to more environmentally friendly engines (EURO classes).

MATERIAL USE & ENERGY CONSUMPTION

| MANUFACTURING FACILITIES | ABSTRACTA AB SWEDEN | FORA FORM AS NORWAY | IRE MÖBEL AB SWEDEN | LAMMHULTS MÖBEL AB SWEDEN | LAMMHULTS BIBLIOTEKSDESIGN AB SWEDEN | LAMMHULTS BIBLIOTEKSDESIGN A/S DENMARK | SCHULZ SPEYER BIBLIOTEKSTECHNIK AG GERMANY | TOTAL 2016 | TOTAL 2015 | INDEX |
|--|------------------------|------------------------|------------------------|---------------------------------|--|--|--|------------|------------|-------|
| PACKAGING MATERIALS | | | | | | | | | | |
| Corrugated board (kg) | 76,187 | 42,685 | 6,955 | 105,988 | 6,498 | 3,029 | 6,793 | 248,135 | 297,550 | 83% |
| Plastic (kg) | 2,170 | 950 | 1,005 | 4,948 | 1,484 | 1,569 | 2,305 | 14,431 | 13,594 | 106% |
| Wood (kg) | 11,550 | 0 | 0 | 0 | 1,125 | 17,021 | 5,151 | 34,487 | 42,108 | 83% |
| ENERGY | | | | | | | | | | |
| Oil (kWh) | 0 | 0 | 0 | 0 | 0 | 0 | 148,372 | 148,372 | 154,056 | 96% |
| Natural gas (kWh) | 271,564 | 0 | 0 | 0 | 0 | 821,898 | 0 | 1,093,462 | 1,039,968 | 105% |
| Electricity (kWh) | 824,986 | 441,070 | 128,955 | 1,018,844 | 166,384 | 150,939 | 40,196 | 2,771,374 | 2,702,316 | 103% |
| District heating (kWh) | 1,344,380 | 569,740 | 355,000 | 1,471,000 | 210,844 | 0 | 0 | 3,950,964 | 3,741,320 | 106% |
| CO2 emissions from heating and electricity (kg) | 134,131 | 31,652 | 146 | 39,717 | 6,726 | 170,280 | 48,448 | 431,100 | 390,288 | 110% |
| WASTE | | | | | | | | | | |
| Hazardous waste (kg) | 535 | 185 | 315 | 14,388 | 0 | 0 | 0 | 15,423 | 22,758 | 68% |
| Landfill (kg) | 3,454 | 0 | 0 | 220 | 0 | 0 | 0 | 3,674 | 8,872 | 41% |
| Recycling (waste for sorting) (kg) | 0 | 0 | 11,840 | 4,260 | 0 | 0 | 0 | 16,100 | 0 | na |
| Material recycling of steel (kg) | 9,519 | 3,420 | 8,000 | 78,790 | 0 | 65,469 | 0 | 165,198 | 137,400 | 120% |
| Material recycling of aluminium (kg) | 7,215 | 0 | 0 | 4,959 | 0 | 3,210 | 0 | 15,384 | 5,830 | 264% |
| Material recycling of wood (kg) | 75,050 | 16,460 | 2,420 | 42,800 | 4,000 | 300 | 8,820 | 149,850 | 152,200 | 98% |
| Material recycling of plastic (kg) | 7,710 | 0 | 0 | 4,160 | 0 | 3,300 | 0 | 15,170 | 7,931 | 191% |
| Material recycling of corrugated board (kg) | 18,410 | 0 | 1,960 | 31,069 | 2,250 | 2,840 | 0 | 56,529 | 51,940 | 109% |
| Material recycling of paper (kg) | 940 | 14,310 | 0 | 540 | 370 | 0 | 7,490 | 23,650 | 29,349 | 81% |
| Burnable waste (Energy recovery) (kg) | 49,695 | 11,650 | 12,360 | 43,610 | 5,540 | 6,220 | 6,860 | 135,935 | 188,940 | 72% |
| KEY FIGURES | | | | | | | | | | |
| Proportion of waste for material recycling | 69% | 74% | 34% | 72% | 54% | 92% | 70% | 71% | 64% | 112% |
| Proportion of packaging material that is renewable | 98% | 98% | 87% | 96% | 84% | 93% | 84% | 95% | 96% | 99% |

ABOUT THE REPORT

The Sustainability Report is inspired by the Global Reporting Initiative's GRI Standards. Economic and social indicators cover the entire Group. The environmental aspects include all the production and distribution units apart from the companies acquired during the year. The sales companies have a marginal impact on the environmental indicators. The acquired companies will be integrated in the reporting in the year following acquisition.

The complete sustainability report and a GRI cross-reference table can be downloaded via the website, www.lammhultsdesigngroup.com